



# 海通证券股份有限公司

## HAITONG SECURITIES CO., LTD.\*

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

Stock Code: 6837



# Annual Report 2020

*\*For identification purpose only*

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## IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of this annual report (the “**Report**”) and that there is no false representation, misleading statement contained herein or material omission from this Report, for which they will assume joint and several liabilities.

This Report was considered and approved at the 15th meeting of the seventh session of the Board. All the Directors of the Company attended the Board meeting.

None of the Directors or Supervisors has made any objection to this Report.

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have audited the annual financial reports of the Company prepared in accordance with PRC GAAP and IFRS respectively, and issued a standard and unqualified audit report of the Company. All financial data in this Report are denominated in RMB unless otherwise indicated.

Mr. Zhou Jie, Chairman of the Company, Mr. Zhang Xinjun, the Chief Financial Officer, and Mr. Ma Zhong, the head of the accounting department warrant the truthfulness, accuracy and completeness of the financial report contained in the Report.

The Board considered the profit distribution proposal or proposal on transfer of capital reserve funds into share capital for the Reporting Period, which are as follows:

On the basis of the total share capital of A Shares and H Shares of 13,064,200,000 shares as at 31 December 2020, the Company distributed cash dividends of RMB2.50 (inclusive of tax) for every 10 shares to holders of A Shares and H Shares registered on the equity registration date, with total cash dividends amounting to RMB3,266,050,000.00. After this cash dividend distribution, the retained profit of the parent company of RMB22,853,648,623.49 was carried forward to the next year.

Forward-looking statements, including future plans and development strategies, may be included in this report. All statements contained herein other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertakes any obligation to publicly update or revise any forward-looking statement as a result of new data. Forward-looking statements, including future plans and development strategies contained in this Report do not constitute any commitment of the Company to investors. Investors should be reminded of the risks of investments and not place undue reliance on forward-looking statements.

No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.

The Company did not provide external guarantees in violation of the stipulated decision-making procedures during the Reporting Period.

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

### I. DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“CSRC Shanghai Bureau”	Shanghai Regulatory Bureau of the China Securities Regulatory Commission
“Director”	the director(s) of Haitong Securities
“ETF”	exchange traded fund
“EUR”	the official currency of the Eurozone
“FICC”	fixed-income instruments, currencies, and commodities
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
“Group”	the Company and its subsidiaries
“Gui’an UT”	Gui’an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司)
“H Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Haitong Bank”	Haitong Bank, S.A.
“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“Haitong Futures”	Haitong Futures Co., Ltd. (海通期貨股份有限公司)
“Haitong Innovation Securities”	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
“Haitong International”	Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange, stock code: 665
“Haitong International Holdings”	Haitong International Holdings Limited (海通國際控股有限公司)
“Haitong Resource”	Shanghai Haitong Resource Management Co., Ltd. (上海海通資源管理有限公司)
“Haitong UT”	Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司), listed on the Hong Kong Stock Exchange, stock code: 1905
“Haitong UT Capital”	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)
“Haitong UT Holdings”	Haitong UT Holdings Limited (海通恒信融資租賃控股有限公司)
“Haitong-Fortis PE”	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
“HFT Investment”	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HT Asset Management”	Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司)
“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“NAFMII”	National Association of Financial Market Institutional Investors
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NSSF”	the National Council for Social Security Fund of the PRC
“PRC”	the People’s Republic of China, and for the purposes of this Report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2020 to 31 December 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Guosheng Group”	Shanghai Guosheng (Group) Co., Ltd. (上海國盛 (集團) 有限公司)
“Shanghai Weitai Properties”	Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)
“Shanghai Zechun”	Shanghai Zechun Investment & Development Co. Ltd. (上海澤春投資發展有限公司)
“SSE”	the Shanghai Stock Exchange
“Supervisor”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities
“SZSE”	the Shenzhen Stock Exchange
“US\$”, “USD” or “U.S. dollars”	the lawful currency of the United States of America
“WIND”	Wind Information Co., Ltd.
“WFOE”	Wholly Owned Foreign Enterprises

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

### II. MATERIAL RISK WARNINGS

The business of the Group is highly dependent on the overall economic and market conditions in jurisdictions where it operates. Our results of operations may be materially affected by various factors, such as macro-economic environment, cyclical fluctuations of the industry, development stages of the market, behaviours of the investors and the international economic conditions.

The Group is exposed to major risks in its business operations, including policy risks, whereby the operations of securities firms in general may be subject to material adverse effect caused by national macro-control measures, and changes of laws, regulations, regulatory policies or trading rules applicable to securities industry; international operations risks, whereby its businesses operations in foreign countries may be affected by changes in economic, political and social conditions in such countries or regions; compliance risks, whereby the securities firms may be subject to legal liabilities or regulatory penalties, disciplinary actions, or incur property loss or reputation damage due to failure to comply with laws, regulations and rules due to the securities fund management company or its staff's poor management or malpractices; risks associated with money laundering, whereby the Group may be subject to regulatory penalties due to failure to fully comply with applicable laws, regulations and regulatory requirements on anti-money laundering and counterterrorism; credit risks, which may result in losses to the operations due to the inability of a borrower, counterparty or debt issuer to meet its agreed financial obligations; market risks, where proprietary investments record losses due to adverse fluctuations of market prices (such as the stock price, interest rate, or exchange rate); operational risks triggered by deficiencies in internal processes, operational error and misconduct of staff, IT system failures, or impact from external sources; liquidity risks, where the Group is unable to obtain sufficient funds in a timely manner at a reasonable cost to repay the due debts, fulfil other payment obligations and meet the capital requirements for carrying out normal business; and reputational risks, where the corporate image among stakeholders is damaged due to the Group's operations, management, other acts or the external incidents. All these risks may directly affect the results of operations and financial conditions of the Group. In addition, these effects may overlap with each other due to the certain inherent correlation among these risk factors.

For the specific analysis of the abovementioned risks and measures that the Group has taken or will take, please refer to "Potential Risks" in the section IV "Report of the Board of Directors" of this Report and pay special attention to the above risk factors.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

Chinese name of the Company	海通證券股份有限公司
Chinese abbreviation of the Company	海通證券
English name of the Company	Haitong Securities Co., Ltd.
English abbreviation of the Company	Haitong Securities
Legal representative of the Company	Zhou Jie
General manager of the Company	Qu Qiuping
Authorised representatives of the Company	Zhou Jie, Jiang Chengjun
Joint company secretaries	Jiang Chengjun, Wong Wai Ling
Chief compliance officer	Wang Jianye

#### Registered Capital and Net Capital of the Company

	<i>Unit: Yuan Currency: RMB</i>	
	<b>As at the end of the Reporting Period</b>	<b>As at the end of last year</b>
Registered capital	13,064,200,000.00	11,501,700,000.00
Net capital	84,129,715,034.91	73,207,979,979.19

*Note:* The Company has completed the registration and custody for A Shares issued under the Non-public Issuance of A shares on 5 August 2020 in Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000, and the registered capital of the Company has increased from RMB11,501,700,000 to RMB13,064,200,000.

#### Business scope of the Company

Securities brokerage; securities proprietary trading; securities underwriting and sponsorship; securities investment consulting; financial advisory services relating to securities trading and investment activities; direct investment; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending; agency sale of financial products; the stock options market making; other businesses approved by the CSRC. In addition, the Company is permitted to establish subsidiaries that are engaged in outbound investments including investments in financial products. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

#### Qualification for each individual business of the Company

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending centre (Zhong Hui Jiao Fa [2001] No. 306)
4. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
5. Qualification for open-end securities investment fund consignment business (Zheng Jian Ji Jin [2002] No. 076)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

6. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
7. Qualification for short-term financial bond underwriting business (Yin Fa [2005] No. 173)
8. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
9. Qualification for trading on integrated electronic platform of fixed-income securities at Shanghai Stock Exchange (Shang Zheng Hui Han [2007] No. 86)
10. Qualification for National Association of Financial Market Institutional Investors (August 2007)
11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
13. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi [2010] No. 122)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
16. Qualification for providing trading units for insurance agency investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
18. Qualification for engaging in stock index futures hedging business through proprietary trading of the company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
19. Qualification for fund evaluation business (Zhong Zheng Xie Fa [2010] No. 070)
20. Qualification for securities house assigned by NSSF (August 2011)
21. Qualification for engaging of stock index futures through asset management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
22. Stock repurchase transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821) (H Share)
24. Trial business of bond collateralised repurchase with quotes (Ji Gou Bu Bu Han [2011] No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
26. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
27. Pilot qualification of engaging in margin and securities refinancing business (Zhong Zheng Jin Han [2012] No. 113)
28. Pilot qualification of underwriting of private debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. Qualification for agency sale of financial products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
31. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
32. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No.204)
33. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
34. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
35. Qualification for agency business of securities pledge registration (February 2014)
36. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
37. Membership qualification of the gold exchange (Certificate No.: T004)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

38. Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies (Shenzhen Han [2014] No. 321)
39. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
40. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
41. Business qualification for options settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
42. Futures membership certificate (Certificate number: NO. G02008)
43. Certificate of Membership of the Asset Management Association of China (Certificate number: 00000147)
44. Qualification for offshore proprietary business (Ji Gou Bu Han [2015] No. 1204)
45. No comment letter on innovative program of one-way video account opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
46. Qualification for inter-bank gold price asking transactions (Shang Jin Jiao Fa [2015] No. 120)
47. Qualification for carrying on main underwriting business of debt financial instruments for non-financial enterprises (August 2016)
48. Qualification for note dealing (November 2016)
49. Qualification for relevant business on tools mitigating credit risk (January 2017)
50. Qualification for secondary dealers for OTC options business (Zhong Zheng Xie Fa [2018] No. 386)
51. Qualification for credit derivatives business (Ji Gou Bu Han (2019) No. 469)
52. Qualification for recording military confidential business consultancy services in a secured and confidential condition (October 2019)
53. Stock index and options market making business (Ji Gou Bu Han [2019] No. 3073)
54. Qualification for interest rate swap real-time undertaking business (March 2020)

The Company holds membership qualification on the SSE and the SZSE and warrants clearing business qualification in China Securities Depository and Clearing Corporation Limited. All subsidiaries of the Company conduct their businesses legally or upon obtaining the relevant business qualifications as approved by the relevant regulatory authorities.

## II. CONTACT PERSON AND CONTACT METHODS

	<b>Secretary to the Board</b>	<b>Representative of Securities Affairs</b>
Name	Jiang Chengjun	Sun Tao
Correspondence address	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)
Telephone	8621-23219000	8621-23219000
Facsimile	8621-63410627	8621-63410627
Email	jiangcj@htsec.com	sunt@htsec.com

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### III. BASIC CORPORATE INFORMATION

Registered address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of registered address	200001
Business address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of business address	200001
Internet website	<a href="http://www.htsec.com">http://www.htsec.com</a>
Email	haitong@htsec.com
Principal place of business in Hong Kong	21/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Unified social credit code in the business license	9131000013220921X6

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of annual reports	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where annual reports of the Company are available	Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
Search index for changes in registration during the Reporting Period	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>

### V. BRIEF INFORMATION ON THE SHARES OF THE COMPANY

#### BRIEF INFORMATION ON THE SHARES OF THE COMPANY

Class of shares	Stock exchange of listing	Stock name	Stock code	Stock name before changes	Share Registrar
A Share	Shanghai Stock Exchange	Haitong Securities	600837	/	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Share	Hong Kong Stock Exchange	Haitong Securities	6837	/	Computershare Hong Kong Investor Services Limited

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER INFORMATION OF THE COMPANY

#### (I) History of the Company primarily including reorganisation, capital increase in previous years

Haitong Securities is a subsisting company upon the significant assets disposal of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) (the "SUABC"), a company listed on the SSE, and its merger with Haitong Securities. On 6 July 2007, the subsisting company was registered with Shanghai Administration for Industry & Commerce. Following the merger, the former Haitong Securities was deregistered in accordance with laws and the subsisting company was renamed as Haitong Securities.

History of Haitong Securities:

Haitong Securities was established under the name of Shanghai Haitong Securities Company (上海海通證券公司) with a registered capital of RMB10 million in Shanghai in 1988, and its substantial shareholder was Bank of Communications, Shanghai Branch.

Upon approval by the People's Bank of China with the Reply concerning Conversion of Shanghai Haitong Securities Company (上海海通證券公司) (Yin Fu [1994] No. 5), on 27 September 1994, Shanghai Haitong Securities Company (上海海通證券公司) was reformed into Haitong Securities Company Limited (海通證券有限公司) with a registered capital of RMB1,000 million.

Upon approval by the CSRC with the Reply concerning Approval of the Share Increase Plan and the Application for being a Comprehensive Securities Company of Haitong Securities Company Limited (海通證券有限公司) (Zheng Jian Ji Gou Zi [2000] No. 296), on 29 December 2000, Haitong Securities Company Limited (海通證券有限公司) completed capital increase with its registered share capital increased to RMB3,746.928 million.

Upon approval by the CSRC with the Reply concerning the Overall Change of Haitong Securities Company Limited (海通證券有限公司) into a Joint-stock Limited Liability Company (Zheng Jian Ji Gou Zi [2001] No. 278), on 28 January 2002, Haitong Securities Company Limited (海通證券有限公司) was converted into a joint-stock limited liability company and was renamed as "Haitong Securities Co., Ltd. (海通證券股份有限公司)" with a registered share capital of RMB4,006,093,000.

Upon approval by the CSRC with the Reply concerning Approval of Share Increase of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Ji Gou Zi [2002] No. 329), on 1 November 2002, the registered share capital of Haitong Securities was increased to RMB8,734,438,870.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 31 July 2007, A Shares of Haitong Securities were listed on the SSE. In 2007, upon approval by the CSRC, SUABC disposed all its assets and liabilities to Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) (a controlling shareholder of the Company) and merged with the former Haitong Securities through a reverse takeover. Following the completion of the reverse takeover, the subsisting company was renamed as Haitong Securities Co., Ltd. (海通證券股份有限公司) with its registered share capital changed to RMB3,389,272,910.

Upon approval of the CSRC with the Circular on Approval of Non-public Share Issue of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Fa Xing Zi [2007] No. 368), the Company completed non-public offering on 21 November 2007 and its registered share capital and paid-in capital was changed from RMB3,389,272,910 into RMB4,113,910,590.

On 28 May 2008, cash dividends of RMB1.00 (inclusive of tax) and stock dividends of 3 shares (inclusive of tax) per 10 shares were distributed to all shareholders, and 7 shares per 10 shares were transferred from capital reserve funds to all shareholders. Following the distribution of stock dividends and the transfer of capital reserve funds into capital, the Company's total share capital was changed from 4,113,910,590 shares to 8,227,821,180 shares. The registered share capital of the Company was changed to RMB8,227,821,180.

In 27 April 2012, an aggregate of 1,352,340,000 (H Shares) comprising 1,229,400,000 overseas listed foreign shares (H Shares) issued by the Company and 122,940,000 H Shares transferred to the NSSF by the relevant 25 state-owned shareholders of the Company for the purpose of reduction of state-owned shares and converted into overseas listed foreign shares were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange. On 19 May 2012, joint global coordinators for the Company's IPO of H Shares partially exercised the over-allotment option and the Company issued 127,500,000 additional H Shares, which were subsequently listed and traded on the main board of the Hong Kong Stock Exchange on 22 May 2012. The relevant state-owned shareholders of the Company undertook a similar reduction of state-owned shares and transferred 12,750,000 domestic shares (A Shares) of the Company held by them in aggregate (equivalent to 10% of the number of H Shares issued additionally pursuant to the partial exercise of the over-allotment option) to the NSSF in the form of H shares. Following the completion of this issuance of H Shares by the Company, the total number of shares of the Company was 9,584,721,180, among which 8,092,131,180 were A Shares and 1,492,590,000 were H Shares, and the registered share capital of the Company was changed to RMB9,584,721,180.

On 29 May 2015, upon approval by the CSRC with the Reply of Approving Additional Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) and approval by the Hong Kong Stock Exchange, the Company completed the additional issuance of H Shares, and the number of H Shares in issue was 1,916,978,820. Following the completion of the issuance of new H Shares by the Company, the total number of shares of the Company was 11,501,700,000, among which 8,092,131,180 were A Shares and 3,409,568,820 were H Shares. The registered share capital of the Company was changed to RMB11,501,700,000.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 5 August 2020, upon approval by the CSRC with the Approval in Relation to the Non-public Issuance of Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No.1038), the Company completed the non-public issuance of A Shares, in which it non-publicly issued 1,562,500,000 ordinary shares (A Shares) to 13 specific target subscribers including Shanghai Guosheng Group. Following the completion of this issuance, the total number of shares of the Company was changed to 13,064,200,000, among which 9,654,631,180 were A Shares and 3,409,568,820 were H Shares. The registered share capital of the Company was changed to RMB13,064,200,000.

### (II) Organisational Structure of the Company

The Company operates in accordance with the relevant laws and regulations including the PRC Company Law, the PRC Securities Law and Guidance for the Internal Control of Securities Companies and the requirements of the Articles of Association. Scientific and standard corporate governance has been established, and the authorities and duties of its general meeting, the Board, the Supervisory Committee and senior management are clear. Meanwhile, the Company has also established an organisational framework and an operational mechanism in conformity with its development requirements.

1. **Organisational structure of the Company (see Appendix I of this Report)**
2. **Principal subsidiaries and joint-stock companies of the Company**

#### (1) **Haitong Capital Investment Co., Ltd.**

Registered address: Room 07-12, Level 26, No. 689 Guangdong Road, Shanghai

Establishment date: 23 October 2008

Registered capital: RMB10,650 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021-63410311

Scope of business: Using its own funds or establishing direct investment funds to make equity investments and debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

#### (2) **Haitong International Holdings Limited**

Registered address: 22/F, Li Po Chun Chambers, 189 Des Voeux Rd, Central, Hong Kong

Establishment date: 24 July 2007

Authorised capital: HK\$11,180 million

Issued capital: HK\$11,180 million

Paid-in capital: HK\$11,180 million

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment holdings

Scope of business: Investment holdings, engaging in brokerage, corporate financing, assets management and other businesses permitted by Hong Kong securities regulatory rules through establishment of various subsidiaries.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (3) *Haitong Innovation Securities Investment Co., Ltd.*

Registered address: Room 107N, Building No. 2, No. 774 Changde Road, Jing'an District, Shanghai

Establishment date: 24 April 2012

Registered capital: RMB8,300 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

Scope of business: Securities investment, financial products investment and equity investment. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

### (4) *Shanghai Haitong Securities Asset Management Company Ltd.*

Registered address: Room 01-12, Level 32, No. 689 Guangdong Road, Huangpu District, Shanghai

Establishment date: 26 June 2012

Registered capital: RMB2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

Scope of business: Securities asset management.

(Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

### (5) *Shanghai Zechun Investment & Development Co. Ltd.*<sup>Note</sup>

Registered address: Room 208B, Building 8, No. 108 Kayuan Second Road, Zhangjiang Hi-Tech Park, Shanghai

Establishment date: 18 November 2013

Registered capital: RMB100 million

Shareholding percentage: 100%

Legal representative: Min Hao

Tel: 021-23219000

Scope of business: Industrial investment, real estate development and management, investment management. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

*Note:* The change in industrial and commercial registration has not been completed after the Company acquired this company in 2020. This company is currently processing the change in commercial and industrial registration.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

**(6) *Shanghai Weitai Properties Management Co., Ltd.***

Registered address: Level 3, No. 689 Guangdong Road, Huangpu District, Shanghai

Establishment date: 8 January 2014

Registered capital: RMB10 million

Shareholding percentage: 100%

Legal representative: He Deyu

Tel: 021-23219000

Scope of business: Real estate development and management, property management and catering management.

(Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

**(7) *Haitong-Fortis Private Equity Fund Management Co., Ltd.***

Registered address: Room A, No. 8, Lane 888, Wan Hang Du Road, Jing'an District, Shanghai

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: 021-62883005

Scope of business: Industrial investment fund management, investment advisory and investment fund formation. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

**(8) *Haitong Futures Co., Ltd.***

Registered address: Level 17, Unit 01, 03, 04 of Level 6, Level 25 and Unit 05, 03 of Level 2, No. 1589 Century Avenue, China (Shanghai) Free Trade Pilot Zone

Establishment date: 18 March 1993

Registered capital: RMB1,301.5 million

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

Tel: 021-38917000

Scope of business: Commodity futures brokerage, financial futures brokerage and futures investment advisory services, asset management and fund sales. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### **(9) HFT Investment Management Co., Ltd.**

Registered address: 36-37/F, BEA Finance Tower, No. 66, Huayuan Shiqiao Road, Pudong New Area, Shanghai

Establishment date: 18 April 2003

Registered capital: RMB300 million

Shareholding percentage: 51%

Legal representative: Yang Cangbing

Tel: 021-38650999

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

### **(10) Fullgoal Fund Management Co., Ltd.**

Registered address: 27-30/F, Century Link Office Tower 2, No. 1196, Century Avenue, China (Shanghai) Free Trade Pilot Zone

Establishment date: 13 April 1999

Registered capital: RMB520 million

Shareholding percentage: 27.775%

Legal representative: Pei Changjiang

Tel: 021-20361818

Scope of business: Publicly raised securities investment fund management, fund sales, asset management for specific customers. (Projects subject to approval as required by laws shall be conducted upon the approvals by relevant authorities)

### **(III) Number and layout of securities branches of the Company**

As at the end of the Reporting Period, the Company had 302 securities branches (see Appendix II of this Report for details).

### **(IV) Number and layout of other securities branch offices**

As at the end of the Reporting Period, the Company had 29 securities branch offices (see Appendix II of this Report for details).

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
	Office address	11/F, PwC Center, Link Square 2, No. 202 Hubin Road, Huangpu District, Shanghai
	Signatory accountants	Xu Kangwei (許康璋), Liu Wei (劉偉)
Accounting firm appointed by the Company (overseas)	Name	PricewaterhouseCoopers
	Office address	22/F, Prince Building, Central, Hong Kong, China
	Signatory accountants	Leung Kwok Wai (梁國威)
Sponsoring institution performing continuous supervisory duty during the Reporting Period	Name	CSC Financial Co., Ltd.
	Office address	22/F, Securities Building, No. 528 Pudong South Road, Shanghai
	Signatory representative of sponsoring institution	Chen Chang (陳昶), Zhao Tao (趙濤)
	Period of continuous supervision	From 5 August 2020 to 31 December 2021
Legal Adviser to the Company, as to PRC law	Grandall Law Firm (Shanghai)	
Legal Adviser to the Company, as to Hong Kong law	Clifford Chance	

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP

(All of the accounting data and financial indicators set out in this Report are prepared in accordance with IFRS unless otherwise indicated)

## (I) Major accounting data and financial indicators over the past three years

## (1) Major financial indicators

Items	2020	2019	As compared to the corresponding period of last year	2018
Results of operations <i>(RMB'000)</i>			Change	
Total revenue, gains and other income	<b>54,277,200</b>	51,552,112	5.29%	38,669,707
Profit before income tax	<b>15,757,310</b>	13,871,921	13.59%	7,570,366
Profit for the year – attributable to owners of the Company	<b>10,875,396</b>	9,523,248	14.20%	5,211,093
Net cash (used in)/from operating activities	<b>(6,251,302)</b>	8,556,205	-173.06%	5,197,832
Other comprehensive income	<b>(838,179)</b>	660,096	-226.98%	-1,586,714
<b>Earnings per share <i>(RMB/share)</i></b>				
Basic earnings per share <i>(RMB/share)</i>	<b>0.90</b>	0.83	8.43%	0.45
Diluted earnings per share <i>(RMB/share)</i>	<b>0.90</b>	0.83	8.43%	0.45
<b>Index of profitability</b>				
Weighted average returns on net assets (%)	<b>7.88</b>	7.81	+0.07 percentage points	4.42

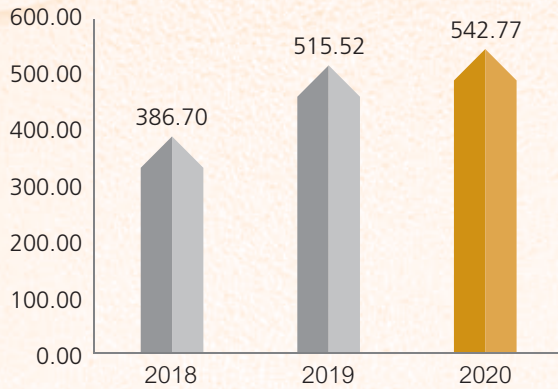
## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Items	31 December 2020	31 December 2019	As compared to the end of the corresponding period of last year	31 December 2018
<b>Indices of size (RMB'000)</b>				
Total assets	<b>694,073,351</b>	636,793,631	9.00%	574,623,634
Total liabilities	<b>525,947,039</b>	495,674,888	6.11%	444,437,715
Accounts payable to brokerage clients	<b>108,167,568</b>	87,464,142	23.67%	71,893,535
Equity attributable to owners of the Company	<b>153,448,468</b>	126,090,993	21.70%	117,858,575
<b>Total share capital ('000)</b>	<b>13,064,200</b>	11,501,700	13.58%	11,501,700
<b>Net assets per share attributable to owners of the Company (RMB/share)</b>				
	<b>11.75</b>	10.96	7.21%	10.25
<b>Gearing ratio (%)<sup>(1)</sup></b>	<b>71.30</b>	74.31	-3.01 percentage points	74.10

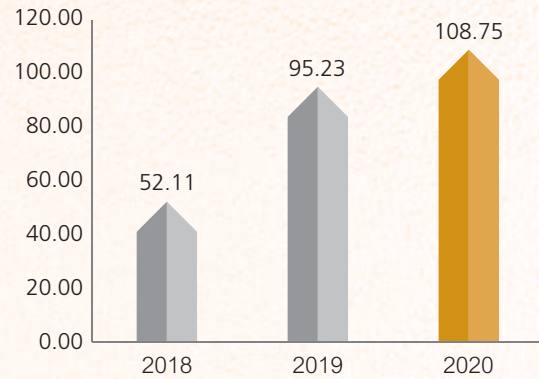
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

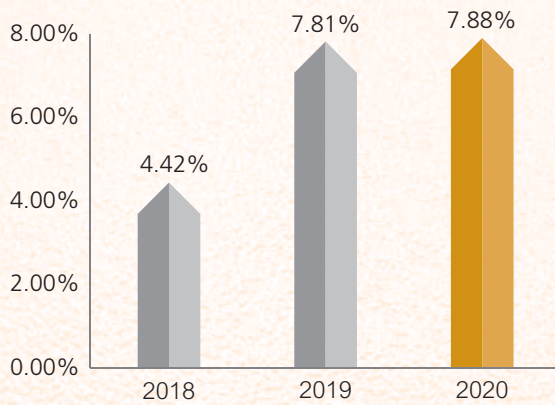
**Total revenue, gains and other income  
(RMB in 100 million)**



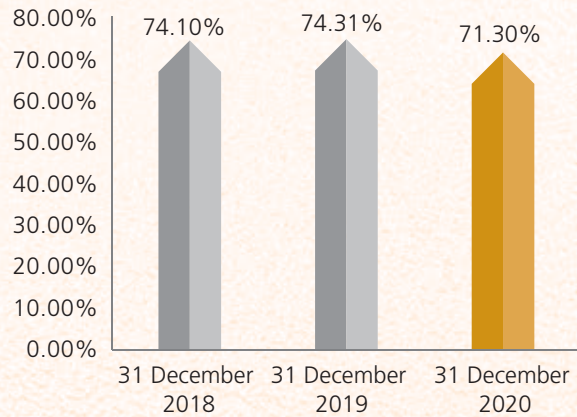
**Profit for the year - attributable to owners of the Company  
(RMB in 100 million)**



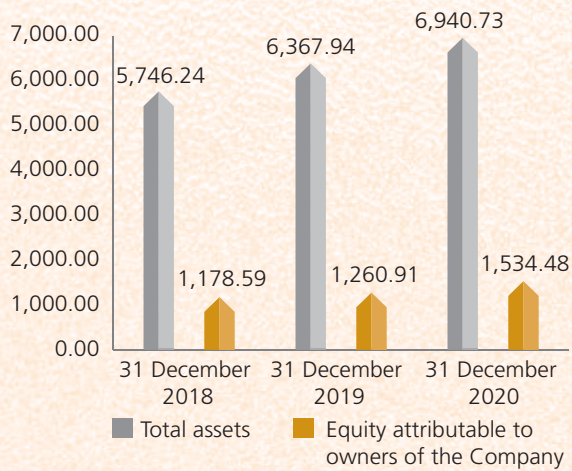
**Weighted average returns on net assets**



**Gearing ratio**



**Indices of size  
(RMB in 100 million)**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Major accounting data and financial indicators over the past five years

#### 1. Profitability

Unit: RMB'000

	2020	2019	2018	2017	2016
Total revenue, gains and other income	<b>54,277,200</b>	51,552,112	38,669,707	41,324,502	42,492,256
Total expenses	<b>39,062,907</b>	37,829,835	31,132,050	29,143,592	31,530,964
Profit before income tax	<b>15,757,310</b>	13,871,921	7,570,366	12,889,397	11,161,727
Profit for the year – attributable to owners of the Company	<b>10,875,396</b>	9,523,248	5,211,093	8,618,423	8,043,334

#### 2. Financial Position

Unit: RMB'000

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Total assets	<b>694,073,351</b>	636,793,631	574,623,634	534,706,333	560,865,846
Total liabilities	<b>525,947,039</b>	495,674,888	444,437,715	405,012,029	438,907,445
Accounts payable to brokerage clients	<b>108,167,568</b>	87,464,142	71,893,535	83,774,388	104,059,287
Equity attributable to owners of the Company	<b>153,448,468</b>	126,090,993	117,858,575	117,755,479	110,130,127
Share capital	<b>13,064,200</b>	11,501,700	11,501,700	11,501,700	11,501,700

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

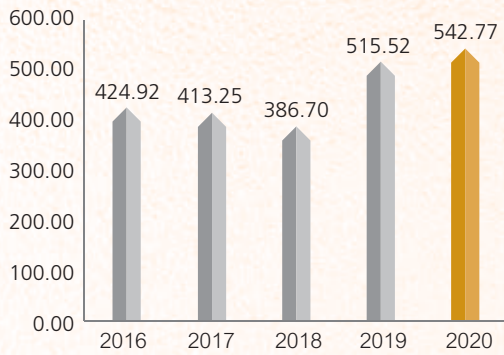
## 3. Key financial indicators

	2020	2019	2018	2017	2016
Dividends per share					
Basic earnings per share (RMB/share)	<b>0.90</b>	0.83	0.45	0.75	0.70
Diluted earnings per share (RMB/share)	<b>0.90</b>	0.83	0.45	0.74	0.70
Weighted average returns on net assets (%)	<b>7.88</b>	7.81	4.42	7.56	7.39
Gearing ratio (%) <sup>(1)</sup>	<b>71.30</b>	74.31	74.10	71.24	73.30
Net assets per share attributable to owners of the Company (RMB/ share)	<b>11.75</b>	10.96	10.25	10.24	9.58

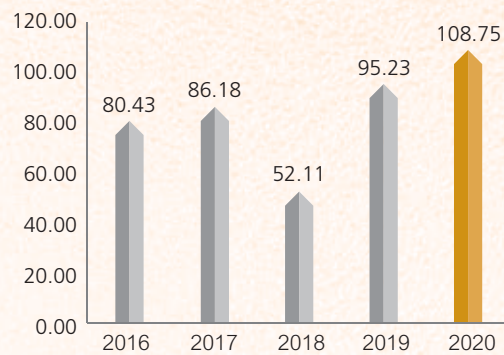
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

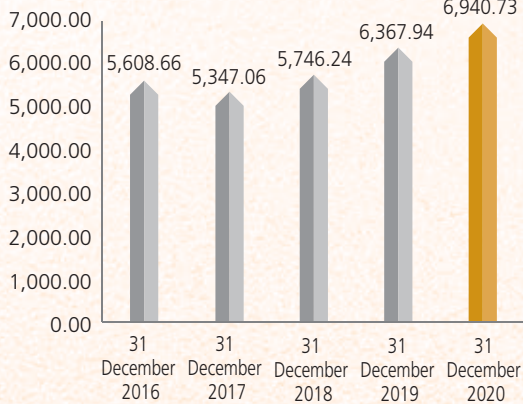
**Total revenue, gains and other income  
(RMB in 100 million)**



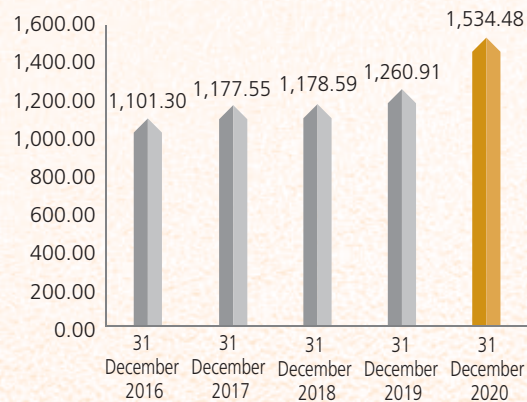
**Profit for the year – attributable to owners of  
the Company (RMB in 100 million)**



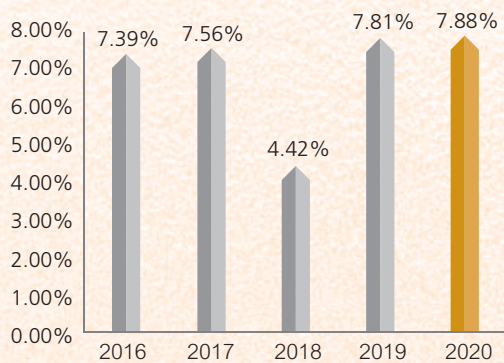
**Total assets  
(RMB in 100 million)**



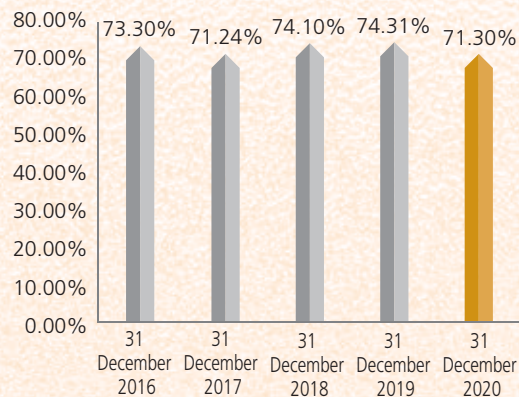
**Equity attributable to owners of the Company  
(RMB in 100 million)**



**Weighted average returns  
on net assets**



**Gearing ratio**





## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (III) Accounting data differences between IFRS and PRC GAAP

The net profits for the year 2020 and 2019 and the net assets as at 31 December 2020 and 31 December 2019 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

### (IV) Net capital and risk control indicators of the parent company

As at 31 December 2020, the net capital of the Company as calculated in accordance with PRC GAAP was RMB84,130 million, representing an increase of RMB10,922 million as compared to such amount as at the end of the previous year (RMB73,208 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	31 December 2020	31 December 2019
Net capital (RMB)	<b>84,129,715,034.91</b>	73,207,979,979.19
Net assets (RMB)	<b>137,445,187,712.53</b>	113,687,270,831.72
Risk coverage ratio (%)	<b>344.45</b>	361.43
Capital leverage ratio (%)	<b>26.03</b>	21.70
Liquidity coverage ratio (%)	<b>208.11</b>	275.59
Net stable funding rate (%)	<b>157.16</b>	148.84
Net capital/net assets (%)	<b>61.21</b>	64.39
Net capital/liabilities (%)	<b>43.70</b>	42.61
Net assets/liabilities (%)	<b>71.39</b>	66.17
Proprietary equity securities and securities derivatives/net capital (%)	<b>30.06</b>	34.25
Proprietary non-equity securities and securities derivatives/net capital (%)	<b>135.83</b>	151.28

*Note:* According to Regulations on the Calculation Standards for Risk Control Indexes of Securities Companies (Announcement of [2020] No. 10 issued by the CSRC), the net capital indicators as at 31 December 2019 were restated.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### I. DESCRIPTIONS OF THE PRINCIPAL BUSINESSES OF THE COMPANY, ITS OPERATING MODELS AND INDUSTRIES DURING THE REPORTING PERIOD

#### (1) Principal businesses and operating models of the Company during the Reporting Period

The Company's principal business lines comprise wealth management, investment banking, asset management, trading and institutional client services, and financial leasing.

Wealth management business mainly refers to the provision of comprehensive financial services and investment solutions to retail and high-net-worth customers, including securities and futures brokerage services, investment advisory services, financial planning services, and financing business services such as margin financing, securities lending and stock pledge.

Investment banking mainly refers to the provision of sponsorship and underwriting services to corporate and government customers with regard to financing activities in both equity capital markets and debt capital markets, the provision of financial advisory services to corporate customers with regard to mergers and acquisitions as well as asset restructurings, and the provision of National Equities Exchange and Quotations (NEEQ) services. Based on the nature of business, the investment banking business of the Company is further categorised into segments of equity financing business, debt financing business, mergers and acquisitions financing business, NEEQ and structural financing business. The Company strives to provide customers with one stop onshore and offshore investment banking services.

Asset management mainly refers to the provision of comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services. HT Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business. The principal businesses of HFT Investment and Fullgoal Fund include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment financing services for investors. The Company also operates a number of professional investment management platforms for private equity (PE) investment business, which provides services including management of industrial investment funds, investment consultation, promotion and establishment of investment funds, etc.

Trading and institutional client services mainly refers to the provision of stock sale and trading, prime brokerage, stock borrowing and lending and stock research services in major global financial markets for global institutional investors, as well as the issuance and market making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. Meanwhile, the Company exerts and enhances the advantage of synergies among business segments through investment funds and private equity projects and focuses on exploring investment opportunities with reasonable capital returns and further expands client relationships and promotes the overall growth of its business.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

Financial leasing mainly refers to the provision of innovative financial services and solutions to individuals, enterprises and governments, including financial leasing, operating leasing, factoring, entrusted loans and relevant advisory services. The Company's leasing businesses are mainly operated by Haitong UT. Currently, Haitong UT engages in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry, etc. Haitong UT leverages rich industrial experience and market channels and works with renowned domestic and overseas equipment manufacturers to provide comprehensive financing solutions and services for the business development of clients. In the past two years, Haitong UT has taken the initiatives in exploring the business model of securities firm-affiliated financial leasing and has launched a diversified product portfolio that integrates equity investment with debt investment to provide more innovative structured financing solutions to clients.

Other segments mainly refer to the provision of comprehensive financial and information services to institutional customers, including warehouse receipt service, pricing service, market making service and services relating to risk management.

### (2) Development stage and cyclical features of the industry in which the Company operates and its industry position during the Reporting Period

#### 1. Market environment

In 2020, China's economy withstood the impact of COVID-19 and various domestic economic indicators continued to improve. China's economy recovered steadily, and became the only major economy in the world achieving positive economic growth, with its total GDP also achieved a historic breakthrough of RMB one hundred trillion. Facing the complex and changing international and domestic environment, especially the context of pandemic prevention and control in 2020, the domestic stock market showed strong resilience. CSI 300 Index increased by 27.21% and the ChiNext index increased by 64.96%. Aggregate trade turnover of stocks and funds in the Shanghai and Shenzhen stock markets increased by 61.36% as compared with the same period of last year.

In 2020, the world saw a great unprecedented change moving forward in a faster way. The unprecedented COVID-19 pandemic swept the whole world that all economies were affected seriously and the international situation became turbulent. The COVID-19 pandemic not only reinforced economic unilateralism and anti-globalization, but also catalyzed the strategic competition among countries. The world's industrial chain and supply chain were to be shuffled. Competition between China and the United States, being two globally largest economies, will remain for the long term in various aspects of society and economy.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

Currently, China's economy is still in the transition between its old and new momentums that the growth under the new economy mode cannot cover the reduction under the old one. The pandemic has made the pressure on the economic development greater. Seeking a way for new development momentum has become an immediate need. As expressly pointed out in the Meeting of the Political Bureau of the CPC Central Committee convened in July 2020, China would shape its new development model with the great domestic circulation as the main driver, and the dual circulation in the domestic and international aspects would make a complementary effect. The Central Economic Work Conference indicated in 2020 that the base of our country's recovery remained in an unstable condition and the world's economy would continue to encounter a complicated and serious situation. Given an unstable and imbalanced recovery, different risks arising from the impact of pandemic should not be ignored. Under the circumstances that both the domestic and international risks are still serious and complicated, indirect financing based mainly on banking credit cannot cater for capital need coming from new industries of new economy, being represented by strategically emerging industry, which is characterized by long cycle and high risk. The growth of new momentum of China's economy will rely more on the continuous capital support from capital markets and risk capital. Hence, an unprecedentedly great importance is given to the existing capital markets and the securities industry is seeing an era of new development opportunities.

### **2. *Industry landscape***

The report in the 19th CPC National Congress indicated that the proportion of direct financing needed an increase and the multi-level capital market should be facilitated for a healthy growth. Also, the government work report of 2020 proposed that it was necessary to reform the ChiNext and have a pilot registration system for the development of the multi-level capital market. At the current stage, the reform of the multi-level capital market has started. The capital market is in its comprehensive deepening reform internally and on its quicker opening track externally that such a dual main strategy is increasingly becoming clear.

The registration system acts as a reform to the industry, which implies a subversion of the rules for players in the capital market. The launch of the new securities law has made a thrust to this change and broken the bottleneck which restricted the healthy growth of the capital market. Thus, the long-term healthy growth of the capital market has been well underpinned. Given the new development trend of the capital market and securities industry, there will be a restructuring for the situation of competition among investment banks, which is going to enter an age of professionalization and differentiation.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

For the high-quality growth of the capital market, another deepening reform has happened to the regulation on the industry. Since the regulation concept of “developing a system, making no intervention, having zero tolerance” was firstly advocated in June 2020, the overall regulation for the securities industry has been moving forward in line with it steadily. Some detailed measures, including the whitelist mechanism for securities companies, have been put into practice, showing the determination of making a healthy market development ecology.

Meanwhile, against the background of the accelerating capital openness to foreigners, the prevailing trend of mixed operation and the increasing Matthew effect, many foreign financial institutions, wealth management subsidiaries of banks and internet business giants have entered the competition with traditional securities companies. It reflects that China's capital market is experiencing in-depth changes of industry rules, which will further improve the level of marketization in domestic capital market, hence domestic securities firms will promote and further enhance their service and management capabilities.

### **3. Position of the Group in the industry**

In 2020, the Group realised an operating income of RMB54,277 million, a net profit attributable to the shareholders of the parent company of RMB10,875 million, the total assets of RMB694,073 million and the net asset attributable to the shareholders of the parent company of RMB153,448 million. The main financial indicators of the Company remained at the forefront of the industry. The Company was rated AA in the category A of the Chinese securities industry.

## **II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD**

For major changes in assets which account for over 5% of the total assets as at the end of the Reporting Period and the range of such change during the Reporting Period exceeding 30%, see “Analysis on principal components of consolidated statement of financial position” in Section IV of this Report.

Of which: the Group's overseas assets was RMB266,450 million, accounting for 38.39% of its total assets.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### III. ANALYSIS ON THE COMPANY'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the course of its operations over the years, the Company has gradually built up its specific core competitiveness in the following six aspects.

#### (1) Solid capital strength

From 2007 to 2020, the Company seized market opportunities, rapidly enhanced and attained its solid capital strength through several strategic equity financings and bond financings including A-share and H-share listing and secondary offering. In 2020, the Company seized market opportunities and fully promoted strategic equity financings. The non-public issuance of A shares of RMB20.0 billion was completed in August, which further enhanced the capital strength of the Company. Meanwhile, several rounds of debt financings were completed. In 2020, the Company completed a series of domestic financing activities, raising over RMB60.0 billion through the issuance of corporate bonds, private placement bonds, short-term corporate bonds, short-term financing bills and beneficiary certificates. It not only enhanced the liquidity management capacity and risk prevention and control capability of the Company, but also reduced its overall financing costs. Besides, the Company was also actively expanding overseas financing channels to ensure the healthy and orderly development of overseas business. Adequate capital has laid a solid foundation for the Company's business transformation and upgrade, satisfying domestic and overseas customers' diversified needs for financial services as well as continuously improving its service capability for the real economy.

#### (2) Outstanding comprehensive financial service platform

Based on the parent company's fundamental securities business, the Group has continuously expanded the scope of its financial products and services and extended the boundaries of financial services through setting up and acquiring of professional subsidiaries. The Group has developed into a financial service group with businesses covering securities and futures brokerage, investment banking, proprietary trading, assets management, private equity investment, alternative investment, financial leasing and overseas banks. The Group's brokerage business boasts a solid customer base; its investment banking business has ranked in the forefront of the industry; the assets under management (AUM) of actively managed assets business increases steadily; the scale and brand influence of its private equity investment business has ranked top in the industry; the performance indicators of its Hong Kong business are in the forefront among all market players; its financial leasing business has established and continues to maintain an industry-leading position; and its research services business enjoys strong market influence. The integrated financial platform generates strong scale effect and cross-selling potentiality, which vigorously supports the business development and enables comprehensive financing services for customers.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### (3) Extensive branch network and strong customer base

The Group's branch network covered six international financial centres in New York, London, Tokyo, Shanghai, Singapore and Hong Kong. As of the end of the Reporting Period, the Group had 343 securities and futures branches (including 302 securities branches and 41 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC. The Group also established branches or subsidiaries in 14 countries and regions in 5 continents (Asia, Europe, North America, South America and Oceania). With a nationwide branch network and a strategic international presence, the Group has built a large and stable customer base. As of the end of the Reporting Period, the Group had approximately 18 million domestic and overseas customers.

### (4) Industry-leading international cross-border service platform

By acquisition and consolidation of Haitong International and Haitong Bank, and establishment of a branch in Shanghai Free Trade Zone ("FTZ"), the Group has established an industry-leading international business platform and hence acquired the first-mover advantages in the Asian-Pacific region, as well as the forward-looking strategic reserve in Europe and the United States.

In 2020, Haitong International continued to lead among Hong Kong's investment banks despite the global pandemic. During the period, it launched 56 IPOs in the Hong Kong capital market, including 13 sponsorship projects, and ranked first among all investment banks in Hong Kong for three consecutive years. For global debt financing business, Haitong International completed 216 bond issuance projects in total, including 12 green bonds. In the ranking of Asian G3 High-yield Corporate Bond Markets (excluding Japan), it ranked first among global financial institutions in terms of the number of bonds underwritten. A total of 9 equity financing projects were completed in overseas capital markets, of which the Indian sponsorship project was the largest pharmaceutical IPO in terms of issuance scale in the history of the Indian capital market. The institutional client business of Haitong International achieved a breakthrough, with stock trading volume by cash exceeding HK\$500 billion, representing a year-on-year increase of approximately 66%, and the ranking of its business revenue in multiple Asian markets hit record highs. In terms of asset management business, Haitong International focused on launching flagship funds and expanding sales network. The AUM for the year exceeded HK\$60 billion, which provided a solid foundation for fee-based income.

Haitong Bank is an important part of the Group for deepening the Group's globalisation strategy and an important platform for the Group to implement the "Belt and Road" initiative. Haitong Bank specializes in the local market in the European Union and South America with over 20 years' experience. With all bank licenses, its current business development focuses on three areas, including corporate banking, investment banking and asset management. Relying on

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

the network in Lisbon, Madrid, London, Warsaw and Sao Paulo, Haitong Bank strengthens its strategy of “China Element (中國元素)” during its business expansion to deepen the cross-border cooperation between China and Europe and between China and Latin America and provide cross-border financial service supports for the “Belt and Road” policy.

The Group's FTZ branch, as one of the first securities institutions participating in the FTU (自貿區分賬核算單元) system of the free trade zone, has become the first PRC securities firm completed in the cross-border financing project under FT (自由貿易賬戶). In May 2016, it became a Class A international member of Shanghai Gold Exchange, and it obtained the foreign currency lending membership of China Foreign Exchange Trade System in November 2018. In 2020, the Group's FTZ branch paid close attention to the policy trend of financial reforms in the FTZ, docked the global capital market platform of the Group and leveraged the cross-border capital advantage of FT accounts to implement and explore various cross-border business models.

These industry-leading, all around and multi-jurisdiction international business platforms will help the Group seize the opportunity for ever growing cross-border businesses, meet customers' demands for cross-border business and improve the Group's international influence.

### **(5) Prudential operational philosophy, effective compliance and risk management and internal control system**

Upholding the operational philosophy of “pragmatic, pioneering, steady and excellent” and the risk management philosophy of “prudence and even conservativeness”, the Company has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations in over 30 years of operations. Among the Chinese securities firms established in 1980s, the Company is the only large-scale securities firm which is still in operation under the same brand without state-owned capital injection or being acquired or restructured. The Company has basically established a group-wide risk management system to implement the requirements for overall risk management and to effectively manage, among others, market risks, credit risks, liquidity risks and operational risks. The Company established and improved the compliance management system and organizational system in accordance with the regulatory requirements, continuously strengthened the performance of compliance review, compliance monitoring and compliance inspection functions to ensure and facilitate the Company's continued compliance and steady development. Meanwhile, the Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### (6) Our pioneering approach in fin-tech innovation in the securities industry

The Company has adhered to the development strategy of “leading by technology” with its increasing investment in technology. In 2020, the Group’s investment in technology amounted to RMB1,671 million, representing a 15.4% growth over last year, which remained in the top ranking of the industry. We obtained 33 software copyrights and 5 national patents in total, pioneering a number of technological innovations in the industry. The Company’s technology-empowered business saw remarkable results. Firstly, the Zhangjiang Science and Technology Park, our self-developed data center, was duly launched, which had a gross floor area of over 40,000 sq.m. and a capacity of over 3,000 cabinets. It is among the largest scale, most advanced equipment and most intelligent managed data centers among securities and futures funds. Secondly, the hybrid financial cloud platform of Haitong continued to maintain its industry leader position. It was the first to have developed a container cloud platform based on ARM-structure container cluster and Windows-based container cluster, and received awards such as “the Golden Tripod Award of China International Financial Exhibition 2020” (2020中國國際金融展金鼎獎). Thirdly, the second phase of our self-developed new core trading system commenced production successfully. It adopted the new technology framework of “distributed mode, full memory, high concurrency, low latency”. Hence, the delay in end-to-end transaction can be controlled to the microsecond level while the total shares and mutual funds trading volume amounted to more than RMB540 billion. Fourthly, our self-developed one-stop retail “e-Haitong Cai” (e海通財) App and PC achieved a total installation of nearly 40 million and the monthly average number of platform active users of more than 5 million at the most, thus remaining in the top ranking. Fifthly, our self-developed organizational “ShareEBoook” (e海方舟) intelligent trading platform integrated the functions of high-speed trading and high-speed market information in a bid to provide customized services for professional investors. As a result, the annual shares and mutual funds trading volume reached nearly RMB1,400 billion. Sixthly, the first blockchain financial platform of the Company was built. More than ten business scenarios were applied, conducting to a total linking volume exceeding 1 million. Besides, there were over 240 Robotic Process Automation (RPA) application scenarios, which covered more than ten business lines, e.g. operation, retail, finance and fund trust. It was honoured with “the Greatest Achievement Project Award” (最高成就項目獎) by the Cloud Application Branch (雲應用分會) of the China Computer User Association. A number of our artificial intelligent applications, such as bond credit risk alert and intelligent documentation analysis, ranked at the industry top level.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

#### (I) Overall operations

In 2020, the Company overcame the challenges posed by the COVID-19 pandemic and complex and severe international situations, seized the developing opportunity arising from the deepening reform of the capital market, actively deployed new businesses, improved the organizational structure, and achieved good operating results, and thus our major financial indicators remained in the top rank in the industry. ROE continued to improve, and incomes from investment banking, asset management and other fee-based business reached the historically highest level. For prevention and resolution of risk issues, our classified rating was maintained at the highest AA level in the industry for four consecutive years. In 2020, the Company completed the issuance of non-public stocks of RMB20 billion successfully. Total assets and net assets steadily increased to hit a record high, and our capital strength was further improved. The organization structure of investment banking, financial technology and other lines were optimized, while the financial products committee was established. With our continuous advantages of globalization and internationalization, the internal and external subsidiaries overcame the adverse effects of the epidemic and achieved encouraging results. Investment banks insisted on omnipotent and professional transformation, and their income and scale reached record highs and ranked the leading positions in the industry. The Company achieved outstanding results on the Sci-Tech. The rapid development of asset management business and the significant growth of scale and profit have reached historical highs. The private equity investment team focused on cultivating businesses in strategic emerging industries. Positive progress was made in wealth management transformation, with increasing investment in key areas and establishment of investment advisory team to create innovative online financial service scenarios. Hence, the sales of financial products and the securities lending business developed rapidly and there were increasing financial product lines. Our trading business obtained multiple innovative qualifications, which fostered more profit growths for the future. Other capital intermediary businesses, e.g. OTC derivatives, were vigorously developed to assist wealth management transformation. Our research business was kept in top rank in the industry with continuous enhancement of the domestic and foreign institutional customer services. Our technology investment continued to increase and ranked top in the industry. The commencement of operation of Zhangjiang High-tech Park (張江科技園), which has the largest and the most advanced technology in the industry, will become the new engine and new base of technology empowerment of the Company.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (II) Analysis of principal operations

#### 1. *Wealth management business*

##### *Market conditions:*

In 2020, despite the impact of the COVID-19 pandemic, the capital market showed its strong resilience and vitality. According to the data from WIND, the average daily turnover of stocks and funds in the SSE and SZSE amounted to RMB907.2 billion in 2020, representing a year-on-year increase of 62.03%. The allocation of residents' wealth showed a trend of accelerating institutionalization and commodification. Securities companies were optimizing traditional brokerage business while expediting the development of wealth management business.

In 2020, the registration system reform was further promoted to the ChiNext, and trading instruments including margin financing and securities lending and refinancing were optimized accordingly. The margin financing and securities lending and refinancing businesses achieved significant progression, which supported the pricing mechanism of capital market and the sound customer risk management mechanism. During the Reporting Period, the scale of margin financing and securities lending increased from RMB1.02 trillion at the beginning of the year to RMB1.62 trillion, of which the scale of the securities lending market increased from RMB13.8 billion to RMB137 billion.

##### *Operating measures and performance:*

The Company continued to promote the wealth management business, aiming at expanding customer scale, optimizing income structure and establishing service brands, and incessantly improved the wealth management system which combines sales transactions, margin financing and securities lending, corporate finance, cross-border transactions and investment consultation. Also, by broadening the customer acquisition channels effectively and giving full play to the value of the platform, it created a differentiated wealth management brand and established a customer service system covering all target customer groups. As at the end of 2020, the number of wealth management customers of the Company (excluding dormant accounts) amounted to 13.15 million, representing an increase of 14.5% compared to the beginning of the Reporting Period. The total tradable assets of customers at the end of the period amounted to RMB2.44 trillion, representing an increase of 31.4% compared to the beginning of the year. The number of high net-value customers and the proportion of customer assets remained on the rise, while the customer structure was further improved. During the Reporting Period, the Company's stock and fund trading volume amounted to RMB16.63 trillion, representing a year-on-year increase of 57.7%.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Changes in trading volume of the Company in 2020*

	The Reporting Period	The corresponding period of previous year
Trading volume of stocks (RMB100 million)	156,183	101,535
Trading volume of funds (RMB100 million) <sup>1</sup>	10,092	3,930
<b>Total (RMB100 million)</b>	<b>166,275</b>	<b>105,465</b>

#### (1) Retail brokerage business

In 2020, the Company seized favorable opportunities to achieve rapid growth in both the number of customers and customer assets. The Company continued to optimize the layout of its outlets and expanded investment in key areas. We newly established 2 branch offices and 15 business branches in core areas such as Guangdong-Hong Kong-Macao Greater Bay Area, the Economic Zone on the West Coast of the Straits, the Beijing-Tianjin-Hebei Economic Circle and the Chengdu-Chongqing Economic Circle. As of the end of the Reporting Period, the investment consultants of the Company accounted for 62% of the total number of middle and front desk staff, representing a year-on-year increase of 20.1%.

#### (2) Internet finance

The Company continually expanded the breadth and depth of Internet one-stop services, with launching a wealth management service brand "Tongying Wealth" (通盈财富), which integrates investment research and APP product teams, and providing customers with personalized, diversified and professional services of different grades through the form of AI + artificial wealth management. Customers can obtain nearly 100 exclusive services in four dimensions including smart trading tool services, five-star fund list, fund holding services and investment advisory value-added services at the e-Haitong Cai terminal. Meanwhile, the Company established an O2O communication community based on the live broadcast, and gathered various professional investment researchers such as research institutes, celebrity investment consultants, external public and private equity founders, senior management and well-known fund managers to communicate and interact with customers. A total of 375 live shows were launched throughout the year, involving more than 6.8 million audience users. The first high-end series of interviews "Hall of Fame" (《名人堂》) had the number of audiences exceeding one million in a single session.

<sup>1</sup> excluding trading volume of on-market currency funds

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As of the end of the Reporting Period, the number of downloads of the eHaitong Cai APP exceeded 38 million, and the monthly average number of active users on the platform ranked among top five in the industry, with the net transaction commissions accounted for more than 60% of the entire company. We received a number of awards including “2020 Comprehensive Service APP King Tripod Award of China Securities Industry” (2020年中國證券行業綜合服務APP君鼎獎), “Outstanding APP Award of China Securities Companies” (中國證券公司傑出APP獎) and “Best Wealth Management APP Award” (最佳財富管理APP) in the year.

### (3) The sales of financial products

The Company continued to set up a financial product system, and promoted the whole-process management through before-sale, on-sale and after-sale in an orderly manner. During the Reporting Period, the Company’s agency sales amounted to RMB501.6 billion, representing a year-on-year increase of 39%. The annual financial products asset size broke through RMB90 billion. The Company deeply looked into customers’ needs and created its own brands such as the “Ying” (“盈”) series and “Seagull” (“海鷗”) series, which enriched the Company’s financial product line. The single product sales scale repeatedly refreshed the Company’s record of same type products and created excellent returns for customers.

### (4) Financing business

In 2020, with the general concept of “adjusting structure, increasing revenue and preventing risks”, the Company pushed forward various work of financing business, endeavoured to increase its margin financing and securities lending customers, continued to consolidate the customer base, as well as focused on optimizing the customer structure. Hence, the debt scale and the proportion of transaction volume of high-net worth customers and professional customers had a significant increase. During the Reporting Period, while giving full play to the leading advantages of sponsorship, following investment and securities sources on the Two Innovation Board (雙創板), the Company strived to construct diversified securities sourcing channels such as refinancing and the issuance of innovative products, and improved its service to customers with various securities lending strategies. Thus the scale of securities lending business increased nearly 10 times.

As at the end of the Reporting Period, the size of the Company’s financing business was RMB101.17 billion (excluding asset management), of which, the balance of margin financing and securities lending increased by RMB25.92 billion to RMB67.68 billion, and the balance of stock pledge financing decreased by RMB8.49 billion to RMB33.3 billion.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Changes in the scale of the financing business of the Company in 2020*

	<b>As at the end of the Reporting Period</b>	<b>As at the end of the corresponding period of previous year</b>
Balance of margin financing and securities lending business (RMB100 million)	676.83	417.63
Balance of stock pledge business (RMB100 million) <sup>2</sup>	333.02	417.87
Balance of stock repo transaction (RMB100 million)	1.89	0.93
<b>Total (RMB100 million)</b>	<b>1,011.73</b>	<b>836.43</b>

#### (5) Futures business

The customer equity of Haitong Futures remained rapid growth. As at the end of the Reporting Period, customer equity amounted to RMB32.5 billion, representing a year-on-year increase of 55.2%. On a single basis, the Company's futures agency transaction volume in 2020 amounted to RMB30.4 trillion, its market share was 6.94%, representing a year-on-year increase of 0.12 percentage point. In terms of financial futures, the turnover of stock index products of Haitong Futures amounted to RMB5.37 trillion, and its market share was 6.03%. By continuously strengthening its internal control management, Haitong Futures was rated as Grade AA in classification and evaluation of futures companies for four consecutive years.

#### 2. Investment banking business

##### *Market conditions:*

In 2020, the pilot registration system reform was further deepened, and the scale of IPO sets a new high in the past 10 years. Throughout the year, 396 A-share IPOs were completed and the total amount of fund raised was RMB470 billion, representing an increase of 95% and 86%, respectively, as compared to 2019. Among them, 145 IPOs were completed in the Sci-Tech Innovation Board and the total amount of fund raised was RMB222.6 billion, which accounted for nearly a half of the amount of fund raised from A-share IPOs for the same period. The successful experience of the Sci-Tech Innovation Board was also replicated in the ChiNext. As at the end of the Reporting Period, a total of 63 companies have been listed through the registration system of the ChiNext, and their amount of funds raised accounted for approximately 75% of the total amount of funds raised on the ChiNext in the year.

<sup>2</sup> it does not include stock pledged repo business operated through off-balance sheet asset management activities, the scale of such business as at the end of the Reporting Period was RMB19,942 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

In 2020, the subsequent offering also increased significantly than 2019. 340 companies issued additional A shares throughout the year, and the fund raised reached RMB807.7 billion, representing an increase of 35% and 17%, respectively, as compared to 2019. There were 225 convertible bonds listed in the year and the fund raised reached RMB293.2 billion, representing an increase of 112% and 18%, respectively, as compared to 2019.

The issuance scale of bond market increased significantly in 2020. Various types of bonds amounting to RMB56.9 trillion were issued in the bond market throughout the year, representing an increase of 26% as compared to last year, of which the total fund raised from interest rate bonds issuance reached RMB18.8 trillion, up 52%; and the total fund raised from unsecured credit bonds issuance increased to RMB18.9 trillion, up 29%.

### *Operating measures and performance:*

#### (1) Equity financing

The Company has always regarded the Sci-Tech Innovation Board and registration system as important starting points for “exploring the service value chain and building a customer ecosystem”, and seized such opportunity to embark on a transformation into a comprehensive and professional institution. The Company achieved remarkable results in the progress of the registration system. During the Reporting Period, the Company completed 47 equity financing projects with the total amount of fund raised of RMB77.1 billion. Among them, 25 IPO projects have been listed, with the total amount of fund raised of RMB62.7 billion, ranking second in the industry. The amount of funds raised from the IPOs on the Sci-Tech Innovation Board was RMB54 billion, with a market share of 24.26%, ranking first in the industry. The ECM team strengthened its sales and pricing capabilities under the registration system to achieve full coverage of market institutions and in-depth exploration of core institutions. The Company not only captured a relatively high market share in terms of the number of projects, but also acted as sponsor and underwriter for a number of famous enterprises with high market attention, including the industrial leaders such as SMIC (中芯國際), National Silicon Industry (滬矽產業), Fudan-Zhangjiang (復旦張江) and 3PEAK (思瑞浦), which established its Haitong brand in the industries of integrated circuit and biomedicine. As at the end of the Reporting Period, the Company had 83 projects under CSRC review, including 57 IPOs, and 25 projects approved by CSRC. The abundant reserve projects laid the foundation for the sustainable development of investment banking business.

In respect of the investment banking business, while making good progress in its projects, it continued to strengthen the cooperation with wealth management, institutional client business, asset management, equity investment and other businesses, thereby providing high-quality customer resources and business opportunities to the Company, and strengthening the comprehensive service value chain for the corporate customers. As at the end of the Reporting Period, the market value of the custody business arising from the Company’s IPO projects in the year exceeded RMB150 billion.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

Domestic equity financing projects and reserve projects:

		The Reporting Period	The corresponding period of previous year
IPO	Amount (RMB100 million)	627	35
	Number of transactions	25	5
Subsequent offering	Amount (RMB100 million)	145	254
	Number of transactions	22	16
Number of reserve projects	IPO	57	24
	Subsequent offering	26	12

*Note:* Reserve projects refer to the projects under review by CSRC, SSE and SZSE

*Source:* Company's internal statistics, WIND, CSRC, SSE

Regarding overseas equity financing business, Haitong International continued to maintain its leading position in the industry in Hong Kong. In 2020, Haitong International completed 56 projects, which ranked first among investments banks for three consecutive years in terms of the number of issuance in Hong Kong market. It completed 13 sponsorship projects (excluding listing by introduction), ranking second in Hong Kong. Haitong International made a breakthrough in the India market by completing its first IPO sponsorship project, which was the largest financing scale of biomedicine IPO in the history of the India capital market.

### (2) Bond financing

Regarding domestic equity financing business, the Company recorded a total underwritten amount of RMB477.6 billion throughout the year, representing a year-on-year increase of 23%. It ranked first in the industry again with the underwritten amount of enterprise bonds of RMB39.7 billion; and ranked fifth with the underwritten amount of corporate bonds of RMB149.4 billion. Adhering to the innovation-driven approach, the Company created the first credit risk mitigation warrant in the market with the underlying of asset-backed notes under pandemic prevention and control, participated in the creation and issuance of the first batch of standardized notes, and successfully issued the first public short-term corporate bonds on the SZSE.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

*Changes in the underwritten scale of domestic bond (lead underwritten) projects*

		The Reporting Period	The corresponding period of previous year
Enterprise bonds	Amount (RMB100 million)	397	313
	Number of transactions	53	44
Corporate bonds	Amount (RMB100 million)	1,494	1,070
	Number of transactions	329	210
Others	Amount (RMB100 million)	2,385	2,305
	Number of transactions	501	386

*Note:* Others include security company bonds, non-policy related financial bonds, short-term commercial papers, mid-term notes, private placed financing instruments, asset-backed securities and exchangeable bonds.

*Source:* WIND

Regarding overseas bond financing business, Haitong International developed steadily based on its achievement in 2019, and completed 216 bond issuance projects in aggregate during the Reporting Period. In China Risk G3 and CNY Bond Issuance Market, Haitong International ranked second among global financial institutions in terms of the number of bonds underwritten. In the Asian G3 High-yield Bond Issuance Market (excluding Japan), Haitong International ranked first among global financial institutions in terms of the number of bonds underwritten. Haitong International has actively promoted sustainable finance and strived to implement the ESG concept. Throughout the year, it helped our clients complete 12 green bond issuance and underwriting projects. The financing scale exceeded US\$3 billion, representing a year-on-year increase of 350%. It has become a leader among Chinese financial institutions in the field of ESG investment and financing. Continuously adhering to the two driving strategies of the cross-border businesses including “Local Business (本地業務)” and “China Element (中國元素)”, Haitong Bank has overcome the impact of the overseas pandemic and completed a number of bond underwritten projects.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 3. Asset management business

#### Market conditions:

The transition period for new regulations on asset management has been extended to 2021. However, following the deepening of unified supervision of “one bank and two commissions”, the operation of wealth management subsidiaries of commercial banks, and insurance asset management companies, competition in the “general asset management” industry has become increasingly fierce. As at the end of the Reporting Period, the scale of asset management business of securities industry was RMB10.51 trillion, representing a year-on-year decrease of 14.48%, of which the closing balance of collective asset management scale under active management was RMB1.54 trillion, representing a year-on-year increase of 27.5%.

#### Operating measures and performance:

The Company’s asset management business seized the opportunities of market development, maintained rapid growth and achieved excellent performance. As at the end of the Reporting Period, the total AUM of the asset management business of the Company was nearly RMB1.66 trillion.

#### (1) HT Asset Management

As at the end of the Reporting Period, the AUM of HT Asset Management amounted to RMB244.4 billion, of which, the AUM of the actively managed business was RMB170.7 billion, accounting for 69.8%, up 22.1% as compared to the beginning of the Reporting Period. During the Reporting Period, HT Asset Management successfully issued the first public-offering-like massive collective investment scheme product “Core Strengths (核心優勢)”. It opened a new era of public offering products of HT Asset Management.

#### Changes in AUM and net income of HT Asset Management

	The Reporting Period		The corresponding period of previous year	
	AUM (RMB100 million)	Net income (RMB10 thousand)	AUM (RMB100 million)	Net income (RMB10 thousand)
Collective asset management	768	124,834	773	81,960
Targeted asset management	1,302	1,523	1,506	12,872
Specialized asset management	374	13,817	305	1,554
<b>Total</b>	<b>2,444</b>	<b>140,174</b>	<b>2,584</b>	<b>96,385</b>

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (2) Fund management company

As at the end of the Reporting Period, the AUM of HFT Investment amounted to RMB323.6 billion, up 22% compared to the beginning of the year, among which, the AUM of public funds was RMB125.1 billion, up 12% compared to the beginning of the year. The AUM of the public funds other than monetary funds increased by 54% to RMB79.2 billion. The AUM of pension funds increased by 53% to RMB159.9 billion. 20 new funds were issued throughout the year, with the scale and number of issuances setting the highest record since the establishment of HFT. The excess returns of products for annuities, NSSF and specific actively-managed customers were significant, of which, the excess return of the small and medium-cap stock portfolio of basic pension reached 42% in 2020.

During the Reporting Period, various businesses of Fullgoal Fund developed quickly, and its AUM grew rapidly, reaching nearly RMB1 trillion. As at the end of the Reporting Period, the AUM of public funds of Fullgoal Fund was RMB588 billion, of which, active equity business was expanded rapidly with the AUM exceeding RMB200 billion.

### (3) Private equity investment funds

In respect of the private equity investment business, the Company has continued to establish a private equity fund management institution with “specialized investment, standardized management, and market-oriented operation”. As at the end of the Reporting Period, the AUM of private equity investment business of the Company was RMB25.4 billion, and there were 13 projects under the CSRC approval process (including 5 projects in the Sci-Tech Innovation Board). In 2020, the private equity investment business of the Company raised RMB2.9 billion. It completed 40 investment projects and had 20 projects newly listed or submitted for approval (including 10 projects in the Sci-Tech Innovation Board), realizing a return of RMB2.29 billion through exit. The private equity investment business of the Company has been widely recognized by the market. Haitong Capital received multiple major awards from well-known third-party institutions including Zero2IPO (清科) and China Venture (投中), which further enhanced the brand awareness.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Changes in the scale of private equity business*

	<b>The Reporting Period</b>	<b>As at the end of the last year</b>
Number of funds managed	45	41
AUM balance (RMB100 million)	254	237
Number of investment projects during the Reporting Period	40	40
Amount of investment projects during the Reporting Period (RMB100 million)	29	26
Number of exited projects (including partial exit) during the Reporting Period	65	57

#### (4) Overseas asset management

As at the end of the Reporting Period, the AUM of Haitong International reached HK\$60.8 billion. "Haitong MSCI China A ESG ETF" was launched during the Reporting Period, which is the first ETF product offering extensive investment opportunities in A shares of ESG of PRC companies. It provides tools and channels for overseas investors to participate in China's ESG investment while implementing the concept of "responsible investment". Haitong Global Diversification Fund of Haitong International was awarded the Fund Award – Equity Global 3 Years in Lipper Fund Awards Hong Kong 2020; and Haitong International was awarded the "Best Fund House, China Offshore" in "2020 Asset Management Selection" by AsianInvestor.

#### 4. Trading and institutional client services

##### *Market Conditions:*

In 2020, the market experienced ups and downs under the pandemic and continuous evolution of economic and macro policies. After the severe impact of the pandemic, various countries have launched large-scale fiscal stimulus, in which the abundant liquidity drove the rebound of stock market. At the same time, the institutionalisation of A-share market was further accelerated. Also, the scale of various derivatives continued to expand and the increasingly abundant trading tools have provided market entities with more flexible trading means. During the Reporting Period, given the persistent expectation of tightening the monetary policy, the bond market recorded a rise followed by a drop, of which, the ChinaBond Total Net Price Index (中債總淨價指數) and the ChinaBond Corporate Bond Total Net Price Index (中債企業債總淨價指數) dropped 0.42% and 1.4%, respectively, during the year.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Operating measures and performance:*

#### (1) Trading business

In 2020, by grasping the trend of macroeconomic policies and the fluctuation in the bond market, the Company properly adjusted positions for its fixed income trading in advance and achieved a certain return. The Company actively applied for the qualification of innovative business, and successfully obtained the qualification of IRS real-time undertaking business of the Foreign Exchange Trading System and the SCH, the qualification of interest rate option business of the Foreign Exchange Trading System, the qualification of ETF market making business of the SSE, and the qualification of business of collateralized repurchase with quotes of the SZSE, which further enriched the business types and trading methods under the Company's FICC business line, and improved the income generation capabilities.

The Company seized the market opportunities of equity trend investment, adhered to value orientation, and achieved steady investment returns. The equity derivative product business further coordinated with wealth management and institutional transaction, cultivated on-exchange market making business and on-exchange options market making business, which basically realized system independence and control. In 2020, the total nominal principal of the Company's equity OTC derivatives product business increased by RMB178.7 billion (including income swaps, OTC options and structured income certificates), representing a year-on-year increase of 223%. The remaining scale amounted to RMB111.6 billion as at the end of the period, representing a year-on-year increase of 420%. Currently, the Company is qualified for lead market maker of ETF at the SSE and qualified for ETF liquidity service provider at the SZSE.

Haitong Innovation Securities actively developed equity investment business, focusing on information technology, medical and healthcare and other new economic industries. It pushed forward the transformation of financial product investment business and participated in the IPOs co-investment on the STAR market. It co-invested in 10 IPO projects on the STAR market during the year with the co-investment amount of RMB1.37 billion.

In 2020, Haitong International further improved its trading capabilities. The stock trading volume by cash exceeded HK\$500 billion, representing a year-on-year increase of 66%. In terms of derivative products, a total of 2,975 warrants and CBBCs were launched during the year, with turnover amounting to HK\$462.2 billion, making it the 4th place in the Hong Kong market.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (2) Institutional client business

The Company persisted in establishing a leading research brand in the industry to drive institutional brokerage business development, and support the expansion of investment banking projects and retail customer consulting service by means of research. The Company overcame the impact of the pandemic by serving institutional customers through online live-streaming, teleconferences, etc. The Company held 1,542 online meetings, with a total turnover of nearly 230,000 person-times of customers. In the 2020 “Best Analyst of New Fortune” appraisal, the research sector of the Company received 25 awards and was ranked third for the best local research team, third for the most influenced research institution and first for the best industry research team (finance). For strategy and non-bank financial research, it continued to rank top which consolidated its brand advantage. The Company maintained its leading position in the in the social security research ranking. Haitong International’s research team ranked first in 18 items and ranked third in 40 items in the 2020 “Asiamoney” poll. Multiple awards were related to the entire Asian region, which demonstrated that its research capacity has reached the same level of leading investment banks in Asia.

During the Reporting Period, the income of foreign institutional business of the Company, represented by QFII/RQFII and WOFE, had a 80% growth over the same period of the previous year, achieving a record high in recent years and ranking top three in the industry. It reached cooperation intentions with a number of top global institutions to complete the launch of new QFII customer platform. The WOFE brand has significant first-mover advantages with a coverage of over 90%, which formed a comprehensive cooperative business chain of product launching, custody, trading, and direct investment. The Company gave a full play to the role of seed funds and strengthened the selection of outstanding private equity managers. The scale of MOM business was RMB31.9 billion.

In respect of its custody and outsourcing business, the Company deepened the transformation of comprehensive financial services, optimized the custody and outsourcing operation process, and strived to explore the product lines. It achieved good results in asset management products, funds of settlement model for securities companies of public offering and public ETF funds. The scale of custody and outsourcing business achieved significant growth. As at the end of the Reporting Period, the total scale of the Company’s custody and outsourcing amounted to RMB457.9 billion, representing an increase of 32.4% compared to the end of 2019.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 5. *Financial leasing business*

#### *Market conditions:*

In 2020, due to the impact of various factors such as the COVID-19 pandemic, the downward pressure of the macroeconomy and the tightening risk controls among enterprises, the growth in the leasing industry continued to slowdown, with a slight increase of 0.21% in the number of market players, and a slight decrease of 2.3% in the balance of financial leasing contracts. In the mid-to-long term, rooting in the business of leasing and services to the real economy, and under the conditions of China's economic growth, upgrade in industrial structure and construction of new infrastructures, China's financial leasing industry remains in a steadily growing trend and turned its development towards high quality with a great deal of support which included long-term encouraging policies, e.g. the formation of a new development pattern featuring "dual circulation", the strengthening of national strategic technology and the development of green finance, and the inclusive finance empowered by financial technology. Meanwhile, with stricter supervision, standardized and orderly development and increased concentration for the leasing industry, leading companies have competitive advantages in business expansion, comprehensive services, financing capabilities, asset quality, and profitability. In 2020, China's financial system continued to strengthen its support for COVID-19 prevention and control, and the economic and social development. With the prudent monetary policies which were more flexible and suitable, financing conditions continued being optimized, social financing cost effectively decreased, and the scale of social financing significantly increased. Financing and capital replenishment channels for leasing companies have also continued to widen. Carrying out diversified and direct financing through the capital market has gradually become an important financing channel for leading leasing companies.

#### *Operating measures and performance:*

During the Reporting Period, Haitong UT effectively served the real economy and supported pandemic prevention and control, which achieved better results in respect of growth in scale, risk control, business expansion, financing guarantee, and quality and efficiency improvement. Haitong UT orderly facilitated work and operation resumption, accelerated the application of fin-tech, and integrated the online and offline services. Throughout the year, its business scale recorded RMB60.44 billion, representing an increase of 4.6% as compared with the same period of the previous year. It recorded total revenue of RMB7.915 billion, representing an increase of 10.8% as compared with the same period of the previous year. As at the end of the Reporting Period, total assets of Haitong UT reached RMB108.141 billion, representing an increase by 9.2% as compared to the beginning of the Reporting Period. Haitong UT actively responded to the society's demand, structurally optimized its asset layout, conducted research on the post-pandemic market opportunities, strengthened its financial support for small, medium and micro enterprises and anti-epidemic fields, and reasonably benefited the real economy. Meanwhile, Haitong UT proactively improved risk prevention capability, so as to ensure high quality development of the Company.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### II. OPERATIONS DURING THE REPORTING PERIOD

As of 31 December 2020, the total assets of the Group amounted to RMB694,073 million, and the net assets attributable to the parent company amounted to RMB153,448 million. In 2020, the Group realised revenue of RMB54,277 million, and net profit attributable to the parent company amounted to RMB10,875 million; the weighted average return on net assets was 7.88%. Its subsidiaries realized revenue of RMB31,264 million, accounting for 56% of the total revenue of the Group; and its overseas business realised revenue of RMB16,830 million, accounting for 31% of the total revenue of the Group.

#### Analysis of the consolidated statement of profit or loss

##### 1. Composition of revenue

Unit: RMB'000

Items	2020	2019	Increase/decrease	
			Amount	Percentage
Commission and fee income	<b>17,387,414</b>	12,628,260	4,759,154	37.69%
Interest income	<b>13,975,952</b>	13,631,113	344,839	2.53%
Finance lease income	<b>3,932,863</b>	4,552,042	-619,179	-13.60%
Investment income and gains (net)	<b>11,076,986</b>	11,450,319	-373,333	-3.26%
Other income and gains	<b>7,903,985</b>	9,290,378	-1,386,393	-14.92%
<b>Total revenue, gains and other income</b>	<b>54,277,200</b>	51,552,112	2,725,088	5.29%

In 2020, the total revenue, gains and other income realised by the Group amounted to RMB54,277 million, representing an increase of RMB2,725 million or 5.29% as compared to the corresponding period of last year, mainly due to the increase of commission and fee income.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

a. *Commission and fee income*

Unit: RMB'000

Items	2020	2019	Increase/decrease	
			Amount	Percentage
Commission and fee income of securities and futures brokerage business	<b>8,549,407</b>	6,171,840	2,377,567	38.52%
Underwriting and sponsors fees	<b>4,548,113</b>	2,689,853	1,858,260	69.08%
Asset management fee income (including fund management income)	<b>3,403,089</b>	2,395,113	1,007,976	42.08%
Financial advisory and consultancy fee income	<b>738,003</b>	1,249,648	-511,645	-40.94%
Others	<b>148,802</b>	121,806	26,996	22.16%
<b>Total commission and fee income</b>	<b>17,387,414</b>	12,628,260	4,759,154	37.69%

Commission and fee income amounted to RMB17,387 million, representing an increase of RMB4,759 million or 37.69% as compared to the corresponding period of last year, mainly due to the increase of commission and fee income of securities and futures brokerage business, underwriting and sponsors fees and asset management fee income.

b. *Interest income*

Interest income amounted to RMB13,976 million, representing an increase of RMB345 million or 2.53% as compared to the corresponding period of last year, mainly due to the increase in scale of receivables arising from sale and leaseback arrangement and the increase in the corresponding interest income.

c. *Investment income and gains (net)*

Investment income and gains (net) amounted to RMB11,077 million, representing a decrease of RMB373 million or 3.26% as compared to the corresponding period of last year.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

## Statement of the Principal Businesses of the Group

## Principal businesses by segment

Unit: RMB'000

By industry	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Wealth management	15,995,734	11,623,707	27.33%	7.52%	15.55%	-5.05%
Investment banking	6,080,184	3,101,376	48.99%	44.96%	15.49%	13.02%
Asset management	4,201,013	2,455,314	41.55%	39.71%	47.17%	-2.96%
Trading and institutional client services	14,449,091	9,510,324	34.18%	-4.58%	-9.09%	3.27%
Financial leasing	8,361,667	7,142,478	14.58%	10.38%	15.07%	-3.48%
Others	5,189,511	5,229,708	-0.77%	-23.19%	-22.50%	-0.89%

## Principal businesses by region

Unit: RMB'000

By region	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Domestic business	37,447,699	25,164,018	32.80%	8.59%	4.59%	2.57%
Overseas business	16,829,501	13,898,889	17.41%	-1.39%	0.94%	-1.91%
Total	54,277,200	39,062,907	28.03%	5.29%	3.26%	1.41%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

In 2020, the Group's wealth management segment income amounted to RMB15,996 million, representing an increase of RMB1,119 million or 7.52% as compared to RMB14,877 million of last year, mainly due to the continuous promotion of the transformation of wealth management, the significant improvement of institutional brokerage capacity, the optimization of network layout, and the improvement of service capacity in key areas. Investment banking segment income amounted to RMB6,080 million, representing an increase of RMB1,886 million or 44.96% as compared to RMB4,194 million of last year, mainly due to the seize of the market opportunity of the STAR market and the comprehensive reformation of registration-based IPO system, the deepening of the service value chain, the build-up of the customer ecosystem, and the significant increase of underwriting scale. Asset management segment income amounted to RMB4,201 million, representing an increase of RMB1,194 million or 39.71% as compared to RMB3,007 million of last year, mainly due to the improvement of management ability and the continuous growth of AUM under active management. Trading and institutional client services segment income amounted to RMB14,449 million, representing a decrease of RMB693 million or 4.58% as compared to RMB15,142 million of last year. Financial leasing segment income amounted to RMB8,362 million, representing an increase of RMB787 million or 10.38% as compared to RMB7,575 million of last year, mainly due to the continuous development of business, the strengthening of business linkage, and the significant improvement of project income. Other segment income amounted to RMB5,190 million, representing a decrease of RMB1,566 million or 23.19% as compared to RMB6,756 million of last year, mainly due to the decrease of sales income of a subsidiary.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 2. Composition of expenses

Unit: RMB'000

Total expenses	2020	2019	Increase/decrease	
			Amount	Percentage
Depreciation and amortisation	<b>1,363,882</b>	1,128,068	235,814	20.90%
Staff costs	<b>7,656,682</b>	7,313,379	343,303	4.69%
Brokerage transaction fees and other services expenses	<b>3,535,266</b>	2,698,904	836,362	30.99%
Interest expenses	<b>13,018,271</b>	14,035,306	-1,017,035	-7.25%
Impairment losses under expected credit loss	<b>4,586,225</b>	2,847,410	1,738,815	61.07%
Impairment losses of other assets	<b>10,923</b>	16,447	-5,524	-33.59%
Other expenses	<b>8,891,658</b>	9,790,321	-898,663	-9.18%
<b>Total</b>	<b>39,062,907</b>	37,829,835	1,233,072	3.26%

In 2020, total expenses of the Group amounted to RMB39,063 million, representing an increase of RMB1,233 million and 3.26% as compared to that for the same period in 2019, mainly due to the increase in provision for credit impairment loss.

In 2020, the Group realised a net profit attributable to owners of the Company of RMB10,875 million, representing an increase of 14.20% as compared to the corresponding period of last year. The Group realized basic earnings per share of RMB0.90, representing an increase of 8.43% as compared to the corresponding period of last year; the weighted average return on net assets amounted to 7.88%, representing an increase of 0.07 percentage points as compared to the corresponding period of last year.

### 3. Public welfare contributions

In 2020, the Group contributed a total of RMB31,839 thousand in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### Breakdown of public welfare contributions for 2020

Unit: RMB'000

<b>Items</b>	<b>Amount during the Reporting Period</b>
Charity donations	31,839
<b>Total</b>	<b>31,839</b>

#### 4. Others

During the Reporting Period, there were no material changes in the composition and sources of the Group's profits.

#### Cash flow

In 2020, the Group's net cash and cash equivalents decreased to RMB37,307 million, in which:

Net cash used in operating activities was RMB6,251 million which was mainly due to cash outflow of RMB21,247 million caused by increase in advances to customers on margin financing, cash outflow of RMB17,238 million caused by increase in cash held on behalf of clients, and cash inflow of RMB23,316 million caused by increase in accounts payable to brokerage clients and other payables and accruals.

Net cash used in investing activities was RMB16,456 million which was mainly due to cash outflow of RMB8,094 million caused by purchases of property and equipment and other intangible assets.

Net cash from financing activities was RMB18,740 million which was mainly due to cash inflow of RMB20,000 million caused by issuance of ordinary shares.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

## Analysis on major items of the consolidated statement of financial position

## 1. Analysis on major items of consolidated statement of financial position of the Company

Unit: RMB'000

	2020		2019		Increase/decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Non-current assets</b>	<b>138,221,209</b>		135,390,743		2,830,466	2.09%
Of which: finance lease receivables	20,751,276	2.99%	24,786,256	3.89%	-4,034,980	-16.28%
Equity instruments at fair value through other comprehensive income	11,873,648	1.71%	7,551,256	1.19%	4,322,392	57.24%
Debt instruments measured at fair value through other comprehensive income	16,239,187	2.34%	15,783,978	2.48%	455,209	2.88%
Financial assets at fair value through profit or loss	26,145,088	3.77%	21,562,385	3.39%	4,582,703	21.25%
Other loans and receivables	3,235,445	0.47%	4,761,754	0.75%	-1,526,309	-32.05%
Investments accounted for using equity method	4,428,307	0.64%	4,942,938	0.78%	-514,631	-10.41%
Financial asset held under resale agreements	2,195,793	0.32%	17,137,937	2.69%	-14,942,144	-87.19%
Property and equipment	15,109,289	2.18%	6,714,638	1.05%	8,394,651	125.02%
Loans and advances	2,775,492	0.40%	2,695,362	0.42%	80,130	2.97%
Goodwill	3,884,910	0.56%	4,134,434	0.65%	-249,524	-6.04%
<b>Current assets</b>	<b>555,852,142</b>		501,402,888		54,449,254	10.86%
Of which: bank balances and cash	122,583,420	17.66%	111,062,093	17.44%	11,521,327	10.37%
Clearing settlement funds	11,852,301	1.71%	8,611,101	1.35%	3,241,200	37.64%
Financial assets at fair value through profit or loss	194,251,416	27.99%	198,030,685	31.10%	-3,779,269	-1.91%
Loans and advances	73,067,592	10.53%	52,797,926	8.29%	20,269,666	38.39%
Accounts receivable	8,410,000	1.21%	9,752,377	1.53%	-1,342,377	-13.76%
Financial asset held under resale agreements	55,769,601	8.04%	40,347,256	6.34%	15,182,345	38.22%
Finance lease receivables	27,660,127	3.99%	28,155,387	4.42%	-495,260	-1.76%
Debt instruments measured at fair value through other comprehensive income	1,234,515	0.18%	3,602,965	0.57%	-2,368,450	-65.74%
Deposits with exchanges	17,208,163	2.48%	9,603,759	1.51%	7,604,404	79.18%
Derivative financial assets	1,837,912	0.26%	1,516,496	0.24%	321,416	21.19%
Other loans and receivables	16,884,562	2.43%	20,222,329	3.18%	-3,337,767	-16.51%
<b>Total assets</b>	<b>694,073,351</b>		636,793,631		57,279,720	9.00%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2020		2019		Increase/decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>356,936,346</b>		355,497,271		1,439,075	0.40%
Of which: accounts payable to brokerage clients	108,167,568	20.57%	87,464,142	17.65%	20,703,426	23.67%
Financial assets sold under repurchase agreements	60,563,433	11.52%	68,877,678	13.90%	-8,314,245	-12.07%
Borrowings	59,132,650	11.24%	57,040,864	11.51%	2,091,786	3.67%
Placements from banks and other financial institutions	12,059,685	2.29%	14,421,611	2.91%	-2,361,926	-16.38%
Financial liabilities at fair value through profit or loss	22,226,074	4.23%	26,211,555	5.29%	-3,985,481	-15.21%
Derivative financial liabilities	2,672,279	0.51%	2,170,599	0.44%	501,680	23.11%
Other payables and accruals	21,187,155	4.03%	17,748,106	3.58%	3,439,049	19.38%
Short-term financing bills payables	25,718,523	4.89%	32,206,855	6.50%	-6,488,332	-20.15%
Customer accounts	4,413,388	0.84%	2,873,637	0.58%	1,539,751	53.58%
Tax liabilities	2,986,567	0.57%	1,976,794	0.40%	1,009,773	51.08%
Bonds payables	36,233,688	6.89%	43,699,917	8.82%	-7,466,229	-17.09%
<b>Net current assets</b>	<b>198,915,796</b>		145,905,617		53,010,179	36.33%
<b>Non-current liabilities</b>	<b>169,010,693</b>		140,177,617		28,833,076	20.57%
Of which: bonds payable	111,604,522	21.22%	89,042,454	17.96%	22,562,068	25.34%
Long-term borrowings	33,597,907	6.39%	31,084,259	6.27%	2,513,648	8.09%
Financial liabilities at fair value through profit or loss	10,012,227	1.90%	3,874,411	0.78%	6,137,816	158.42%
Placements from banks and other financial institutions	3,009,828	0.57%	6,200,903	1.25%	-3,191,075	-51.46%
<b>Total liabilities</b>	<b>525,947,039</b>		495,674,888		30,272,151	6.11%
<b>Total equity</b>	<b>168,126,312</b>		141,118,743		27,007,569	19.14%

\* Percentages for assets and liabilities refer to the share of the total assets and the share of the total liabilities respectively

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As of 31 December 2020, the total assets of the Group amounted to RMB694,073 million, representing an increase of RMB57,280 million or 9.00% as compared to the end of 2019, and the total liabilities of the Group amounted to RMB525,947 million, representing an increase of RMB30,272 million or 6.11% as compared to the end of 2019.

As of 31 December 2020, the non-current assets amounted to RMB138,221 million, representing an increase of 2.09% as compared to the end of 2019, mainly due to increase of the properties and equipment; the current assets amounted to RMB555,852 million, representing an increase of 10.86% as compared to the end of 2019, mainly due to increase of advances to customers on margin financing. The current liabilities of the Group were RMB356,936 million, representing an increase of 0.40% as compared to the end of 2019, mainly due to increase of accounts payable to brokerage clients. The net current assets of the Group were RMB198,916 million, representing an increase of 36.33% as compared to the end of 2019. The non-current liabilities of the Group were RMB169,010 million, representing an increase of 20.57% as compared to the end of 2019, mainly due to increase in bonds payable.

As of 31 December 2020, the Group's equity attributable to owners of the Company was RMB153,448 million, representing an increase of RMB27,357 million or 21.70% as compared to the end of 2019; excluding the influencing of accounts payable to brokerage customers, the Group's gearing ratio was 71.30%, representing a decrease of 3.01 percentage points as compared to 74.31% as at the end of 2019. The Group's asset-liability structure remained relatively stable.

### Borrowings and bond investment

As of 31 December 2020, the total borrowings and bond financing of the Group amounted to RMB266,287 million. The following table sets forth the breakdown of the Group's borrowings and bond financing as at the end of December 2020:

*Unit: RMB'000*

	<b>31 December 2020</b>	31 December 2019
Bonds payables	<b>147,838,210</b>	132,742,371
Borrowings	<b>92,730,557</b>	88,125,123
Short-term financing bills payables	<b>25,718,523</b>	32,206,855
<b>Total</b>	<b>266,287,290</b>	253,074,349

For the interest rates and maturities of the borrowings and debt financing, please refer to Note 45, 46 and 47 set out in the appended financial report.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As at 31 December 2020, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB121,085 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB198,916 million. Therefore, liquidity risk exposure of the Group was immaterial.

Save as the liabilities disclosed in this report, as at 31 December 2020, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and financial leasing commitment, guarantee or other material contingent liabilities.

### (II) Analysis of industry business information

For details, please refer to the relevant contents in Section III and Section IV in this Report.

### (III) Analysis of investment

At the end of the Reporting Period, the Group's long-term equity investment was RMB4,428 million, representing a decrease of RMB515 million and 10.41% as compared to the end of last year (RMB4,943 million). For long-term equity investment, please refer to Note 24 to the Consolidated Financial Statements of this Report.

#### (1) Material equity investment

During the Reporting Period, the Group had no material equity investment.

#### (2) Material non-equity investment

Pursuant to the resolution of the fifth meeting (extraordinary meeting) of the seventh session of the Board in 2019, the parent company and its subsidiary, Haitong UT, acquired Greenland Bund Center Block B1, B2 and B3 (including parking space), and obtained title certificates in May 2020. As at 31 December 2020, the total investment amounted to RMB5,996 million, among which, the investment amount of the parent company was RMB4,702 million and the investment amount of its subsidiary, Haitong UT, was RMB1,294 million.

#### (3) Financial assets measured at fair value

The financial assets measured at fair value of the Group is mainly consist of financial assets at fair value through profit or loss of RMB220,397 million, financial liabilities at fair value through profit or loss of RMB32,238 million, equity instruments at fair value through other comprehensive income of RMB16,239 million, debt instruments at fair value through other comprehensive income of RMB13,108 million, and derivative financial instruments of RMB-834 million.

### (IV) Material assets and equity disposal

During the Reporting Period, the Group had no material assets or equity disposal.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (V) Analysis of principal holding subsidiaries or joint-stock companies

1. Haitong Capital, with a registered capital of RMB10,650 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of Haitong Capital reached RMB17,593 million, and the net asset attributable to the parent company was RMB15,022 million. In 2020, Haitong Capital realised an operating income of RMB2,454 million with a net profit of RMB1,512 million.
2. Haitong International Holdings, with a registered capital of HK\$11,180 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of Haitong International Holdings reached HK\$316,584 million, and the net asset attributable to the parent company was HK\$17,994 million. In 2020, Haitong International Holdings realised a revenue of HK\$11,561 million with a net profit of HK\$2,550 million.
3. Haitong Innovation Securities, with a registered capital of RMB8,300 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of Haitong Innovation Securities reached RMB10,933 million, and the net asset was RMB10,683 million. In 2020, Haitong Innovation Securities realised an operating income of RMB1,309 million with a net profit of RMB969 million.
4. HT Asset Management, with a registered capital of RMB2,200 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of HT Asset Management reached RMB10,487 million, and the net asset was RMB4,354 million. In 2020, HT Asset Management realised an operating income of RMB1,826 million with a net profit of RMB705 million.
5. Shanghai Zechun, with a registered capital of RMB100 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of Shanghai Zechun reached RMB420 million, and the net asset was RMB137 million. In 2020, Shanghai Zechun realised an operating income of RMB11 million with a net profit of RMB466.3 thousand.
6. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2020, the total assets of Shanghai Weitai Properties reached RMB146 million, and the net asset was RMB10 million. In 2020, Shanghai Weitai Properties realised an operating income of RMB68 million with a net profit of RMB13.9 thousand.
7. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities holds 67% equity interest. As at 31 December 2020, the total assets of Haitong-Fortis PE reached RMB285 million, and the net asset was RMB222 million. In 2020, Haitong-Fortis PE realised an operating income of RMB156 million with a net profit of RMB65 million.
8. Haitong Futures, with a registered capital of RMB1,301.5 million, in which Haitong Securities holds 66.667% equity interest. As at 31 December 2020, the total assets of Haitong Futures reached RMB37,242 million, and the net asset was RMB2,838 million. In 2020, Haitong Futures realised an operating income of RMB6,036 million with a net profit of RMB260 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

9. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities holds 51% equity interest. As at 31 December 2020, the total assets of HFT Investment reached RMB2,796 million, and the net asset was RMB1,700 million. In 2020, HFT Investment realised an operating income of RMB1,326 million with a net profit of RMB378 million.
10. Fullgoal Fund, with a registered capital of RMB520 million, in which Haitong Securities holds 27.775% equity interest. As at 31 December 2020, the total assets of Fullgoal Fund reached RMB8,746 million, and the net asset was RMB5,215 million. In 2020, Fullgoal Fund realised an operating income of RMB5,317 million with a net profit of RMB1,652 million.

### (VI) Structured entities controlled by the Company

The Company has recognised and included 54 structured entities (which are managed by the Company's subsidiaries) in its consolidated financial statements, considering the variable returns to which the companies in the consolidated financial statement are entitled or the risks to which they are exposed from such structured entities.

### (VII) Use of proceeds

Upon approval by the China Securities Regulatory Commission with the Approval in Relation to the Non-public Issuance of Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No.1038), the Company issued 1,562,500,000 Renminbi-denominated ordinary shares (A Shares) by way of non-public issuance. The registration and custody procedures were completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The issuance price was RMB12.80 per share and the total amount of raised proceeds was RMB20,000,000,000.00. After the deduction of issuance expenses of RMB159,829,525.00 (including VAT), the net proceeds raised amounted to RMB19,840,170,475.00. The funds raised from the above non-public issuance of A shares were received on 27 July 2020 and fully deposited into the special account for proceeds opened by the Company, and were verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), and the Capital Verification Report (De Shi Bao (Yan) Zi (20) No. 00354) was issued.

In the application document of the non-public issuance of A shares, the Company committed that the raised funds would be mainly used in the following aspects:

- (1) an amount of no more than RMB6.0 billion will be used to develop capital-based intermediary business and enhance financial services capabilities;
- (2) no more than RMB10.0 billion will be used to increase FICC investment and optimize the structure of assets and liabilities;
- (3) an amount of no more than RMB1.5 billion will be used to increase investment in information system construction and enhance the informatization level of the Company;
- (4) an amount of no more than RMB2.0 billion will be used to increase capital injection to investment banking business and promote development of investment banking business;

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (5) an amount of no more than RMB0.5 billion will be used to replenish working capital.

As at the date of this report, the raised funds were fully utilized, in which, an amount of RMB6.0 billion was used for the development of capital-based intermediary business, RMB10.0 billion was used for FICC investment, RMB1.5 billion was used for information system construction, RMB2.0 billion was used for capital injection to investment banking business, and RMB0.34 billion was used for replenishment of working capital.

### (VIII) Others

#### 1. *Establishment and disposal of the business departments, branches and subsidiaries of the Company during the Reporting Period*

During the Reporting Period, the Company established and opened four securities branches, discontinued two securities branches, and relocated 36 branches (please refer to Appendix III in this Report for details); as at the end of the Reporting Period, the Company had 29 securities branch offices and 302 securities branches (please refer to Appendix II in this Report for details).

#### 2. *Explanation on account standardisation*

During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively prevented non-standard accounts by standardising the processes and enhancing supervision, review, etc. The Company also made further clean-up of unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been put in separated reserve category. During the Reporting Period, the Company has totally cleaned up 55 unqualified capital accounts (including 29 unqualified cash-only accounts), 1,194 small-amount-dormant capital accounts (including 101 cash-only small-amount-dormant accounts), and 207 dormant accounts without risk management. As at 31 December 2020, the Company still had 25,825 unqualified capital accounts (including 22,864 unqualified cash-only capital accounts), 1,539,446 small-amount-dormant capital accounts (including 445,099 cash only small-amount-dormant capital accounts) and 97,223 dormant capital accounts without risk management.

#### 3. *Development of innovative business*

Adhering to promoting transformation by innovation, the Company achieved various business innovation:

- (1) The Company actively promoted the innovations advocated by the regulatory authorities. The Company obtained the qualification of lead market maker for listed funds, the qualification for interest rate swap real-time undertaking business, the qualification for interest rate options business and the trading authority of pledge-style quotation repurchase transactions of SZSE, and has completed the listing of standard bond forwards. Shanghai Haitong, a subsidiary of the Company, was among the first batch of securities companies that are qualified as lead market makers of 50ETF options traded on SSE, and was qualified as a general market maker of CSI 300ETF options traded on SZSE.

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- (2) The Company continued to accelerate independent innovation and provide customers with innovative business solutions. With the experience with some industrial leaders such as Semiconductor Manufacturing International Corporation, Advanced Micro-Fabrication Equipment Inc. China (中微半導體設備(上海)股份有限公司), National Silicon Industry Group Co., Ltd (上海硅產業集團股份有限公司), VeriSilicon Microelectronics Co., Ltd., the Company developed its outstanding investment banking and sponsoring brand advantages in the sector of integrated circuit and achieved a full coverage of industry chain from upstream to downstream. Meanwhile, the Company completed the A-share listing of two H-share companies, namely Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. and Shanghai Junshi Biosciences Co., Ltd., which established the Company's market influence in the biomedical and pharmaceutical fields. The Company continuously maintained the vitality of bond business innovation, and completed a number of first transactions in the market, including the first "supply chain bills + standardized bills" with a brokerage as a depository institution, the first public offering of short-term corporate bonds under the new regulations of SZSE, the first credit risk mitigation certificate with ABN (asset-backed notes) of epidemic prevention and control as the subject, etc. HT Asset Management successfully completed the issuance of the first publicly-offered massive collective investment scheme product "Haitong Core Strengths (海通核心優勢)". A subsidiary of Haitong International in Australia successfully obtained a financial service licence from Australian Securities and Investments Commission (ASIC), which further promoted Haitong's internationalization process.

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### III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

#### (I) Industry layout and trend

Given the unprecedented importance given to capital market, the long-term trend of transforming from an indirect financing-oriented model to a direct financing-oriented model and the increasing demand for cross-border investment and financing, and during the period of change between new and old dynamics as well as the new development of dual circulation, assets accumulated by enterprises and wealth accumulated by residents under the phase of economic growth will provide huge potential for the development of the capital market and the securities companies. On the one hand, alongside the formal implementation of the new Securities Law, the probably sweeping application of Stock Issuance Registration System to listed companies after the successful try on the Sci-Tech Innovation Board and the ChiNext, and the formal launch of the selective segment reform of the NEEQ, which continuously pushed the comprehensive in-depth reform of the capital market at various levels, the Company's business segments including the general brokerage, general investment banking, general asset management, private equity investments, alternative investments and cross-border business will usher in new development opportunities. On the other hand, driven by the continuous advancement of industry regulation in the direction of "system development, non-intervention, and zero tolerance", rapid development of fin-tech, the opening up of the industry, and the implementation of new regulations on asset management, the profit generation fundamentals and the industry ecology in the securities industry development has undergone profound changes, and industry competition will enter the era of specialization and differentiation.

The development of the securities industry is expected to witness the following trends: the two-way opening up and liberalisation of the capital market, the industry competition and development facilitated by the entries of new foreign invested securities companies, and the international development of the market and customers will further promote the process of internationalisation of securities companies, along with more cross-border simultaneous linkages; the integration of industry will accelerate, which will result in increased market concentration, continuous increase in the revenue, profit, and market shares of various businesses of leading securities firms, and more intense competition among industry leaders and differentiation of operations in terms of capital drives, integrated services and fin-tech; the traditional profit generating model heavily relied upon operating licences and regulation will be phased out gradually, while the profit generating model in the industry will be transformed into a capital-driven intermediary model relying on capital advantage, customer base, professional services capability and fin-tech strength; under a continuously expanding asset management and wealth management market featured by institutionalisation of retail investors with huge potential, proactive management capabilities and product design capabilities will become the core competitiveness of the securities companies; as businesses of securities companies such as product offerings, service models and geographic coverage are increasingly complex, the importance of ensuring compliance and risk management and the management and control coordination of the Group will be more significant to the sustainable development of various businesses.

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### (II) Development strategy of the Company

Under the background of transformation, the Company's overall development strategy is as follows: adhering to customer focus; focusing on intermediary businesses such as brokerage, investment banking and asset management as core businesses; developing capital intermediary business and investment business as the wings which will draw upon conglomeration, internationalisation and informatisation as the driving force; reinforcing the four "pillars" including compliance and risk management, talent, IT and research. Meanwhile, the Company will enhance its capability building in five areas including capital and investment management, investment banking underwriting and sales pricing, assets management, institutional brokerage and sales transaction and wealth management in order to build an intelligent Haitong. With the mission of developing a world-class investment bank, we are committed to transforming Haitong into a leading domestic and globally influential Chinese benchmark investment bank.

### (III) Business plan

The year 2021 is not only the first year of the 14th Five-Year Plan of the PRC, but also an important window period for comprehensive deepening reform of the capital market and a crucial opportunity for the development of securities industry, which is critical for the Company to further consolidate and enhance its industry-leading advantage. The Company will, under the guidance of overall development strategy, seize the strategic opportunities brought by the new growth pattern of dual circulation of the PRC to firmly leverage upon the resilient fundamentals of Chinese economy for a good kick-start. It will continuously increase its efforts to serve the real economy, and play its part in realising the transformation and upgrading of China's economic structure, and prevent financial risks, foster its core comprehensive financial services capabilities at home and abroad. In addition, by accelerating the implementation of measures for "remedying shortcomings, breaking bottlenecks", the Company will focus on building a customer-centric business system and a refined management system of serving businesses, so as to further enhance the Company's long-term core competitiveness steadily.

The Company will focus on the following key tasks: grasping opportunities in innovation and development, setting target to steadily facilitate the development of an all-round investment bank for providing one-stop investment banking services, strengthening the capability building related to investment banking business development and pricing to reinforce the market position of its investment banking business; putting customers first and utilising products as a link to enhance, by existing strength, its services and wealth management system, build brands and seek a breakthrough; gaining more institutional customers by upgrading institutional brokerage and sales capability as well as reinforcing service capability by optimizing institutional customer services and innovating new business model; striving hard to create professional brands of each subsidiary of asset management business by pushing the product innovation and market expansion and enhancing active management ability and active management scale; creating innovation powerhouse, further enhancing the overall core competitiveness, operation and management capabilities and profitability of its overseas subsidiaries, and fortifying the Company's head-start on internationalization in further pursuit of a breakthrough of diversified development; improving its business layout to promote leasing business and realise high quality development; organising and implementing management of assets and liabilities base on scientific planning; focusing on key segments and better safeguarding human resources;

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developing the “Digital Haitong 2.0” (數字海通2.0) to turn the Company into a technology-based investment banking company with comprehensive technology-empowered business development, management improvement and group management; and strengthening the development of a healthy corporate culture and fostering successful corporate culture and professional integrity under the principle of “Compliance, Integrity, Professionalism and Prudence” to contribute to the building of a better capital market.

### (IV) Potential risks (including the implementation of comprehensive risk management and compliance risk control as well as investments in information technology)

#### 1. Summary of risk management

The Company has been attaching great importance to risk prevention and control, and set up the operational philosophy of “pragmatic, pioneering, steady and excellent” and the risk control philosophy of “prudence and even conservativeness”. The operation management of the Company adhered to the principle of the priority for compliance and priority for risk management.

According to the Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other regulatory requirements and internal rules, the Company continued to enhance consolidated supervision on risk control, enhanced group risk data mart, and fully promoted the vertical development of the comprehensive risk management system of the Group in terms of full coverage, monitoring, measurement, analysis and risk-response ability. The Company built a clearly arranged risk management structure covering various types of risks, different business lines and all departments/branches/subsidiaries, constantly revamped various risk management processes including risk identification, assessment, measurement, monitoring, reporting and response, regulated various business processes and comprehensively enhanced advance prevention, in-process monitoring and follow-up inspection and handling as to various risks. The Company established a three-level risk control indicator system covering supervision indicators, risk tolerance and risk limit indicators as well as business risk control indicators, realized dynamic monitoring and automatic warning through the system, and conducted stress tests to assess extreme risks. In the meanwhile, with the framework of same business and same client management, the Company established a group risk limit system, conducting daily monitoring by separating each department and subsidiary. The Company measured market risks, credit risks and liquidity risks, established a model management mechanism and procedure, and carried out ongoing assessments and validations of the model. The Company included its subsidiaries into the scope of reports and regularly prepared daily reports, monthly reports, quarterly reports, interim/annual reports on the risks of the Group, and prepared special reports on significant risk events. The Company chose proper countermeasures according to risk assessment and warning results, and established an effective response mechanism as well as operational contingency plans. In addition, the Company provided guarantee and support for comprehensive risk management through measures including promoting cultural advocacy, deepening the construction of systems, enhancing information systems, strengthening the establishment of the talent team and increasing investment in risk management.



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### 2. *Structure of Risk Management*

In compliance with the Company Law, the Securities Law, the Guidelines for Internal Control of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies, and the rules and regulations of the Company, the Company has built a multi-level organizational structure of risk management, and determined specific responsibilities in risk management at all level for the Board of Directors, the Supervisory Committee, the management, the Chief Risk Officer (“CRO”), the risk management department, the business and management department, branches and subsidiaries.

The Board is the maker and authorized person of the Company’s strategic objectives for risk management, and is responsible for reviewing and approving the overall objective, fundamental policy and major system of the Company’s risk management, the overall risk orientation and risk tolerance of the Company, solutions for material risks, periodic risk assessment report, supervision on the implementation of the Company’s risk management policy, appointment, dismissal and evaluation of chief risk officer, as well as the establishment of a direct communication mechanism with the chief risk officer and other duties stipulated by the Articles of Association. The Board has set up the Compliance and Risk Control Committee to perform the specific risk management duties.

The Supervisory Committee supervises the Company’s risk management and internal control system and is responsible for the supervision of risk management and internal control established and implemented by the Board and the management, as well as other responsibilities stipulated in the Articles of Association.

Based on the authorization of the Board, the management is responsible for setting up an organizational structure with clear responsibilities and procedures, formulating risk management policies, rules and regulations of the Company, carrying out overall risk appetite and risk tolerance policies, identifying, evaluating and responding to all kinds of risks, establishing a sound and effective risk management system and mechanism, timely responding to or correcting existing issues or defects, reviewing and dealing with significant risk accidents, establishing an overall performance evaluation system covering risk management effectiveness, building a perfect IT system and data quality control mechanism, as well as performing other risk management duties delegated by the Board.

The Company has a Chief Risk Officer (“CRO”), which is appointed by the Board of Directors. The CRO is the senior management member who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and regulations determined by the Board and the management, arrange supervision, reviews, and evaluations for risk management systems established and perfected by the Company, arrange supervision and inspections for the implementation of risk management policies and procedures, make suggestions on and supervise the improvement of existing problems in risk management, arrange instruments and approaches that evaluate and improve risk management, regularly organize evaluations for the level of major risks to which the Company is exposed and its management status, file evaluation reports to the management, the Board and regulatory authorities, as well as organize the nomination and assessment for the persons in charge of risk management in subsidiaries.

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The Company established a risk management department, which is led by the CRO, to perform risk management functions, and is responsible for drafting risk management policies, rules and regulations, supervising and guiding each unit to formulate business risk management systems and procedures, identifying and evaluating major risks of the Company's related businesses, organizing supervision and inspections for the implementation of the risk management systems of different businesses, regularly evaluating and reporting overall risk level and risk management, as well as timely reporting significant potential risks or risk events and giving suggestions accordingly. In addition, the compliance and legal department is responsible for the management of compliance risk, money laundering risk and terrorism financing risk, the funds management head office of the Company is responsible for the management of liquidity risk, the general manager's office is responsible for the management of reputation risk, and the IT management department is responsible for IT risk.

The Company's departments, branches and subsidiaries are responsible for risk management within the scope of their operation and management, establishing sound risk management systems and procedures accordingly, carrying out risk management policies and related risk management. The heads of all departments, branches and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries of the Company appoint personnel to take charge of risk management in their respective units, and supervise, inspect, and report the implementation of risk management policies and systems, as well as perform the front-line risk management responsibilities.

The Company's audit department carries out regular inspections for risk management and regular evaluations for the effectiveness of the risk management system, and makes suggestions for improvement based on the evaluation result.

In respect of the risk management of subsidiaries, all subsidiaries operate in a standardized way and in accordance with the law. The Company integrates the risk management of subsidiaries into its overall risk management system through various mechanisms. The Company has effectively implemented vertical risk management for subsidiaries in terms of nomination of subsidiaries' persons in charge of risk management, release of risk limit indicators, risk events and risk assessment reports, approval of major issues, incorporation of risk data into the Company's unified management, supervision and inspection, risk management assessment, etc.

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### 3. *Prevention measures to potential risks and the performance during the Reporting Period*

The risks faced by the Company in business operation activities mainly include: compliance risk, money laundering and terrorism financing risk (please refer to (VI) Construction of the compliance management system of the Company), credit risk, market risk, operational risk, liquidity risk and reputation risk, which are detailed as follows:

#### (1) *Credit risk*

Credit risk refers to the risk that the Company may suffer loss as a result of failure by the borrower, counterparty or debt issuer to perform the stipulated financial obligations or any adverse change in their credit standing.

- A. Risks relating to self-owned monetary funds deposited in other financial institutions and securities brokerage business. The Company's monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, while the clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited. In terms of securities brokerage business, trading is settled under gross margin. Therefore, these businesses are facing a relatively low credit risk.
- B. Risks relating to stock pledged repo business, margin financing and securities lending and stock repo transaction. The Company mainly manages and controls the credit risk through formulating and implementing various strict systems and measures, including due diligence, internal credit rating, project evaluation, credit approval management, daily mark-to-market, limit monitoring, post-lending tracking, credit enhancement, liquidation execution, judicial recourse and provision making.
- C. Risks relating to debenture transaction and investment business. The Company emphasises diversified investment to control concentration risk. Investment subjects are mostly high credit rating assets. The Company also keeps a close track of the operating conditions and credit rating changes of investment subjects and adjusts the internal rating of debt issuer and limit indexes in a timely manner in accordance with the changes in financial indicators, significant risk events and negative public opinion, etc., and dynamically adjusts trading strategies.

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- D. Risks relating to short-term intra-industry borrowing business such as bond repurchase, and over-the-counter derivatives business. As for the short-term intra-industry borrowing business such as bond repurchase, the Company carefully selects the counterparties with good credit standing and secured securities with high credit rating through access and credit granting management from counterparties, so as to control the level of credit risk from the source. In terms of over-the-counter derivatives business, the Company establishes a sound regulation system and procedure covering areas including counterparties access and credit rating management, subject securities management, risk responses and handling and conducts daily market-to-market evaluation throughout the term of over-the-counter derivative transaction and manages counterparty credit risk by fully adopting measures such as net settlement and performance guarantee.

In addition, subsidiaries are also exposed to credit risk when carrying out trading finance, loans and quasi-loans, investment in equity assets, financial leasing, inter-bank short-term lending and other businesses. During the Reporting Period, the Company amended the Management Measures on (Group) Credit Risk of Haitong Securities Co., Ltd., the Management Measures on Unified Credit Granting for (Group) Legal Person Customers of Haitong Securities Co., Ltd., the Risk Management Measures for the Same Customers of Haitong Securities Co., Ltd. and other regulations, established and improved the group-based credit risk measurement and concentration risk management framework, as well as the group unified credit risk limit system. The Company established a group credit risk management system, strengthened the framework of same business and same client management, carried out credit risk measurement based on internal ratings and asset risk classification, and implemented risk control measures such as customer access, credit granting and limit management. In the meantime, the Company paid attention to the correlation between credit risk and market risk, and adopted necessary monitoring and countermeasures for credit risks in the context of market fluctuations, including but not limited to transaction margin arrangement, internal rating and credit management of counterparties, future potential risk exposure measurement, wrong-way risk identification, etc.

During the Reporting Period, in response to the context of complex and changing external conditions and the impact of the pandemic, the Company supported enterprises to resume production and operation while further strengthening the credit risk management and control. For three types of financing business, the Company actively optimized the business structure, carefully assessed new projects, and enhanced the tracking, monitoring and management of existing projects. It strengthened the debt collection efforts of existing risky projects and made provision for credit impairment in a prudent and proactive manner, thereby ensuring adequate risk provision. As of the end of the Reporting Period, the average performance guarantee

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ratio of our customers in margin financing and securities lending business was 279.19%, the average performance guarantee ratio of our customers in securities repurchase transaction business was 275.37%, and the average performance guarantee ratio of our customers in stock pledged repo business operated was 276.44%. The collaterals provided by the lenders were sufficient, and the overall credit risk was under sound control. The risk monitoring indicators of the Company's unsecured corporate bonds investment and trading business remained at normal level, and the overall credit risks were controllable. The Company's counterparties of short-term interbank borrowing and over-the-counter derivatives businesses are mainly financial institutions including commercial banks, securities companies, asset management plans and other entities. The Company is faced with limited credit risk from counterparties since it selects appropriate business models carefully and strictly controls the business scale and adopts appropriate risk control measures during the operations of the aforesaid businesses.

The credit risk profile of the major subsidiaries during the Reporting Period is as follows:

- A. Haitong International controlled the scale of credit business by implementing the Company's unified credit management, reducing customer concentration risk exposure, compressing credit assets and reducing the scale of low-rating bonds. For industries and companies that were more affected by the pandemic and were assessed to be more difficult to recover in the short term, Haitong International required customers to increase collaterals or reduce duration exposure for the purpose of risk mitigation. When conducting credit business, Haitong International continued to maintain a steady risk appetite, established and improved the management framework for unified credit granting to group customers, and improved the overall credit grading and mortgage quality grading system of borrowers. During the Reporting Period, the credit risks of various businesses of Haitong International were within controllable levels.
- B. According to the new regulations and polices on the financial leasing industry, Haitong UT Capital actively improved and strengthened its risk management system. It continuously enhanced the overall level of credit risk management through prudently increasing business scale, optimizing risk rating models, carrying out identification for the same customers, controlling customer concentration, implementing unified credit management, strengthening asset management and disposal, etc. All credit risk indicators were operating smoothly, and the overall credit risk was under control.

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- C. Haitong Bank persisted in stable operation and actively responded to the impact of the pandemic through leveraging its unique competitive advantage of connecting the European, Latin American and PRC markets. As the scale of credit business was well-controlled and the impact of the pandemic on Haitong Bank's credit risk was limited, the major credit risk indicators were operating smoothly, and the credit risk was under control.

### (2) *Market risk*

Market risk mainly refers to the risk of loss of its self-owned funds investment due to adverse changes in market prices (stock prices, interest rates, exchange rates, etc.) in the Company's business activities.

- A. **Stock price risk.** Stock price risk mainly refers to the risk of changes in the market price of the equity securities invested which could bring loss to the Company. The businesses with such risk mainly include equity securities proprietary trading business, market-making business and over-the-counter derivatives business, etc. The Company closely monitored the price fluctuation of relevant assets, tracked any variation in investment scale and value-at-risk (VaR) of securities positions on a daily basis, and adopted relevant measures to prevent risk exposure. By implementing diversified investment strategies, the Company properly controlled and timely adjusted total investment amounts of various securities and managed the market risk more effectively combining the use of various hedging instruments.
- B. **Interest rate risk.** Interest rate risk refers to the risk caused by changes in factors such as the market yield curve or credit spread, etc. The businesses that bear such risks mainly include bond investment business and interest rate derivatives business. The Company achieved a reasonable allocation of assets and matched the maturities of liabilities and assets mainly by employing methods such as size control and investment portfolio re-balancing, and evaluated interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- C. **Exchange rate risk.** Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. During the Reporting Period, the Group's international layout continued to improve. Facing the complex and volatile overseas market, the Group took the initiative to reduce the leverage level of overseas assets. The overall scale of foreign currency assets was reduced, and the risk exposure of exchange rate was also reduced accordingly. The Company continued to monitor and study the latest developments in the foreign exchange market, constantly optimised system construction and internal management, and took various measures (such as hedging) to hedge and mitigate exchange rate risks. The Company focused on the natural match between foreign currency assets and liabilities from the Group level to reduce the foreign exchange risk exposure, and also adopted accounting treatments,

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for example, hedges of net investment in overseas operations and other means, to smooth the influence of foreign exposure on the Group's operating results. As of the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.

In addition to the aforesaid risk factors, overseas investment and transaction businesses conducted by the Group are also exposed to market risks. Fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. Under the Management Measures on (Group) Market Risk of Haitong Securities Co., Ltd., the Company sped up the implementation of the procedures of market risk identification, assessment, measurement, monitoring, response and reporting from the Group level, as well as included the investment and transaction businesses of subsidiaries into the overall market risk management system. The Company established and improved the Group's unified market risk limit system. In terms of investment and transaction businesses conducted by the subsidiaries of the Group, the Group set and assigned market risk limit indicators such as value-at-risk (VaR) limit and stop loss limit. Subsidiaries are required to implement daily supervision and submit reports. Meanwhile, the Company established the market risk management system of the Group to measure and summarize the market risk indicators of investment and transaction business within the Group.

During the Reporting Period, in response to the complex and changing external conditions and the impact of the pandemic, the Company further strengthened the market risk management. The ratio of the Company's VaR to its net assets at the end of each month and the ratio of the Group's VaR to its net assets both were kept under 0.2% and the market risk was controllable and acceptable. The investment scale of the Company's equity securities increased steadily as a whole. In addition to traditional trend investments, the Company also actively carried out innovative businesses such as option market making and over-the-counter options. The Company adhered to the risk-neutral investment strategy during the above-mentioned innovative business operation process, and effectively controlled its exposure to such risks. At the end of each month, the duration of non-equity investment changed to a minor extent, being relatively stable. As of the end of the Reporting Period, the portfolio duration of the Company's non-equity investments was 1.31 years, and the Company maintained an overall sound market risk control over its fixed income investments.

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### (3) *Operational risk*

Operational risk refers to the risk associated with losses arising from the defects of the internal processes, misoperation or misconduct of staff, information system defects or breakdown, and external factors. Operational risk runs through all aspects of the Company's business development and daily operation process, and may lead to legal risk, compliance risk, reputation risk and other risks.

Pursuant to the Management Measures on (Group) Operational Risk of Haitong Securities Co., Ltd., the Company leveraged on various tools (including Risk and Control Self-Assessment, Key Risk Indicators and Loss Data Collection) to carry out the identification, assessment, monitoring, response and report of operational risk. While conducting risk and control self-assessment within the Group, the Company rationalized and updated the business process, identified risk points in main business processes, assessed inherent risk levels, effectiveness of control measures and residual risk levels. The Company established the Key Risk Indicators System covering the main departments and units of the Group, and collected and tracked the indicator values and their dynamic changes regularly. The Group conducted Loss Data Collection of operational risk within the Group, summarised and analysed relevant information, as well as followed up the progress of risk mitigation measures.

During the Reporting Period, the Company and related subsidiaries were subject to regulatory measures taken by regulatory authorities and the association of interbank traders due to violations of self-discipline management rules of the interbank market and incompliances in the process of developing the businesses of bond investment advisory and private asset management. In this regard, the Company will deeply learn the lessons, seriously reflect, strictly rectify them as required, strive to improve business quality and risk-management compliance, adhere to the bottom line of diligence and devotion to duty, and practically perform its own responsibility of risk-management compliance.

### (4) *Liquidity risk*

Liquidity risk refers to the risk that the Company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out normal business operations. As the proprietary trading business and financing business of the Company are relatively large, it is easily affected by the factors including macro-economic policy, changes in market, operation conditions and client credit profile during its operations. Meanwhile, liquidity risk may also result due to unmatched asset-liability structure.



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In respect of daily liquidity risk management, by adhering to the determined liquidity risk preferences and limits of risk indicators, the Company has successfully contained the liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and control measures. The Company reserved sufficient quality liquidity assets in compliance with management requirements, which ensured smooth business development and timely repayment of matured liabilities of the Company. The Company continued to improve the management and control system for daily liquidity and risk indicators, built a linkage system of capital and indicator combining with assets and liabilities, and improved a liquidity risk analysis framework including daily indicator position follow-up, monthly indicator assessment and forecast and department indicator disassemble, which enriched tools of liquidity risk management over different periods of time, and enhanced the efficiency of the Company's management and forecast of liquidity risk.

In terms of mid-term and long-term liquidity risk management, the Company continued to optimise its asset allocation structure, intensified its analysis on the development trend of assets and liabilities and control over liquidity risks from the source. On the one hand, the Company set up the assets and liabilities allocation committee to actively carry out asset and liability management work and adjust its liability maturity mix by timely analysing business development trend and potential need for mid-term and long-term funds, in order to ensure a reasonable range of the maturity mismatch of assets and liabilities. On the other hand, the Company continued to enhance the level of liquidity refined management to ensure more reasonable liability structure and distribution of maturities, whilst maintaining a balance among asset safety, liquidity and profitability. During the Reporting Period, the Company valued maintaining good relationships with major commercial banks, emphasised regulated operations, maintained good reputation, and kept financing channels open.

Furthermore, the Company steadily implemented the requirements on the liquidity risk management for the Group and subsidiaries, and guided by the Management Measures on Group Liquidity Risk of Haitong Securities Co., Ltd., the Company developed scientific and effective liquidity risk management strategies as per the business characteristics of each subsidiary, which basically realised the unified management of liquidity risk across the Group. Firstly, with the aim to guide the improvement of subsidiaries' liquidity risk management systems, the Company continued to implement classified management of subsidiaries in terms of risk and asset-liability management, etc. on the basis of liquidity risk management, with different requirements proposed from three aspects: organisational system guarantee, risk control framework and risk response measures. Secondly, the Company issued limit management requirements for the subsidiaries based

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on the liquidity risk indicators and the industry, location and risk features of the subsidiaries, to monitor the liquidity risk actuality of each subsidiary more effectively. Lastly, to strengthen the Group's capability to handle liquidity risks, and to underline the Group's advantages of managing and coordinating information, the Company adopted the Management Measures of Haitong Securities Co., Ltd. for Supporting the Liquidity of the Group as its general management guiding principle, continuing to improve the support system for the Group's liquidity, safeguarding the Group against any liquidity risks.

During the Reporting Period, facing the change in market environment and internal capital demand, the Company actively planned on the basis of different areas to continuously strengthen the control on liquidity risks via prior risk identification, in-process risk mitigation and post-event improvement. The Company carried out market evaluation, grasped the timing of low interest rates to increase capital reserves through bond issuance and renew all due liabilities in a timely manner, which reduced the likelihood of the occurrence of liquidity risks and ensured its capability of stable operations in a complex market environment. The Company completed the non-public issuance of shares, such that the net assets and net capital were further improved. During the Reporting Period, the daily average liquidity coverage ratio of the core liquidity monitoring indicators of the Company was 294.97% while the daily average NSFR was 153.35%, both of which exceed the regulatory requirement and pre-warning standard.

### **(5) Reputation risk**

Reputation risk refers to the risk resulting from public negative comments to the securities company by the shareholders, employees, clients of the securities company, third-party cooperation agencies and regulators with respect to the securities company's operations, management and other activities, or due to external events.

During the Reporting Period, with a view to further strengthening the forward-looking and proactive management of public opinions and continuously meeting the requirements of the regulatory authorities on the systematic management of reputation risk, the Company procured a professional detection system for strengthening the detection of public opinions, engaged an public opinion service provider, strengthened information monitoring at home and abroad, and created special analysis reports. It also established publicity channels in the PRC and Hong Kong and took the initiative in publicity. In 2020, the Company continuously conducted an effective detection of public opinions, compiled various reports of

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public opinions and reported them to the Company's management as soon as possible. After the negative reports were detected, the Company made immediate and proactive response based on the Management Measures for Reputation Risk of Haitong Securities Co., Ltd., the Rules of Haitong Securities Co., Ltd. on Publicity Work and other relevant requirements, understood the facts, unified line-to-take, and released the response in a timely manner. Also, active interaction with mainstream media was maintained and guidance on public opinions was made to effectively prevent public relationship crisis. As for the operating results and business development of the Company, the Company proactively published articles on various mainstream media, and continuously strengthened the brand influence of Haitong Securities as the leading securities firm in the industry through multi-dimensional media dissemination. During the Reporting Period, the Group maintained a healthy environment of public opinions.

#### ***4. Investment of the Company on compliance and risk control and information technology during the Reporting Period***

Regarding compliance and risk control, the Company continued to strengthen the construction of compliance and risk control system and increased relevant investment to provide solid support for compliance and risk control management. The Company's investment in compliance and risk control includes: the investments in personnel, systems and daily operating expenses in connection with compliance and risk control, liquidity risks and reputation risk. In 2020, the Company's total investment in compliance and risk control was RMB557 million.

Regarding investment in information technology, the Company has adhered to the development strategy of "leading by technology" with its increasing investment in technology. In 2020, the parent company's total investment in information technology was RMB875 million, which was mainly used in the second phase development of the new core trading system, enhancement of institutional trading service capability, development of compliance and risk management system, improvement of financial technology infrastructure, etc.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (V) Risk control indicators and establishment of net capital replenishment mechanism of the Company

#### 1. *Dynamic monitoring of risk control indicators*

To establish and improve the dynamic monitoring mechanism of risk control indicators, strengthen risk monitoring, and carry out businesses under measurable, controllable and endurable risks, in accordance with regulatory requirements such as the Management Measures for the Risk Control Indicators of Securities Companies and the Securities Companies Stress Testing Guidelines, etc., the Company has set up the internal control systems, organisational structures and corresponding technology systems in conformity with related requirements based on the dynamic risk control indicators monitoring platform, and has carried out dynamic monitoring of risk control indicators. In strict accordance with requirements such as the Management Measures for the Risk Control Indicators of Securities Companies, the Company provided written reports to the regulatory authorities regarding risk control indicators and achievements on a regular basis; in the event that changes in risk control indicators reach a certain level, it will submit timely reports to the local securities regulatory bureaus. The Company constantly improved the system construction, process optimisation and data system upgrade of the dynamic monitoring platform and has achieved reporting to the local securities regulatory bureaus about the Company's net capital calculation sheet, calculation sheet of the total on-balance-sheet and off-balance-sheet assets, calculation sheet of liquidity coverage ratio, calculation sheet of net stable funding rate, calculation sheet of risk capital reserves and statement of risk control indicators monitoring within T+1 days. The aforesaid measures were taken to ensure that various risk control indicators including net capital, etc. are in line with regulatory requirements at any time point.

#### 2. *Establishment of net capital replenishment mechanism*

The Company has established a net capital replenishment mechanism. When risk control indicators including net capital approach or touch the pre-warning lines, the Company will replenish net capital by reducing the scale of the proprietary investment products with high risks, reinforcing collection of receivables, raising share capital, issuing subordinated debts, etc.

#### 3. *Monitoring of risk control indicators during the Reporting Period*

The Company always adheres to the philosophy of sound business and focuses on risk management to maintain a reasonable capital structure. During the Reporting Period, the net capital of the Company was RMB84,130 million; the net assets was RMB137,445 million; the "net capital/net asset" ratio was 61.21%; the risk coverage ratio was 344.45%; the capital leverage ratio was 26.03%; the liquidity coverage ratio was 208.11% and the net stable funding rate was 157.16%. During the Reporting Period, the operating risks were controlled at an acceptable level with asset in high quality and standardised business operations, and its risk control indicators were in line with regulatory requirements.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 4. *Sensitivity analysis and stress testing for risk control indicators*

In 2020, the Company conducted sensitivity analysis or stress testing on significant events including dividend distribution, capital allocation plans, adjustment in upper limit of business scale, investment banking underwriting projects, etc., and carried out the abovementioned events on the premise that the analysis and testing conclusions met the regulatory requirements. Stress testing has been conducted at the end of each month for all possible extreme cases. In 2020, the Company conducted 34 sensitivity analysis and stress testing on risk control indicators, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company. In addition, the Company also conducted 12 stress testing on liquidity risks to ensure that in future the liquidity risk control indicators can meet regulatory requirements at any point in time.

### (VI) **Construction of the compliance management system of the Company**

In May 2007, the CSRC issued the Circular on Issuance of Pilot Work Scheme for Guidance of Setup of General Compliance Officer and Establishment of Compliance Management System by Securities Companies. As one of the first seven pilot compliance securities firms, the Company took the lead in completing the compliance pilot program in March 2008. By establishing and improving the compliance management system and organizational system, the Company carried out compliance consultation, training, review, monitoring, inspections and accountability to penetrate the compliance work into various business sectors, which has been recognised by the regulatory authorities.

The Management Measures for the Compliance of Securities Companies and Securities Investment Fund Management Companies (Zheng Jian Hui Ling No. 133) and Guidelines for the Compliance Management of Securities Companies (Zhong Zheng Xie Fa [2017] No. 208), formally entered into force in 2017, indicating that the compliance management of securities companies has entered a new era. In accordance with the new regulations on compliance management, the Company improved its compliance management system to form a comprehensive compliance management system that applies to the decision-making, execution, supervision, feedback and other links.

The Company has established a clear organisational structure of compliance management to define the compliance management positions of the following persons, including the Board of Directors, the Supervisory Committee, the principal in charge of operation management, general compliance officer and other senior management. In particular, the Board of Directors of the Company is responsible for the effectiveness of compliance management; the Supervisory Committee is responsible for supervising the Board of Directors and senior management's performance of compliance management duties; the principal in charge of operation management bears responsibility for the compliance operations of the Company; other senior management takes responsibility for the compliance operations of businesses under their charge; the general compliance officer reviews, supervises and inspects the compliance of the operation management and practice behaviour of the Company and staff thereof.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

At the same time, the compliance department of the Company performs the compliance management duties in accordance with the Company's requirements and general compliance officer's arrangements; internal control departments such as the risk management department, operation department, audit department, finance department, information management department have well-defined roles and responsibilities, coordination and interaction; persons in charge of subordinate units (including various departments at the headquarters, branches and subsidiaries) are responsible for the achievement of compliance management goals and compliance operations of their respective units, and all employees take responsibility for compliance of their own practice behaviour.

During the Reporting Period, the Company's general compliance officer strictly performed compliance management duties according to applicable laws. The Company's shareholders, Directors and senior management had neither violated the stipulated duties and procedures, nor given direct instructions to the general compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to fully carry out his duties to ensure effective compliance management.

During the Reporting Period, the Company implemented the compliance philosophy of "everyone shall be compliant, compliance shall start from senior management, compliance creates value and compliance is the lifeline of the Company" on an on-going basis. Further actions, including the process from prior review to in-process monitoring and then post-event examination, assessment and application of accountability, were taken to reinforce the performance of the compliance management duties and the establishment of the compliance management team. For better group compliance management, various mechanisms of compliance management were incessantly optimized. We also facilitated the completion of Phase II of the "group central control room system" to fully upgrade the compliance monitoring system and the application of visualization of compliance management was being explored. Many measures were launched for the training and promotion of compliance in a bid to foster the business environment of "Full Compliance and Active Compliance".

During the Reporting Period, the compliance department and audit department of the Company organised and carried out regular or irregular compliance self-inspections and on-site inspections, and regular and special audits in subordinate units of the Company. The Company's internal control level was enhanced greatly through compliance audit and inspections, and corresponding compliance assessment and accountability mechanism. At the same time, in view of the policy direction for industry regulation of "system development, non-intervention, and zero tolerance", the Company continuously deepened the construction of compliance management to ensure and promote the sustainable, compliance and healthy development of the Company.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As for anti-money laundering, the Guidelines for the Management of Money Laundering and Terrorism Financing Risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》) sets out specific requirements for the management of money laundering, terrorism financing and proliferation financing risks. The risk of money laundering, terrorism financing and proliferation financing faced by the Company refers to the possibility that the Company's products or services are used by lawbreakers to carry out money laundering, terrorism financing and proliferation financing activities. The Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations.

The Company has established a sound anti-money laundering organisational framework under the Board, forming an anti-money laundering management system coordinated by the anti-money laundering leading group of the Company, led by the compliance department for organization and implementation, and implemented by relevant business departments and branches. The Company has developed an anti-money laundering management system consisting of the money laundering risk management system of the Group, basic anti-money laundering system of the Company and other supporting systems and operating procedures.

During the Reporting Period, the Company further improved its management and control system, strengthened the management and control of customers involved in high-risk lists of terrorism financing, counterterrorism, foreign politicians, etc., and further improved the Company's ability to respond to and deal with money laundering and terrorism financing risk incidents. It continued to facilitate the data management from the perspective of money laundering of customers, actively organized and conducted anti-money laundering training and publicity, and kept on improving the Company's management level of money laundering risk. Meanwhile, the Company strengthened the unified management of group anti-money laundering, carried out group money laundering risk assessment, summarized group money laundering risk status, and adopted targeted control measures.

### IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION ACCORDING TO THE STANDARDS DUE TO SPECIAL REASONS, E.G. NON-APPLICABILITY TO THE STANDARDS OR STATE SECRETS AND TRADE SECRETS AND THE DESCRIPTION OF RELEVANT REASONS

✓ Not applicable

### V. OTHERS

#### 1. Pre-emptive right arrangement

In accordance with the PRC laws and the Articles of Association, the Company's shareholders have no pre-emptive right.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 2. Sufficiency of public float

Based on the publicly available information and to the knowledge of the Directors, as at the date of this Report, the Directors believe that the public float of the Company complies with the requirements for minimum public floats as prescribed in Rule 8.08 of the Hong Kong Listing Rules.

### 3. Particulars about Directors, Supervisors and Senior Management

Please refer to “Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES” of this Report for details on the composition, changes and the biographical details of Directors, Supervisors and senior Management during the Reporting Period.

### 4. Directors’ interest in the business competing with the Company

Mr. Chen Bin, a former non-executive Director of the Company (who resigned on 26 March 2020), was a non-executive director of Orient Securities Company Limited from October 2014 to March 2020. Mr. Xu Jianguo, a non-executive Director of the Company, was a non-executive director of Orient Securities Company Limited from November 2016 to March 2021. Mr. Zhou Donghui, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since May 2020. As Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making, etc., therefore it may compete or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Mr. Chen Bin, Mr. Xu Jianguo and Mr. Zhou Donghui were not involved in the daily management and operation of the Company. As such, the directorship held by Mr. Chen Bin, Mr. Xu Jianguo and Mr. Zhou Donghui in Orient Securities Company Limited would not give rise to any material competition issue under Rule 8.10 of the Hong Kong Listing Rules. Save as disclosed above, none of the Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company’s business.

### 5. Service contracts of Directors and Supervisors

None of the Directors or Supervisors has a service contract with the Company or its subsidiaries which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

### 6. Directors’ and Supervisors’ interests in transaction, arrangement or contract of significance

During the Reporting Period, the Directors, Supervisors or an entity connected with any Director or Supervisor of the Company did not have any material interests, either directly or indirectly, in any transaction, arrangement or contract of significance entered into by the Company or its subsidiaries.

### 7. Share Option Scheme

For the share option scheme of the Group, please refer to “XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS” in “Section V SIGNIFICANT EVENTS” of this Report.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 8. Major clients and suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high-net-worth individuals and retail customers. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide offshore services and expand its customers' sources. In 2020, revenue generated from top five customers of the Company accounted for 6.26% of the Group's total revenue.

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

### 9. Contract of significance

During the Reporting Period, the Company did not have any controlling shareholder or any de facto controller, neither any contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries, nor any contract of significance for providing services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries as defined in Appendix 16 to the Hong Kong Listing Rules.

### 10. Management contract

During the Reporting Period, no contracts were still in force, other than the service contracts with any Director or Supervisor or any of the full-time employee of the Company, and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual or entity.

### 11. Permitted indemnity provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

### 12. Equity-linked agreement

Save as disclosed in this Report, there were no equity-linked agreements entered into by the Company or subsisted during the Reporting Period.

### 13. Share capital and issuance of shares and securities

For the information of the Company's share capital and issuance of shares and securities as at 31 December 2020, please refer to "I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES" and "II. SECURITIES ISSUANCE AND LISTING" in "Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS" and "Section X CORPORATE BONDS" of this Report.

### 14. The Company's environmental policies and performance

For the Company's environmental policy and performance, please refer to "XVII. ACTIVITIES FOR FULFILLMENT OF SOCIAL RESPONSIBILITIES" in "Section V SIGNIFICANT EVENTS" of this Report.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 15. Compliance with relevant laws and regulations

The Board is of the view that during the Reporting Period, the Company operated its business and its decision-making procedure in compliance with relevant laws, regulations and the Articles of Association. Save as disclosed in “V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS” in “Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES” of this Report, during the Reporting Period, the Company complied with laws and regulations that have a significant impact on the Company. The Company is not aware of any breach of laws and regulations and the Articles of Association or any act which would prejudice the interests of the Company and its shareholders by any Directors, Supervisors or senior management when performing their duties.

### 16. Review of Annual Results

The Audit Committee under the Board reviewed the audited financial statements and the annual report of the Company for the year ended 31 December 2020, and did not raise any objections to the accounting policies and practices applied by the Company.

### 17. Profit distribution and tax relief

For the profit distribution plan of the Company, please refer to “I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVE INTO CAPITAL” in “Section V SIGNIFICANT EVENTS” of this Report.

#### 17.1 Taxation of holders of A Shares

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) and the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101), for individual shareholders of the Company who hold shares for a period (from the date of an individual’s acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, individual income tax on dividends is temporarily exempted. Temporarily, for individuals who hold shares for a period less than one year (inclusive), the listed company shall not withhold any income taxes; when an individual transfers his/her shares, the securities depository and clearing company calculates the taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their dividends shall be payable on their own.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

For dividend income QFII obtained from sources within the PRC, listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent taxation authorities for tax rebates according to the relevant rules and regulations after they receive the dividends.

### **17.2 Taxation of holders of H Shares**

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the dividends received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the responsible withholding parties in accordance with the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%. For the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and they are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding parties will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for 2008 and the years afterwards to H shareholders who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

Pursuant to the current practices of the Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company in Hong Kong.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### ***17.3 Profit distribution for investors in mainland China investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect***

For investors of the SSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares through Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shanghai-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shanghai-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅[2014]81號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

### ***17.4 Profit distribution for investors in mainland China investing in H Shares of the Company through Shenzhen-Hong Kong Stock Connect***

For investors of the SZSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, which is expected to be the nominee of the holders of H Shares through Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅[2016]127號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### **17.5 Profit distribution for investors of Northbound trading**

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Company listed on the SSE (hereinafter referred to as “Investors of Northbound Trading”), their final dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such A Shares. For dividends derived by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the SSE, listed companies are required to withhold and pay income taxes at a rate of 10% pursuant to the requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅[2014]81號)), and will report to the tax authorities for the withholding. For the Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax agreement with the PRC stipulating a dividend tax rate lower than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the listed companies for the preferential treatment under such tax agreement. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax agreement will be refunded.

The shareholders of the Company are suggested to seek advice from their tax adviser concerning the tax effect involved in China, Hong Kong, and other countries (regions) with respect to the ownership and disposition of the shares of the Company.

### **18. Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments or Capital Assets**

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Company during the Reporting Period. Apart from those disclosed in this Report, there were no material investments or additions of capital assets authorised by the Board at the date of this Report.

### **19. Events Subsequent to the Reporting Period**

Other than those disclosed in this Report, the Company had no material events subsequent to the settlement date of the financial year and up to the date of this Report.

## Section V SIGNIFICANT EVENTS

### I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVE FUNDS INTO CAPITAL

#### (I) Formulation, implementation or adjustment of cash dividends policy

The Company has always provided reasonable investment return to shareholders, and adopted a continuous, stable, and proactive profit distribution policy. The Company's establishment and implementation of the profit distribution policy, in particular the cash dividends policy, are in strict compliance with the Articles of Association and are subject to the consideration and approval of the Board meetings and shareholders' general meetings of the Company. The Company has an explicit and clear policy regarding the criteria and ratio of dividend distribution and a sound and comprehensive decision-making procedure and mechanism. Independent non-executive Directors have duly performed their duties to the fullest, and minority shareholders have a fair chance to fully express their opinions and requests, due to which the legitimate rights and interests of minority shareholders are adequately protected.

From 2009 to 2018, cash dividends of RMB21,366 million (inclusive of tax) and stock dividends of 1,234 million shares (inclusive of tax) were distributed to shareholders of the Company, and share capital of 2,880 million shares were converted from capital reserve on a cumulative basis. From 2009 to 2018, the percentage of dividends distributed each year accounted for more than 30% of the profit available for distribution, among which, the percentage from 2016 to 2018 was 63.14%, 63.14% and 44.27%, respectively.

In 2019, given the Company proceeded with the non-public issuance of A Shares, pursuant to the relevant provisions under the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) issued by the CSRC, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company did not make profit distribution, nor did it convert its capital reserve funds into share capital. In the interim period of 2020, cash dividends of RMB3,658 million (inclusive of tax) were distributed to shareholders by the Company.

The Company has expressly stipulated the profit distribution policy in its Articles of Association that "the Company may, according to the profit made by the Company and taking into account the actual situation as well as current and long-term benefit of the Company, distribute dividend by way of cash or shares, and have the priority to distribute dividend by cash. In principle, the Company will distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, not exceed the accumulated distributable profit and not influence continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the annual report and the independent non-executive Directors shall give an independent opinion in such regard. The accumulated cash distribution of profit for the last three years of the Company shall not be less than 30% of the average annual distributable profit. Specific percentage of dividend distribution for each year shall meet the needs of corporate operation and development and be resolved in accordance with the annual earnings conditions and future plans on usage of funds. If

## Section V SIGNIFICANT EVENTS

any of the following circumstances occurs, the Company can adjust or amend the aforesaid profit distribution policy by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders' general meeting: (i) there are changes in, or adjustments to, the relevant laws and regulations; (ii) the risk control indicators (such as net capital) reach the warning levels; (iii) the Company's operating conditions deteriorate; (iv) the Board proposes the adjustments. In the event that adjustments to the Company's profit distribution policy are necessary due to the needs of corporate operation and long-term development, the adjusted profit distribution policy shall comply with the relevant regulations of the Company's regulatory departments. Any resolution regarding the adjustments to the Company's cash dividend policy shall be approved by two thirds of the voting rights of the shareholders attending the shareholders' general meeting and online voting shall be available. The Company shall consider the views of public investors and timely respond to the questions concerned by public investors. The Company should disclose in annual reports the formulation, implementation of the dividend distribution policy and other relevant circumstances in accordance with the relevant provisions. If the cash dividend policy is to be adjusted or amended, the conditions for the adjustments or amendments, and whether the procedures for the adjustments or amendments are in compliance with regulations and transparent should both be disclosed in details."

The implementation of the 2020 interim profit distribution plan of the Company was completed on 27 November 2020. On the basis of the total share capital of 13,064,200,000 shares of the Company, a cash dividend of RMB0.28 (inclusive of tax) per share were distributed to all the shareholders of the Company (which means a cash dividend of RMB2.80 (inclusive of tax) for every 10 shares was distributed), with a total cash dividend amounting to RMB3,657,976,000.00 (inclusive of tax). The cash dividends distributed to holders of A Shares amounted to RMB2,703,296,730.40 based on the total share capital of 9,654,631,180 A Shares and the cash dividends distributed to holders of H Shares amounted to HK\$1,099,427,740.46 based on the total share capital of 3,409,568,820 H Shares.

**(II) Plans or proposals on profit distribution plan for ordinary shares, and plans or proposals on conversion of capital reserve into share capital for the recent three years (including the Reporting Period)**

As audited, the net profit attributable to owners of the parent company for the year 2020 in the consolidated financial statements was RMB10,875,396,346.26 and the net profit of the parent company for the year 2020 was RMB7,274,599,254.97.

In accordance with the relevant regulations including the Company Law, the Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after making appropriation to statutory reserve funds and reserve funds. The Company has made appropriation of 10% of the net profit for the year 2020 realised by the parent company to statutory reserve funds, general risk reserve and transaction risk reserve, respectively, each amounting to RMB727,459,925.50, totalling RMB2,182,379,776.50. The distributable profit for the year 2020 after such appropriations was RMB5,092,219,478.47. The retained profits of the parent company amounted to RMB24,708,236,893.88 at the beginning of the year, adding the retained profits of RMB22,781,748.86 of the Company transferred from other comprehensive income, deducting the dividends of RMB3,657,976,000.00

## Section V SIGNIFICANT EVENTS

distributed by the Company due to implementation of the 2020 interim profit distribution plan, the retained profits of the parent company were RMB26,119,698,623.49 at the end of 2020. After comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the 2020 profit distribution proposal is as follows:

1. On the basis of the Company's total share capital of A Shares and H Shares of 13,064,200,000 shares as at 31 December 2020, cash dividends of RMB2.50 (inclusive of tax) for every 10 shares were distributed, with total cash dividends amounting to RMB3,266,050,000.00. After this cash dividend distribution, the retained profit of the parent company of RMB22,853,648,623.49 shall be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and payable in Renminbi to A shareholders and in HK dollars to H shareholders. The actual amounts declared in HK dollars are converted based on the average benchmark exchange rates for Renminbi to HK dollars as announced by the People's Bank of China for the five business days prior to the date of the general meeting for 2020 in which the proposal was considered.

After the profit distribution plan of 2020 of the Company is considered and approved at the general meeting of the Company, the cash dividends will be distributed within two months from the date of convening such general meeting.

Unit: Yuan Currency: RMB

Year of distribution	Number of dividend shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Percentage of net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements during the year of distribution	Percentage of amount of cash dividends in net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements (%)
2020	0	2.5	0	3,266,050,000.00	10,875,396,346.26	30.03
2020 interim	0	2.8	0	3,657,976,000.00	5,483,192,354.93	66.71
2019	0	0	0	0	9,523,247,834.58	0
2018	0	1.5	0	1,725,255,000.00	5,211,093,198.87	33.11

Note: After taking into account the Company's 2020 annual profit distribution plan and 2020 interim profit distribution plan, the Company distributed a total cash dividend of RMB6,924,026,000.00 throughout the year, accounting for 63.67% of the net profit attributable to shareholders in the Company's combined statements of 2020.



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### (III) Repurchase of shares under cash included in cash dividends

✓ Not applicable

### (IV) If the Company records profits and the parent company records positive retained profits for distribution to shareholders of ordinary shares of the Company during the Reporting Period but there is no proposal for cash profit distribution for ordinary shares, the Company shall disclose the reasons and the usage of the retained profits and the usage plan in detail

✓ Not applicable

## II. PERFORMANCE OF UNDERTAKINGS

### (I) Undertakings made by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other related undertakers during the Reporting Period or subsisting in the Reporting Period

Background of undertaking	Type of undertaking	Undertaking Party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
Undertaking relating to the refinancing projects	Shares selling restrictions	Shanghai Guosheng (Group) Co., Ltd.	The shares subscribed for refinancing shall not be transferred within 48 months from the date of closing of the issue	48 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Shanghai Haiyan Investment Management Company Limited	The shares subscribed for refinancing shall not be transferred within 18 months from the date of closing of the issue	18 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Bright Food (Group) Co., Ltd.	The shares subscribed for refinancing shall not be transferred within 18 months from the date of closing of the issue	18 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Shanghai Electric (Group) Corporation	The shares subscribed for refinancing shall not be transferred within 18 months from the date of closing of the issue	18 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	UBS AG	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-

## Section V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking Party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Shares selling restrictions	Harvest Global Investments Limited	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	China Huarong Asset Management Co., Ltd.	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Shanghai Lansheng Corporation	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Shanghai Chengtuo Holdings Co., Ltd.	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Fuanda Fund Management Co., Ltd.	Locked for 6 months from the listing date of the non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	JPMorgan Chase Bank, National Association	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Qilu Zhongtai Private Equity Management Co., Ltd. (齊魯中泰私募基金管理有限公司)	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-
	Shares selling restrictions	Greater Bay Area Industry Finance Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司)	Locked for 6 months from the listing date of shares of this non-public offering	6 months from 5 August 2020	Yes	Yes	-	-

## Section V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking Party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe reasons	If not performed in a timely manner, describe plans in next steps
	Others	Directors and senior management	<ol style="list-style-type: none"> <li>they will not convey any benefits to other entities or individuals on a free or on an unfair basis, nor harm the interests of the Company in any other way;</li> <li>they will restrain position-related consumption behaviors;</li> <li>they will not use the Company's assets to engage in any investment and consumption activities not relating to the performance of their duties;</li> <li>the remuneration system formulated by the Board or the Nomination and Remuneration and Assessment Committee will be linked to the implementation of the remedial measures relating to returns of the Company;</li> <li>in the event of the implementation of any share option incentive scheme by the Company in the future, the vesting conditions of the equity incentive plan to be announced will be linked to the implementation of the remedial measures relating to returns of the Company.</li> </ol>	As being the Director and senior management of the Company	Yes	Yes	-	-

## Section V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking Party	Content of undertaking	Date and duration of undertaking	Whether there is a deadline for performance	Whether strictly performed in a timely manner	If not performed in a timely manner, describe the specific reasons	If not performed in a timely manner, describe plans in next steps
	Asset injection	The Company	From the date of issuance of this undertaking to the date prior to the utilisation in full of proceeds or within 36 months from the date of receipt of the proceeds, the Company and other subsidiaries within the scope of consolidation will not commit new funds into the quasi-financial business (including fund commitments in various forms such as capital increase, loans and guarantees, among others)	From 26 September 2019 to the date prior to the utilisation in full of proceeds or within 36 months from the date of receipt of the proceeds	Yes	Yes	-	-

**(II) If the Company makes any profit estimate on its assets or projects and the Reporting Period is during the profit estimate period, the Company's explanation on whether such profit estimate on assets or projects has been satisfied and reasons**

✓ Not applicable

**(III) The completion of the performance undertaking and its impact on impairment test on goodwill**

✓ Not applicable

**III. APPROPRIATION OF FUNDS AND REPAYMENT OF DEBTS DURING THE REPORTING PERIOD**

✓ Not applicable

**IV. EXPLANATIONS OF THE COMPANY ON "NON-STANDARD OPINION AUDIT REPORT" OF ACCOUNTING FIRM**

✓ Not applicable

## Section V SIGNIFICANT EVENTS

### V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND SUBSTANTIAL CORRECTIONS OF ACCOUNTING ERRORS

- (I) **Analysis and explanation of the Company on causes and effects of changes of accounting policies and accounting estimates**
  - ✓ Not applicable
  
- (II) **Analysis and explanation of the Company on causes and effects of material corrections of accounting errors**
  - ✓ Not applicable
  
- (III) **Communications with former accounting firm**
  - ✓ Not applicable
  
- (IV) **Other explanations**
  - ✓ Not applicable

## Section V SIGNIFICANT EVENTS

### VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

	Former Appointment	Currently engaged
Name of the domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
Remuneration of the domestic accounting firm	134.5	163
Term of the audit services provided by domestic accounting firm	Eight years	One year
Name of the overseas accounting firm	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))	PricewaterhouseCoopers
Remuneration of the overseas accounting firm	350.5	163
Term of the audit services provided by overseas accounting firm	Eight years	One year
	<b>Name</b>	<b>Remuneration</b>
Accounting firm engaged for internal control audit	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	40

In 2019, the domestic accounting firm changed from BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). In 2020, the domestic accounting firm changed from Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), overseas accounting firm changes from Deloitte & Touche (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) to PricewaterhouseCoopers. Save as disclosed above, the Company did not change auditors during the preceding three years.

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### Explanations on appointment and dismissal of accounting firms

At the 2019 Annual General Meeting held by the Company on 18 June 2020, the resolution regarding the appointment of accounting firms of the Company for the year 2020 was considered and approved. Therefore, the Company was approved to engage PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (“PricewaterhouseCoopers Zhong Tian”) and PricewaterhouseCoopers as external auditors of the Company in 2020 for a term of one year. PricewaterhouseCoopers Zhong Tian will be responsible for the provision of relevant domestic audit services for financial statements prepared in accordance with PRC GAAP and internal control, while PricewaterhouseCoopers will be responsible for the provision of relevant overseas audit and review services for financial statements prepared in accordance with IFRS.

### Explanations on change of accounting firms during the audit period

✓ Not applicable

## VII. FACING THE RISK OF SUSPENSION OF LISTING

The Company did not face the risk of suspension of listing during the Reporting Period.

## VIII. FACING THE RISK OF DELISTING AND REASON

The Company did not face the risk of delisting during the Reporting Period.

## IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company did not have bankruptcy and restructuring related matters during the Reporting Period.

## X. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company’s net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules. From the beginning of the Reporting Period until the date of this report, the Group’s new litigations or arbitrations or which had new progress (with an amount of over RMB100 million) are as follows:

### Dispute Between the Company and Nanjing First Agricultural Chemical Company, Red Sun Group and Nanjing World Village on repurchase of pledged securities

As Nanjing First Agricultural Chemical Group Ltd. (南京第一農藥集團有限公司, “Nanjing First Agricultural Chemical Company”) refused to fulfill the obligation of stock pledge repurchase in accordance with the agreement, the Company filed a lawsuit to Shanghai Financial Court, requesting Nanjing First Agricultural Chemical Company, the borrower, pay the principal of RMB300 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees, and requesting the guarantors (Red Sun Group Corporation (紅太陽集團有限公司, “Red Sun Group”) and Nanjing World Village Automotive Power Co., Ltd. (南京世界村汽車動力有限公司, “Nanjing World Village”)) to undertake the guarantee obligation. Shanghai Financial Court officially accepted the case on 19 May 2020 and heard the case on 12 November 2020. The court has not issued the first instance verdict.

## Section V SIGNIFICANT EVENTS

### **Dispute Between the Company and Red Sun Group, Nanjing First Agricultural Chemical Company, Yang Shouhai (楊壽海), Yang Liu (楊柳), Nanjing Zhenbang and Jiangsu Zhenbang on margin financing and securities lending transaction**

As Red Sun Group failed to repay the related fees such as financing principal, securities and interest on time in accordance with the "Securities Margin Trading Contract" after the expiry of the securities margins terms, it constituted a breach of contract. The Company filed a lawsuit with Shanghai Financial Court for requesting the borrowers, Red Sun Group, to pay the principal of financing liabilities of RMB257.7118 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor's rights and other fees, requesting the guarantors, Yang Shouhai and Nanjing First Agricultural Chemical, to assume the joint and several liabilities, and requesting Nanjing First Agricultural Chemical Company, Yang Shouhai, Yang Liu, Nanjing Zhenbang Investment Development Co., Ltd. (南京振邦投資發展有限公司, "Nanjing Zhenbang") and Jiangsu Zhenbang Agricultural Crop Technology Co., Ltd. (江蘇振邦農作物科技有限公司, "Jiangsu Zhenbang") to undertake the corresponding guarantee obligations. Shanghai Financial Court officially accepted the case on 13 January 2021 and the case has not yet been heard.

### **Dispute Between HT Asset Management and Sun Jun (孫軍) on repurchase of pledged securities**

As Sun Jun pledged the shares held in Jiyao Holding (stock code: 300108) and contributed capital to the asset management plan managed by Shanghai Haitong Securities Asset Management Company Limited ("HT Asset Management"), the pledge transaction constituted a breach of contract. HT Asset Management filed a lawsuit with Shanghai Financial Court for requesting the debtor to pay the principal of RMB108 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The court officially accepted the case on 1 April 2020 and the first trial was conducted on 19 November 2020. On 21 January 2021, the court issued the first instance verdict in favor of the litigation claims of HT Asset Management.

### **Dispute over the liability of false statement between Postal Savings Bank and Fucheng Haifutong (富誠海富通) and other securities**

Due to the material breach of contract for the "Huatai Beautiful Auspicious Lights Asset-backed Special Project (華泰美吉特燈都資產支持專項計劃)", one of the holders of the special plan, Postal Savings Bank of China Co., Ltd. ("PSBC"), filed a lawsuit with Shanghai Financial Court to request that the original owner Kunshan Beautiful Auspicious Lights Management Co., Ltd. (昆山美吉特燈都管理有限公司) and related intermediaries, including Shanghai Fucheng Haifutong Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司) ("Fucheng Haifutong"), should be jointly and severally liable for all of its losses, with the amount of RMB526,579,800 and the relevant interest being claimed. On 12 November 2020, the court officially accepted the case, and the time for the hearing has not yet been determined.

The provisions for potential losses involved in the above cases have been fully accrued in accordance with the relevant regulations.



## Section V SIGNIFICANT EVENTS

### **Dispute Between HT Asset Management and Nanjing First Agricultural Chemical Group Ltd. on repurchase of pledged securities**

As Nanjing First Agricultural Chemical Group Ltd. pledged its shares held in Red Sun (stock code: 000525) and contributed capital to the asset management plan managed by Shanghai Haitong Securities Asset Management Company Limited (“HT Asset Management”), the pledge transaction constituted a breach of contract. HT Asset Management filed a lawsuit with Shanghai Financial Court for requesting the debtor to pay the principal of RMB320 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees. The court officially accepted the case on 2 January 2020 and the first trial was conducted on 7 August 2020. On 31 December 2020, the court issued the first instance verdict in favor of the litigation claims of HT Asset Management. The potential losses involved in the case have been fully considered before the transaction, and the risk of potential losses to the Company and HT Asset Management is relatively insignificant in the future.

### **Dispute Between HT Asset Management and Wang Yue (王悦) on repurchase of pledged securities**

As Wang Yue pledged the shares held in Kingnet Network (stock code: 002517) and contributed capital to the asset management plan managed by Shanghai Haitong Securities Asset Management Company Limited (“HT Asset Management”), the pledge transaction constituted a breach of contract. The Company filed a lawsuit with Shanghai Financial Court for requesting the debtor to pay the principal of RMB130 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees. The court officially accepted the case on 11 May 2020 and the first trial was conducted on 29 October 2020. On 25 January 2021, the court issued the first instance verdict in favor of the litigation claims of HT Asset Management. The potential losses involved in the case have been fully considered before the transaction, and the risk of potential losses to the Company and HT Asset Management is relatively insignificant in the future.

In addition to the above cases, the Group still has a total of nine cases are pending for enforcement, with an aggregate amount of RMB2,108,027,500.

In respect of material litigation and arbitration matters of overseas subsidiaries, the Company’s overseas listed subsidiaries shall perform their own information disclosure obligations in accordance with relevant listing rules.

## **XI. PUNISHMENT AGAINST AND RECTIFICATION ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER**

1. As at the end of the Reporting Period, the Company did not have any controlling shareholder or de facto controller. During the Reporting Period, none of the following circumstances happened to the Company, the Directors, Supervisors, senior management of the Company, or the largest shareholder: being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, imposed material administrative penalties by other administrative authorities, or publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulations with regard to trading of the shares of the Company.

## Section V SIGNIFICANT EVENTS

2. In the Reporting Period, the Company had the following events subject to administrative and regulatory measures taken by regulatory authorities:

In September 2020, the CSRC issued the “Decision on the Regulatory Measures for Issuing Warning Letters to Haitong Securities Co., Ltd., Han Li (韓麗) and Jin Tian (金天)” ([2020] No. 53) to the Company and two sponsor representatives in order to take regulatory measures by issuing warning letters to the Company and these two sponsor representatives. The aforesaid letter of regulation affirmed that the Company and the sponsor representatives had made, among others, calculation errors in the process of sponsoring business. After receiving the aforesaid letter of regulation, the Company attached great importance to it, proceeded to timely rectifications as required by the CSRC, further strengthened its internal control, and supervised project officers to pay more effort at learning business operation, strictly complying with regulations of practices and requirements specified by regulatory departments for duly performing the responsibilities of sponsor.

In December 2020, the CSRC issued the “Decision on the Regulatory Measures for Issuing Warning Letters to Haitong Securities Co., Ltd., Zeng Jun (曾軍) and Zhou Wei (周威)” ([2020] No. 78) to the Company and two sponsor representatives in order to take regulatory measures by issuing warning letters to the Company and these two sponsor representatives. The aforesaid letters of regulation affirmed that the Company and the sponsor representatives had not disclosed in the process of sponsoring business that the de facto controller of the issuer was suspected of having committed an offence of bribery. After receiving the aforesaid letter of regulation, the Company attached great importance to it and proceeded to timely rectifications as required by the CSRC, and the project team already made a supplementary disclosure of the relevant matters during the first phase of interview. The Company will further strengthen its internal control and supervise all project teams to work diligently and dutifully in order to fulfil all requirements of information disclosure under the registration system.

After the Reporting Period, in March 2021, CSRC Shanghai Bureau imposed administrative and regulatory measures on Haitong Securities and HT Asset Management for their non-compliances in the process of developing the businesses of investment advisory and private assets management, including making an order to increase the number of compliance investigations and making an order to require a suspension of certain business. It also imposed regulatory measures on Haitong Securities, including making an order to require a suspension of its bond investment advisory business for institutional investors for 12 months, increasing the number of internal compliance investigations and submitting compliance investigation reports. In addition, it imposed regulatory measures on HT Asset Management, including making an order to require a suspension of its investment advisory business of private asset management products of securities and futures business institutions for 12 months, and a suspension of filing for registration of new private asset management products for 6 months, and consider a number of directly responsible persons and officers having the responsibility of management would be ineligible candidates for two years. After receiving the aforesaid letter of regulation, the Company attached great importance to it, proceeded to timely rectifications in accordance with the regulatory requirements, organized all relevant departments and subsidiaries to have an in-depth investigation into the business operations, reflected deeply on flaws in the business management and control, and fully implemented relevant rectifications in order to ensure that all parts of business operations would strictly comply with laws, regulations and self-discipline norms.

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### **XII. EXPLANATIONS ON THE CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD**

As at the end of the Reporting Period, the Company did not have any controlling shareholder or de facto controller. During the Reporting Period, there was no failure to comply with any effective court judgement or settle any material debts that have fallen due of the Company and the largest shareholder.

### **XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS**

During the Reporting Period, the Company did not implement any share incentive scheme, employee stock ownership plan or other employee incentives.

#### **1. Share Option Scheme of Haitong International Securities**

On 8 June 2015, a new share option scheme (the “2015 Share Option Scheme”) was approved and adopted at the extraordinary general meeting of Haitong International, which was valid and effective for a period of 10 years commencing from the date of adoption. According to the 2015 Share Option Scheme, options could be granted to any director (including executive Directors, non-executive Directors and independent non-executive Directors) or employees (no matter full-time or part-time) of Haitong International and any of its subsidiaries. The exercise price of the share options was determined by the directors of Haitong International, and should be at least the highest of (1) 110% of the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares.

In 2020, Haitong International granted 10,645,000 share options under the 2015 Share Option Scheme and all of them were accepted; another 2,744,132 share options lapsed during the period due to the resignation of employees.

## Section V SIGNIFICANT EVENTS

As at the end of 31 December 2020, share options which have been granted but not yet exercised by Haitong International are set out as follows:

Share Option Scheme	Number of share options issued but not yet exercised (Note)	Exercise price per share (Note)	Exercise period
2015 Share Option Scheme	12,610,980	HK\$4.635	8 December 2016 to 11 May 2021
	11,077,995	HK\$5.002	7 June 2018 to 9 November 2022
	17,610,285	HK\$2.898	28 May 2019 to 31 October 2023
	10,158,239	HK\$2.554	27 December 2019 to 30 May 2024
	10,645,000	HK\$1.727	25 December 2020 to 28 May 2025
<b>Total</b>	<b>62,102,499</b>		

*Note:* The amount of share options and the exercise price of share options may be adjusted for rights issue, scrip dividend, bonus share issuance or other similar changes in the Company's share capital.

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 1.03% of the issued shares of Haitong International as at 31 December 2020. If the remaining options are fully exercised, under the current share capital structure of Haitong International, an additional of 62,102,499 ordinary shares of Haitong International will be issued, while the share capital of Haitong International will increase by approximately HK\$6,210,000 and the share capital premium will be approximately HK\$203,016,000 (including issuing expenses). (Please refer to the 2020 annual report published by Haitong International on the website of the Hong Kong Stock Exchange for more details.)

### XIV. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, the Company established a basic and comprehensive related party/connected transactions regulation system as well as a more scientific and refined organisational management framework for related party/connected transactions, and the relevant internal control was overall effective. The Company strictly complied with the review procedures and information disclosure requirements of related party/connected transactions under the Company Law, the Securities Law, the Implementation Guidelines on Related Party Transactions of Listed Companies of the Shanghai Stock Exchange, the Hong Kong Listing Rules, the Shanghai Stock Exchange Listing Rules and other relevant laws and regulatory rules, as well as internal rules such as the Articles of Association, the Management Measures for Related Party Transactions, and the Implementation Rules for the Management of Related Party (Connected) Transactions (Trial), which formed an appropriate restrictive mechanism for related party/connected transactions in respect of various businesses.

## Section V SIGNIFICANT EVENTS

The related party transactions as disclosed in Note 72 to the Consolidated Financial Statements of this Report did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules, except for (1) the related party transaction entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd., which constitutes a de minimis connected transaction under Chapter 14A of the Hong Kong Listing Rules, and is therefore exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and (2) the related party transaction entered into between the Company and Guosheng Group and its associates, which constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules, and the Company has complied with relevant requirements under Chapter 14A of the Hong Kong Listing Rules. Please refer to announcement of the Company dated 30 March 2021 and the continuing connected transaction announcement dated 6 August 2020 for further details of such connected transactions. During the Reporting Period, the Company did not have any other connected transaction which would be required to be disclosed under Chapter 14A of the Hong Kong Listing Rules save as the above connected transactions.

### (I) Related party/connected transactions in relation to routine operations

During the Reporting Period, the Company conducted routine related party transactions in strict compliance with the resolution on projected routine related party transactions in the year of 2020 approved in the annual general meeting of 2019.

Disclosure of related party/connected transactions set out in this section is determined in accordance with the Shanghai Stock Exchange Listing Rules and the Hong Kong Listing Rules, and may differ from the amounts of related party transactions (prepared in accordance with the Accounting Standards for Business Enterprises) in notes to financial statements. Details of such related party transactions are as follows:

- ***Continuing connected transactions under the Hong Kong Listing Rules***

Reference is made to the announcement of continuing connected transactions of the Company dated 6 August 2020. As at the date of this report, 10.38% of the Company's equity interest was directly and indirectly held by Guosheng Group. According to Rule 14A.07 the Hong Kong Listing Rules, Guosheng Group and its associates constitute connected persons of the Company under the Hong Kong Listing Rules. The Company and Guosheng Group entered into the Continuing Connected Transactions Framework Agreement on 6 August 2020 for a term commencing from 6 August 2020 to 31 December 2022. Pursuant to the Continuing Connected Transactions Framework Agreement, the Group and Guosheng Group and its associates will conduct the Securities and Financial Products Transactions and the Securities and Financial Services in the course of ordinary business.

The Securities and Financial Products Transactions as well as the Securities and Financial Services contemplated under the Continuing Connected Transactions Framework Agreement will be conducted in the ordinary course of the Group's business. Such transactions will continue to be negotiated on arm's length basis with terms that are fair and reasonable to the Group. Due to the history and future long-term cooperation relationship between the Group and Guosheng Group, the Company believes that such transactions would improve the profitability and strengthen the leading position of the Group in the securities industry.

## Section V SIGNIFICANT EVENTS

For the three years ending 31 December 2022, annual caps for the Securities and Financial Products Transactions between the Group and Guosheng Group and its associates are as follows:

Securities and Financial Products Transactions	Annual caps (RMB in million)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Inflow <sup>(1)</sup>	2,100	2,900	2,900
Outflow <sup>(2)</sup>	3,500	5,400	5,400

(1) "Inflow" refers to the total amount of cash inflows arising from the Securities and Financial Products Transactions, including the sale of fixed income products and equity products, the interest to be received from derivatives related to fixed income products and borrowing/repurchase through financing transactions.

(2) "Outflow" refers to the total amount of cash outflows arising from the Securities and Financial Products Transactions, including the purchase of fixed income products and equity products, the interest to be paid for derivatives related to fixed income products and borrowing/repurchase through financing transactions.

For the three years ending 31 December 2022, annual caps for the mutual provision of Securities and Financial Services by the Group and Guosheng Group and its associates are as follows:

Securities and Financial Services	Annual caps (RMB in million)		
	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Total revenue to be derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	20	70	70
Total expenses to be incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	20	20	20

## Section V SIGNIFICANT EVENTS

During the Reporting Period, the Group carried out the continuing connected transactions in relation to the securities and financial products transactions and the securities and financial services with Shanghai Guosheng and its associates, details of which are as follows:

*Unit: RMB10 thousand*

<b>Content of transactions</b>	<b>Annual cap of 2020</b>	<b>Actual transaction amount of 2020</b>
Securities and financial products transactions		
Inflow	210,000.00	18,047.21
Outflow	350,000.00	23,000.00
Securities and financial services		
Total revenue derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	2,000.00	692.05
Total expenses incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	2,000.00	–

Pricing basis of the continuing connected transactions

### 1. *Pricing Basis of the Securities and Financial Products Transactions*

The Securities and Financial Products Transactions are mainly conducted in national inter-bank bond market (中國銀行間債券市場), stock exchange markets of China (中國交易所市場) and open-ended fund market (開放式基金市場). Such transactions are and will continue to be conducted at prevailing market prices or market rates in the ordinary and usual course of the Group's business and with high frequency. In respect of the transactions conducted in the inter-bank bond market, the price shall be determined at the prevailing market price quoted in the inter-bank bond market; in respect of the transactions conducted in the stock exchange market, the price shall be determined at the prevailing market price in the stock exchange market; in respect of the transactions conducted in the open-ended fund market, the price shall be determined based on the unit net value of the relevant fund products on the date of transaction. The above pricing of such transactions is subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

## Section V SIGNIFICANT EVENTS

In the ordinary and usual course of the Group's business, the Group may also conduct the Securities and Financial Products Transactions with Guosheng Group and its associates in over-the-counter market, such as the fixed income-type security products. In respect of the securities and financial products subscribed by the Guosheng Group from the Group, the subscription price and other terms shall be as same as the subscriptions by other investors. Such subscription price is determined by the financial institution which launch the securities and financial product (or, by the Group where the product is launched by it), after taking into account the basic situation of the assets/business in which it invests.

The Group is required to comply with the relevant PRC administrative regulations, rules and measures governing the issuance (including pricing) of securities and financial products.

In respect of the financing transactions, both parties should conduct the transactions in compliance with normal commercial terms and at prevailing market prices or market rates for similar transactions with independent third parties. To ensure that the above transactions with Guosheng Group and its associates are concluded on normal commercial terms and to protect the overall interests of shareholders, the Group has adopted internal approval and supervision procedures for connected transactions. Please refer to the announcement of continuing connected transactions of the Company dated 6 August 2020 for details.

### 2. *Pricing Basis of the Securities and Financial Services*

In addition to the above Securities and Financial Products Transactions between the Group and Guosheng Group and its associates, the Group and Guosheng Group and its associates also provide Securities and Financial Services to each other in the course of ordinary business. The Group charges fees including service fee and commission for provision of securities and financial services (i.e. sponsorship and underwriting service, brokerage service etc.). Guosheng Group and its associates also provide securities and financial services (i.e. entrusted assets management services) to the Group and charge for service fee as well.

The pricing basis of Securities and Financial Services provided by the Group to Guosheng Group and its associates under the Continuing Connected Transactions Framework Agreement is as follows:

- 1) underwriting and sponsorship services: competition in securities underwriting and sponsorship service market is fierce, and the commission fees and rates are typically transparent and standardized across the market. Service fee shall be determined on arm's length negotiation with reference to, among other things, the prevailing market prices, total amount of funds to be raised and commission rate charged to the independent third party by the Group for provision of similar services;



## Section V SIGNIFICANT EVENTS

- 2) other investment banking service: service fee shall be determined on arm's length negotiation between parties after considering factors including the nature and size of transaction, current market conditions and the average fee of similar transactions applicable to independent third parties;
- 3) brokerage service: commission rate is generally transparent and standardized across the market. Commission fee shall be determined based on arm's length negotiation with reference to the prevailing market commission rates of securities and futures transactions of similar types and size;
- 4) financial products agency sale service: commission charged for financial products agency sale service shall be determined with reference to the prevailing market rates, total amount of financial products sold by agency and the rate of service fee the Group charged to independent third party clients for similar agency sale service;
- 5) entrusted assets management service: the market rate of such service is generally transparent across the market. The fee charged for entrusted asset management services shall be determined on arm's length negotiation with reference to factors including the prevailing market rates, amount of products collected or size of entrusted assets as well as the complexity of the particular service provided;
- 6) PPP financial services: service fee charges for provision of PPP financial services by the Group to Guosheng Group and its associates shall be determined on arm's length negotiation with reference to the market rate of PPP projects of similar types and size, and taking into account the financing size agreed upon between the party seeking financing and the social capital party to the PPP project;
- 7) finance leasing financial service and factoring financial service: the rate of such services has become generally transparent and standardized across the market. The leasing interest rate the Group charged Guosheng Group and its associates shall be based on then funding and management costs plus reasonable profit on arm's length negotiation with reference to factors including the risk of the financial lease project and market competition;
- 8) investment and consultancy service: service fee of the investment and consultancy service shall be determined on arm's length negotiation with reference to prevailing market rates of transactions of similar types and size;
- 9) depository and custody services: depository and custody service fees shall be determined on arm's length negotiation between parties with reference to the prevailing market prices and fees charged to independent third party for provision of such services;

## Section V SIGNIFICANT EVENTS

- 10) other financial and securities advisory and consultancy services, currency brokerage services as well as commodity services: fees and commissions are determined based on applicable laws and regulations, with reference to the prevailing market prices and the nature of transactions.

The pricing basis of Securities and Financial Services provided by the Guosheng Group and its associates to the Group under the Continuing Connected Transactions Framework Agreement is as follows: (i) in respect of the entrusted assets management service, given the market rate of such service is generally transparent across the market, the fees shall be determined on arm's length negotiation with reference to factors including the prevailing market rates, size of products and entrusted assets; and (ii) in respect of the other securities and financial services, fees shall be determined based on applicable laws and regulations and with reference to the prevailing market prices and the nature of transactions. To ensure that the above transactions with Guosheng Group and its associates are concluded on normal commercial terms and to protect the overall interests of shareholders, the Group has adopted internal approval and supervision procedures for connected transactions. Please refer to the announcement of continuing connected transactions of the Company dated 6 August 2020 for details.

During the Reporting Period, the independent non-executive Directors have reviewed the aforementioned non-exempt continuing connected transactions and confirmed that such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) its terms are fair and reasonable and in the interests of the shareholders as a whole in accordance with relevant transactions agreements. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (amended) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules, details are as follows: (1) nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed have not been approved by the Board; (2) in relation to the transactions regarding provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements in relation to such transactions; and (4) in relation to the total amount of continuing connected transactions set out in the above table, nothing has come to their attention that causes them to believe that the amount of the continuing connected transactions exceeded the annual caps set by the Company.

## Section V SIGNIFICANT EVENTS

- Routine related party transactions under the Shanghai Stock Exchange Listing Rules**

(1) *Related party transactions with Shanghai Guosheng (Group) Co., Ltd. and Shanghai Guosheng Group Assets Co., Ltd.*

*Unit: RMB10 thousand*

Content of transactions	Transaction volume in 2020	Percentage in the amount of similar transactions (%)	Remarks
Fee and commission income	235.28	Less than 0.5%	Fee income from investment banking business received from related parties

*Unit: RMB10 thousand*

Item	Balance as at 31 December 2020	Percentage in the amount of similar transactions (%)	Remarks
Accounts receivable	81.00	Less than 0.5%	Balance of bond underwriting fees receivable from related parties

(2) *Related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.*

*Unit: RMB10 thousand*

Content of transactions	Transaction volume in 2020	Percentage in the amount of similar transactions (%)	Remarks
Fee and commission income	33.94	Less than 0.5%	Securities trading fee and commission income received from related parties
Net interest income	2.34	Less than 0.5%	Net interest income from margin deposits of related parties
Business and management expenses	7.84	Less than 0.5%	Property service fees and other expenses paid to related parties

## Section V SIGNIFICANT EVENTS

- (3) *Related party transactions with companies (other than the Company and its subsidiaries), where the Company's directors, supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons*

*Unit: RMB10 thousand*

<b>Content of transactions</b>	<b>Transaction volume in 2020</b>	<b>Percentage in the amount of similar transactions (%)</b>	<b>Remarks</b>
Fee and commission income	83,090.64	6.00%	Income from investment banking business, income from sales service and income from investment consulting service received from related parties
Fee and commission income	615.92	Less than 0.5%	Securities trading fee and commission income received from related parties
Net interest income	5.45	Less than 0.5%	Net interest income from margin deposits of related parties
Business and management expenses	14.36	Less than 0.5%	Sales and service fees paid to related parties
Net interest expense from credit lending trading	98.19	Less than 0.5%	During the Reporting Period, credit lending trading amounted to RMB4,000 million, with terms ranging from 1 to 7 days
Net interest expense from repurchase trading	289.65	Less than 0.5%	During the Reporting Period, repurchase trading amounted to RMB7,891 million, with terms ranging from 1 to 32 days
Net interest expense from gold forward trading	3,377.65	Less than 0.5%	During the Reporting Period, gold forward trading amounted to 3,757 million, with terms ranging from 9 to 12 months

## Section V SIGNIFICANT EVENTS

Content of transactions	Transaction volume in 2020	Percentage in the amount of similar transactions (%)	Remarks
Net gains or losses from trading of derivative financial instruments <i>(Note)</i>	-12,036.67	Less than 0.5%	During the Reporting Period, the amount of notional principal amounts was RMB5,243 million; as at the end of the Reporting Period, the balance of notional principal amounts was RMB604 million

*Note:* The realized and unrealized investment income generated from trading of derivatives between the related parties as the counterparties and the Company.

*Unit: RMB10 thousand*

Item	Balance as at 31 December 2020	Percentage in the amount of similar transactions (%)	Remarks
Accounts receivable	4,339.34	0.52%	Balance of performance fees receivable from related parties
Accounts payable	1.74	Less than 0.5%	Sales and service fees balance due to related parties
Accounts payable to brokerage clients	8,011.69	Less than 0.5%	Balance of margin deposits from clients placed by related parties

In addition, related corporate legal persons, such as certain commercial banks and securities companies, carried out spot trading with the Company as qualified counterparties. During the Reporting Period, the accumulated trading volume amounted to RMB10,639 million.

#### (4) *Related party transactions with related natural persons*

During the Reporting Period, all related natural persons of the Company incurred, in aggregate, a fee and commission income of RMB52,500, net interest income of RMB16,900 and accounts payable to brokerage clients of RMB926,500 with the Company.

## Section V SIGNIFICANT EVENTS

### (II) Related party transactions in relation to the acquisition or disposal of assets or equity interests

During the Reporting Period, the Company was not involved in any related party transactions in relation to the acquisition or disposal of assets or equity interests.

### (III) Material related party transactions relating to common external investments

During the Reporting Period, the Company was not involved in any material related party transactions relating to common external investments.

### (IV) Related creditor's right and debt transactions

During the Reporting Period, the Company was not involved in any related creditor's right and debt transactions.

### (V) Related party transactions relating to the Non-public Issuance of A Shares of the Company

The Company convened the first extraordinary general meeting for 2020 on 15 April 2020, at which resolutions regarding the Non-public Issuance of A Shares (including the resolution regarding the related party transactions involved in the Non-public Issuance of A Shares of the Company) were considered and approved. The Company intended to non-publicly issue no more than 1,618,426,236 (inclusive) A Shares to no more than 35 specific target subscribers (including Shanghai Guosheng Group, Shanghai Haiyan Investment Management Company Limited ("Shanghai Haiyan Investment"), Bright Food (Group) Co., Ltd. ("Bright Food Group") and Shanghai Electric (Group) Corporation ("Shanghai Electric Group")), which was expected to raise gross proceeds no more than RMB20,000 million (inclusive). In accordance with Shanghai Stock Exchange Listing Rules, the aforesaid proposed subscriptions constituted related party transactions. The subscriptions of A Shares under the Non-public Issuance of A Shares by the related corporate legal persons of the Company are as follows:

Name of related corporate legal persons	Subscription amount	Related party transactions constituted
Shanghai Guosheng Group	RMB10,000 million	Upon the completion of the transactions, the equity interest of the Company held by Shanghai Guosheng Group and its wholly-owned subsidiaries exceeds 5%
Shanghai Haiyan Investment	RMB3,000 million	Mr. Chen Bin, a member of the sixth and seventh sessions of the Board, is a senior management personnel of Shanghai Haiyan Investment
Bright Food Group	RMB1,000 million	Ms. Yu Liping, a member of the sixth and seventh sessions of the Board, is a senior management personnel of Bright Food Group

As the subscription amount of the Non-public Issuance of A Shares by Shanghai Guosheng Group accounted for more than 5% of the absolute value of the Company's net assets as audited in the latest financial statements, the Non-public Issuance of A Shares of the Company met the threshold of material related party transactions.

## Section V SIGNIFICANT EVENTS

On 25 February 2020, the resolution regarding the related party transactions involved in the Non-public Issuance of A Shares of the Company was considered and approved at the sixth meeting of the seventh session of the Board of the Company, during which, relevant Directors have abstained from voting in accordance with the relevant laws and regulations and the internal regulations of the Company. The independent Directors of the Company expressed their prior approval opinions and independent opinions on related party transactions involved in the Non-public Issuance of A Shares.

On 15 April 2020, the resolution regarding the related party transactions involved in the Non-public Issuance of A Shares of the Company was considered and approved at the First Extraordinary General Meeting for 2020 of the Company, during which, relevant shareholders have abstained from voting in accordance with the relevant laws and regulations and the internal regulations of the Company. Considering that Mr. Xu Jianguo, a director of the Company, holds a post in Shanghai Electric Group, Shanghai Electric Group and its related companies have abstained from voting for prudence purpose.

The voting results of the Board and the general meetings regarding the material related party transactions were published timely in accordance with the disclosure requirements of the Shanghai Stock Exchange.

The Company published the announcement in relation to approval by the CSRC on Non-public Issuance of A Shares (Announcement No.: Lin 2020-042) on 9 June 2020. The Company received the "Approval in Relation to the Non-public Issuance of Shares by Haitong Securities Co., Ltd" (Zheng Jian Xu Ke [2020] No.1038) issued by the CSRC, by which the application of non-public issuance of Shares by the Company had been approved, and at the same time, Shanghai Guosheng Group had obtained the corresponding shareholder qualification approval.

The Company published the announcement on the issuance results of the Non-public Issuance of A Shares and changes in share capital (Announcement No.: Lin 2020-051) on 6 August 2020. The new shares issued under the Non-public Issuance of A Shares had been registered in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of shares of the Company increased from 11,501,700,000 to 13,064,200,000, and the registered capital of the Company increased from RMB11,501,700,000 to RMB13,064,200,000, while the raised proceeds amounted to RMB20.0 billion and the issuance price was RMB12.8 per Share. For details, please refer to the Company's announcement dated 6 August 2020.

## Section V SIGNIFICANT EVENTS

### *Special audit on related party transactions*

Pursuant to the relevant regulations and the requirements under the Circular on Matters Concerning Further Strengthening the Regulation of the Related Party Transactions of Securities Companies (《關於進一步加強證券公司關聯交易監管有關事項的通知》) (Hu Zheng Jian Ji Gou Zi [2018] No. 198) promulgated by the Shanghai Securities Regulatory Bureau, the Company carried out a special audit on related party transactions in 2020. In aspect of establishment of the management system for related party transactions, decision-making procedures and information disclosure, the Company did not found any non-compliance matters during the audit work. The 2020 Special Audit Report on Related Party Transactions of Haitong Securities Co., Ltd. was considered and approved at the 15th meeting of the seventh session of the Board.

### **(VI) Transactions between the Company and its overseas subsidiaries**

In accordance with the Measures for the Administration of Overseas Establishment and Acquisition of, and Shareholding in, Operating Institutions of Securities Companies and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法), the transactions between the Company and its overseas subsidiaries are disclosed as follows: the amount of the Company's asset items as at the end of 2020 affected by transactions was RMB5,562 million, involving financial assets held for trading and other receivables; and the amount of the net operating income of 2020 affected by transactions was RMB-58 million, involving fee and commission income and fee and commission expenses.



## Section V SIGNIFICANT EVENTS

### XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### (I) Custody, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material custody, contracting or leasing matters.

#### (II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and the listed company	Party guaranteed	Amount of guarantee	External guarantees provided by the Company (excluding the guarantees for subsidiaries)						Whether counter guarantee exists	Related parties guarantee or not	Related relationship
				Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not			
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided for subsidiaries)												0
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)												0
<b>Guarantees provided by the Company and its subsidiaries for its subsidiaries</b>												
Total amount of guarantees provided for subsidiaries during the Reporting Period												4,422,027,863.00
Total balance of guarantees provided for subsidiaries as at the end of the Reporting Period (B)												23,446,188,536.00
<b>Total amount of guarantees provided by the Company (including those provided for subsidiaries)</b>												
Total amount of guarantees (A+B)												23,446,188,536.00
Percentage of total guarantee amount to the net assets of the Company (%)												13.95
Including:												
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)												0.00
Amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)												18,413,858,000.00
Amount of the portion of total guarantee exceeding 50% of net assets (E)												
Total amount of the above three types of guarantees (C+D+E)												18,413,858,000.00
Explanations on outstanding guarantee which may undertake joint and several liability for repayment												

## Section V SIGNIFICANT EVENTS

- Explanations on guarantees
1. On 25 April 2019, the Company convened the 37th meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved, and the Company was approved to provide a joint liability guarantee for offshore debt financing (including but not limited to issuance of overseas bond, medium-and long-term commercial borrowings and other financing methods in compliance with regulatory requirements) of the offshore wholly-owned subsidiary Haitong International Holdings Limited and wholly-owned subsidiaries thereof, with a guarantee amount of not more than USD670 million covering debt financing principal (inclusive, or other currencies with equivalent value), interest and other fees to be borne by the borrower, and a guarantee period of not more than 10 years (inclusive).

The Company signed the deed of guarantee on 12 March 2020, pursuant to which, the Company provided joint liability guarantee for the issue of an USD bond with the amount of USD670 million and an interest rate of 2.107% which will be due in 2025 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).
  2. On 29 August 2018, the Company held the 31st meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved. On 22 March 2019, the Company signed the Loan Agreement as a guarantor to provide a joint liability guarantee of EUR375 million for the syndicated loan of Haitong Investment Ireland Public Limited Company, an indirect offshore wholly-owned subsidiary of the Company.
  3. On 29 August 2017, the Company held the 25th meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved. The Company signed the loan agreement as a guarantor on 14 May 2018, and provided US\$600 million joint liability guarantee for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

## Section V SIGNIFICANT EVENTS

4. On 27 April 2017, the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved at the 24th meeting of the sixth session of the Board. On 8 June 2017, the Company entered into the Loan Agreement as a guarantor and provided joint liability guarantee in respect of the syndicated loans of EUR200 million for Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

As at 31 December 2020, the Company's guarantee balance of such liability was EUR170 million.

5. On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Contribution to its Registered Capital was considered and approved at the 18th meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB4,000 million for the net assets of HT Asset Management. The Company provided guarantees up to RMB4,000 million for the net assets of HT Asset Management and undertook to provide cash within the abovementioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board. With regard to this net capital guarantee, HT Asset Management has obtained the "No Objection Letter on Haitong Securities Co., Ltd. Issued a Net Capital Guarantee Commitment to Shanghai Haitong Securities Asset Management Co., Ltd." from the CSRC Shanghai Bureau (Hu Zheng Jian Ji Gou Zi [2016] No. 325).
6. On 9 February 2015, the Resolution on Increase in Quota of External Guarantee was considered and approved at the First Extraordinary General Meeting for 2015 and the first A Shareholders'/H Shareholders' Class Meetings for 2015, in which, the Company was approved to provide joint liability guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, through public or non-public issuance, and the aggregate size of the offshore corporate debt financing instruments should not exceed 50% of the net assets of the Company as at the end of the latest period.

## Section V SIGNIFICANT EVENTS

On 5 June 2015, the Company held the sixth meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint Liability Guarantee for Issuance of EUR Bonds by Offshore Wholly-owned Subsidiary. Due to actual condition of such issuance, it has been completed in two tranches, and two deeds of guarantee were signed. The Company signed the first deed of guarantee on 18 May 2016, pursuant to which, the Company provided joint liability guarantee for the issue of Euro bonds with the amount of EUR100 million and an interest rate of 1.6% which will be due in 2021 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).

The Company signed the second deed of guarantee on 26 May 2016, pursuant to which, the Company provided joint liability guarantee for the issue of Euro bonds with the amount of EUR120 million and an interest rate of 1.6% which will be due in 2021 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).

7. On 30 March 2016, the Company held the 15th meeting of the sixth session of the Board, considering and approving the Resolution on Providing Financing Guarantees for Subsidiaries. On 26 May 2016, the 2015 Annual General Meeting of the Company considered and approved the Resolution on Advising General Meeting to Approve Authorisation to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, whereby the Company was approved to provide joint liability guarantees for its wholly-owned subsidiaries (including those with a gearing ratio of more than 70%) and controlling subsidiaries in respect of their issuance of onshore or offshore debt financing instruments (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes, notes and establishment of note programmes) on a one-off or multiple issuance or multi-tranche issuance basis through public or non-public issuance, as well as domestic or overseas bank loans (including but not limited to bank credit, bank loans and syndicated loans), and the aggregate amount of the external guarantees and the individual amount of any guarantee provided by the Company shall not exceed 50% and 10% of the Company's audited net assets as at the end of the latest accounting period.

## Section V SIGNIFICANT EVENTS

On 31 May 2016, the Company signed a guarantee agreement and provided joint liability guarantee in respect of the syndicated loans of EUR750 million for Haitong Investment Ireland Public Limited Company, its indirect offshore wholly-owned subsidiary (hereinafter referred to as “this guarantee”). This new financing was made for the purpose of replacing the former Euro loan of EUR750 million (hereinafter referred to as “NB Loan”) provided by Novo Banco, S.A. (hereinafter referred to as “NB”) to Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A., hereinafter referred to as “Haitong Bank”), an offshore subsidiary of the Company. The resolution determined that the principal amount of the guaranteed new financing shall not exceed EUR800 million, with a guarantee term of no more than five years, and will repeal the former guarantee provided by the Company for NB Loan.

Meanwhile, Haitong Bank signed bilateral loan agreement with the guaranteed party and repaid the former NB Loan with the proceeds in advance according to the agreement entered into with NB, thus the former guarantee obligation of the Company as to NB Loan was discharged. Such discharged guarantee was under a guarantee agreement signed by the Company on 7 September 2015 for the purpose of acquiring Haitong Bank, for which, the Company was the guarantor, Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A.) was the guaranteed party and NB was the creditor. The guarantee amount is EUR750 million (including principal and interest) and the guarantee period is three years.

The financing agreement related to this guarantee was signed on 31 May 2016. According to the guarantee provisions of the agreement, the Company is the guarantor, Haitong Investment Ireland Public Limited Company is the guaranteed party, the London Branch of China Construction Bank Corporation is the lead bank and Frankfurt Branch of China Construction Bank Corporation is the agent bank. The guarantee amount is EUR750 million (including principal, interest, initiation fee and other fees to be borne by the borrower) and the guarantee period is five years. As at 31 December 2020, the balance of the guarantee obligation of the Company was EUR375 million.

## Section V SIGNIFICANT EVENTS

8. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1,500 million for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, the CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No.145), consenting the Company's provision of guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

### (III) Other significant contracts

- ✓ Not applicable

## XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

### 1. Capital increase in subsidiary

#### (1) Capital injection into Haitong Innovation Securities

The Company made capital injection of RMB1.2 billion into Haitong Innovation Securities in June 2020. On 6 August 2020, the resolution of capital injection into Haitong Innovation Securities Investment Co., Ltd. was approved at the 10th meeting of the seventh session of the Board, which agreed to make capital injection of RMB3.0 billion into Haitong Innovation Securities. Upon completion of two capital injections, the registered capital of Innovation Securities increased to RMB8.3 billion.

#### (2) Capital injection into Haitong Resource Management

On 24 July 2020, the resolution of capital injection into Haitong Resource (subsidiary) by Haitong Futures was approved at the 9th meeting (extraordinary meeting) of the seventh session of the Board, which agreed to make capital injection of RMB500 million into Haitong Resource by its own funds of Haitong Futures. Upon completion of capital injection, its registered capital was RMB1.0 billion, and maintained the shareholding structure unchanged. In 2020, Haitong Futures invested RMB100 million into Haitong Resource.

## Section V SIGNIFICANT EVENTS

### 2. Acquisition of, Incorporation of and Change in Subsidiaries

#### (1) *Haitong UT acquired 60% equity interest of Gui'an UT*

On 21 October 2020, Haitong UT completed the acquisition of the 60% equity interest of Gui'an UT held by Guizhou Gui'an Financial Investment Co., Ltd. After acquisition, Haitong UT directly held 75% of the shares of Gui'an UT, and indirectly held 25% of the shares through the wholly-owned subsidiary, Haitong UT Holdings. Therefore, after the acquisition, Haitong UT became the controlling shareholder of Gui'an UT, with holding 100% of the shares of Gui'an UT in total.

#### (2) *Acquisition of 100% equity of Shanghai Zechun*

On 24 July 2020, the Resolution regarding the Adjustment of Acquisition Plan of 100% Equity of Shanghai Zechun Investment & Development Co. Ltd. (上海澤春投資發展有限公司) was approved at the 9th meeting (extraordinary meeting) of the seventh session of the Board. During the Reporting Period, the Company completed the acquisition through public bidding and auction by the Shanghai United Assets and Equity Exchange, and is currently in the process of industrial and commercial registration.

### 3. Other matters of subsidiaries

#### *Haitong Capital intended to transfer its equity interest in Haitong UT*

On 29 December 2020, the Resolution regarding the Adjusted Completion Period for Haitong Capital to Transfer its Equity in Haitong UT was approved at the 13th meeting (extraordinary meeting) of the seventh session of the Board, which agreed Haitong Capital to transfer 2,440,846,824 domestic shares of Haitong UT held by it to Haitong Innovation Securities before 30 April 2021, and the corresponding amount of the transfer price was the corresponding carrying amount of the aforementioned shares held by Haitong Capital as at the end of the month for such share transfer. The registered capital of Haitong Capital reduced by RMB3,150 million from RMB10,650 million to RMB7,500 million. Such capital reduction was completed on 25 February 2021.

## XVII. ACTIVITIES FOR FULFILLMENT OF SOCIAL RESPONSIBILITIES

### (I) Poverty alleviation works of the listed company

#### 1. *Plans for targeted poverty alleviation*

Based on the carrying out of targeted poverty alleviation and the implementation of poverty alleviation over years, the Company had formed a "five-in-one" poverty alleviation model with the framework of targeted poverty alleviation through "one company to one county" pair-up, "hundred enterprises in support of hundred villages" pair-up in Shanghai and Yunnan, the comprehensive poverty relief in rural areas of Shanghai, urban and rural Party organisations' pair-up. The Company issued the "Plan for Promotion of Key Poverty Alleviation Work of Haitong Securities (《海通證券推進重點扶貧工作方案》)", clarified the organic connection between the work of "fighting against poverty through targeted poverty alleviation" and the strategy of facilitating "rural revitalization" in 2020, and further enriched the content of "five-in-one" poverty alleviation work of the Company in spurt stage, i.e. **Firstly, continue to provide financial supporting.** The Company

## Section V SIGNIFICANT EVENTS

will continue to play the role in the capital market to accurately meet financing needs, leverage the multi-level financing function of the capital market for ongoing identification of a batch of high-quality enterprises in state-level underprivileged counties with listing potential and financing capacity, and promote the steady growth of the local economy via poverty alleviation through finance. The Company will also leverage the professional advantage of its futures subsidiary to promote the action of “serving agriculture, rural areas and farmers” in the futures market. **Secondly, continue to provide industries supporting.** The Company has helped state-level underprivileged counties and poverty-stricken villages with “one company to one county” pair-up enhance the endogenous development momentum from all aspects, including the allocation of industrial funds to support the people’s livelihood projects such as infrastructure, education and health of pair-up counties and promote the development of local eco-industrial parks. The Company also actively promotes a new round of village comprehensive poverty relief to make the villages in Shanghai become the highlights of international metropolises and the background of beautiful Shanghai. **Thirdly, continue to provide intellectual supporting.** Through carrying out education and training activities in underprivileged areas about the capital market as well as protection of the lawful rights and interests of investors, the Company continues to popularize financial concepts and financial knowledge in underprivileged areas, indicating that poverty alleviation relies on knowledge in underprivileged areas. The Company assigned cadres and business backbones to underprivileged counties (cities) as economic consultants and temporary cadres, providing talent resources support for the underprivileged areas. **Fourthly, continue to provide social charity supporting.** We continue to build the poverty alleviation public welfare brand of “Love in Haitong” led by Party construction. Aiming to prevent the transfer of poverty across generations, the Company focuses on the field of poverty alleviation through education and carries out the “Haitong • Love (海通 • 愛)” series of public welfare projects, and actively leverage the role of the Company’s youth volunteer team to consolidate the love for improving the education and living standards of underprivileged areas. **Fifthly, continue to provide consumption supporting.** The Company has established a channel to participate in poverty alleviation by consumption to help underprivileged counties export and circulate high-quality agricultural products through enterprise purchases and resources connecting.

### 2. *Summary of targeted poverty alleviation for the year*

The year of 2020 is a critical year for China to win the tough battle of poverty alleviation and build a moderately prosperous society. In accordance with the working requirements of “Four Don’ts (四不摘)” of General Secretary Xi Jinping and Party central committee on unprivileged counties after poverty alleviation, the Company continued to follow the spirit of the “Opinions of the CSRC on Serving the State’s Strategy of Poverty Alleviation by the Functioning of Capital Market (《中國證監會關於發揮資本市場作用服務國家脫貧攻堅戰略的意見》)” and implemented the requirements under the “Notice on Taking the “Double One Hundred” Targeted Poverty Alleviation Action through Villages and Enterprises Pair-up (《關於開展“雙一百”村企結對精準扶貧行動的通知》)” issued by the Shanghai Municipal Committee. Guided by the public welfare brand of “Love in Haitong” led by Party construction, we fully leveraged our professional advantages as a large state-owned financial enterprise. Under the “five-in-one” pair-up model of financial supporting,



## Section V SIGNIFICANT EVENTS

industries supporting, intellectual supporting, social charity supporting and consumption supporting, we helped “five counties and three villages” paired up with the Company combat the adverse impact brought by the outbreak of COVID-19, consolidate the result of shaking off their poverty, and ensure that all assistance measures and efforts remain unchanged during the transition period of poverty alleviation. As at 2019, the five state-level underprivileged counties which have paired up with the Company have all completed the acceptance and realized poverty alleviation. In 2020, in order to implement the rural revitalization strategy, the Company proactively contacted Lixin County and Shucheng County of Anhui Province, Ningdu County of Jiangxi Province and Xichou County of Yunnan Province to renew the agreements for poverty relief through “one company to one county” pair-up, and proactively contacted Kargilik County, Kashgar District, Xinjiang to carry out the “formal supervision for poverty alleviation (掛牌督戰脫貧攻堅)” welfare project and enter into the “one company to one county” pair-up agreement. At the same time, it continued comprehensive poverty relief and poverty alleviation in the rural areas of Shanghai and urban and rural Party organisations’ pair-up. The Company supported unprivileged areas to optimize their business environment and achieve industry upgrade. By carrying out charity projects, the Company actively fulfilled its social responsibilities and was committed to overcoming poverty. Total public welfare funds for poverty alleviation of RMB14.6457 million were contributed in 2020.

### 3. Performance of targeted poverty alleviation

Unit: 0'000 Yuan Currency: RMB

Indicators	Quantity and status
<b>I. Summary</b>	
Including: 1. Capital input	1,464.57
2. Number of reduction in registered underprivileged population through help and support (unit: person(s))	2,061
<b>II. Itemised Input</b>	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Agriculture and forestry development poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Asset income poverty alleviation <input type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (unit: project(s))	6
1.3 Amount invested in industrial poverty alleviation projects	1,021.18

## Section V SIGNIFICANT EVENTS

Indicators	Quantity and status
2. Poverty alleviation through education	
Including: 2.1 Amount of subsidies granted to underprivileged students	23.76
2.2 Number of subsidised students (unit: person(s))	200
2.3 Amount contributed to improve educational resources in underprivileged areas	369.63
3. Poverty alleviation through ecological protection	
Including: 3.1 Name of projects	<input checked="" type="checkbox"/> Ecological protection and development <input type="checkbox"/> Establishment of ecological protection compensation method <input type="checkbox"/> Creation of ecological public welfare positions <input type="checkbox"/> Others
3.2 Contributed amount	50.00
<b>III. Awards (nature, level)</b>	
1. The 11th Session of "China Charity Award" Shanghai Nomination Award (Shanghai Civil Affairs Bureau)	
2. Emperor Tripod Award for Cultural Development and Poverty Alleviation Public Welfare Team of Fenghua "Zheng" Mao National Securities Fund Cultural Development Video Selection Junding Award (People's Daily Financial Media Group, Securities Times)	

#### 4. Plan for future targeted poverty alleviation work

In 2021, the Company will continue to thoroughly implement the Party Central Committee's instructions on consolidating the results of poverty alleviation achievements and rural revitalization, continue to leverage the professional and resource advantages of large-scale state-owned financial enterprises, and effectively help the pair-up region to further revitalize the rural economy and improve the rural outlook. The Company will make achievements in the following aspects: firstly, the Company will continue to help the paired-up counties fight against the impact of COVID-19 under the regular prevention and control of COVID-19 by adopting more targeted measures, so as to support local economic development. Secondly, the Company will give full play to the advantages of talents in the capital market to provide professional financial services. The Company will consolidate the resources of the Group as always and promote financial synergy for providing underprivileged areas with multi-channel, multi-type and all-round financial services through various services such as investment banking, merger & acquisition, NEEQ, bond financing, futures, leasing and investment, thus forming a development pattern of promoting industrial poverty alleviation through the capital market, giving full play

## Section V SIGNIFICANT EVENTS

to the functions of inclusive finance, and continuously enhancing the self-development capabilities of rural areas. Thirdly, the Company will leverage national rural revitalization strategy to help consolidate the achievements of poverty alleviation of local areas, deepen the “one company to one county” pair-up assistance mechanism, and allocate more resources towards inclusive, basic and exposed public welfare by helping the paired-up counties to vigorously develop new industries and new types of operations such as rural tourism, agricultural product processing, rural e-commerce and leisure agriculture. The Company will support new type of internet-based agricultural industry model, so as to provide benefits to more poverty people. Fourthly, guided by the party-built public welfare brand of “Love in Haitong”, the Company will continue to promote poverty elimination public welfare projects. The Company will continue to carry out the “Haitong • Love (海通 • 愛)” series of public welfare projects, continue to support educational poverty alleviation projects for stopping the transfer of poverty generation so as to contribute to the promotion of national unity and the maintenance of national stability in remote ethnic minority areas.

### (II) Activity fulfilling social responsibilities and environmental policies and performance

By adhering to the operational philosophy of “pragmatic, pioneering, steady and excellent”, the Company accurately positioned itself as a listed company, financial company and corporate citizen, and continuously performed its responsibilities in such aspects real economy, fin-tech, climate change, care for employees, green finance and poverty alleviation. It was committed to achieving high-quality development, drawing a satisfied business blueprint, and building a harmonious society so as to create values for shareholders, customers, employees and the society.

With its outstanding performance in social responsibility, in 2020, the Company’s MSCI ESG rating reached BBB for the first time, which is the highest rating among publicly-rated PRC investment banking and brokerage companies. It surpassed 63% of global peer companies, demonstrating the recognition by the capital market and investors of its corporate social responsibility work.

In terms of the environmental policies and performance, during the Reporting Period, the Company has complied with the “comply or explain” provisions specified in “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Hong Kong Listing Rules and actively assumed environmental responsibility. During the Reporting Period, the Company has not found any violations related to environmental protection. For details of specific environmental policies and performance of the Company, its compliance with such laws and regulations which may materially affect the Company, the important relationship between the Company and its employees, customers and suppliers, please refer to the 2020 Corporate Social Responsibility Report of Haitong Securities Co., Ltd. disclosed by the Company separately on the same date of the 2020 Annual Results Announcement of the Company.

### (III) Environmental information

The Company is not listed as a key pollutant discharge enterprise and does not involve relevant information.

## XVIII. CONVERTIBLE CORPORATE BONDS

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

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

## (I) Table of changes in ordinary shares

## 1. Table of changes in ordinary shares

Unit: Share

	Before the change		New issuance	Changes (+, -) Conversion				After the change	
	Number of shares	Percentage (%)		Bonus shares	from capital reserves	Others	Sub-total	Number of shares	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	<b>0</b>	<b>0</b>	<b>1,562,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,562,500,000</b>	<b>1,562,500,000</b>	<b>11.96</b>
1. Shares held by state	0	0	78,203,125	0	0	0	78,203,125	78,203,125	0.60
2. Shares held by state-owned legal persons	0	0	1,207,031,250	0	0	0	1,207,031,250	1,207,031,250	9.24
3. Shares held by other domestic investors	0	0	70,234,375	0	0	0	70,234,375	70,234,375	0.54
Including: Shares held by domestic non state-owned legal persons	0	0	70,234,375	0	0	0	70,234,375	70,234,375	0.54
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0.00
4. Shares held by foreign investors	0	0	207,031,250	0	0	0	207,031,250	207,031,250	1.58
Including: Shares held by foreign legal persons	0	0	207,031,250	0	0	0	207,031,250	207,031,250	1.58
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0.00
<b>II. Circulating shares not subject to trading moratorium</b>	<b>11,501,700,000</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,501,700,000</b>	<b>88.04</b>
1. RMB denominated ordinary shares	8,092,131,180	70.36	0	0	0	0	0	8,092,131,180	61.94
2. Foreign shares listed in the PRC	0	0	0	0	0	0	0	0	0
3. Foreign shares listed overseas	3,409,568,820	29.64	0	0	0	0	0	3,409,568,820	26.10
4. Others	0	0	0	0	0	0	0	0	0
<b>III. Total number of ordinary shares</b>	<b>11,501,700,000</b>	<b>100</b>	<b>1,562,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,562,500,000</b>	<b>13,064,200,000</b>	<b>100</b>

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## 2. Particulars about changes in ordinary shares

On 5 August 2020, following the completion of non-public issuance of 1,562,500,000 RMB ordinary shares (A Shares) to 13 specific target subscribers (including Shanghai Guosheng Group) by the Company, the total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000, of which, the number of H Shares remained at 3,409,568,820, and the number of A Shares has increased from 8,092,131,180 to 9,654,631,180. During the Reporting Period, the number of circulating shares not subject to trading moratorium of the Company was 11,501,700,000, and the number of circulating shares subject to trading moratorium was 1,562,500,000 (all are the A Shares of this non-public issuance).

- Changes in shares after the period

On 5 February 2021, part of the restricted shares under the non-public issuance of the Company were listed, and the restricted period for restricted shares under the non-public issuance held by the following shareholders has expired and released:

Number	Name of shareholders	Number of restricted shares held (shares)	Percentage of restricted shares held to the total share capital of the Company	Number of shares listed on the market on 5 February 2021 (shares)	Remaining number of restricted shares (shares)
1	UBS AG	116,406,250	0.89%	116,406,250	0
2	Harvest Global Investments Limited	62,890,625	0.48%	62,890,625	0
3	China Huarong Asset Management Co., Ltd.	39,062,500	0.30%	39,062,500	0
4	Shanghai Lansheng Corporation	39,062,500	0.30%	39,062,500	0
5	Shanghai Chengtuo Holdings Co., Ltd.	35,156,250	0.27%	35,156,250	0
6	Fuanda Fund Management Co., Ltd.	31,250,000	0.24%	31,250,000	0
7	JPMorgan Chase Bank, National Association	27,734,375	0.21%	27,734,375	0
8	Qilu Zhongtai Private Equity Management Co., Ltd. (齊魯中泰私募基金管理有限公司)	23,359,375	0.18%	23,359,375	0
9	Greater Bay Area Industry Finance Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司)	15,625,000	0.12%	15,625,000	0
<b>Total</b>		<b>390,546,875</b>	<b>2.99%</b>	<b>390,546,875</b>	<b>0</b>

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

As at the date of this Report, the restricted period for part of the restricted shares under the non-public issuance of the Company has expired and released on 5 February 2021. The changes of the Company's shares are as follows:

Unit: Share		Before the listing on 5 February 2021	Change	After the listing on 5 February 2021
Circulating shares subject to trading moratorium	1. Shares held by state	78,203,125	0	78,203,125
	2. Shares held by state-owned legal persons	1,207,031,250	-113,281,250	1,093,750,000
	3. Shares held by other domestic legal persons	70,234,375	-70,234,375	0
	4. Shares held by foreign legal persons and natural persons	207,031,250	-207,031,250	0
	<b>Total number of circulating shares subject to trading moratorium</b>	<b>1,562,500,000</b>	<b>-390,546,875</b>	<b>1,171,953,125</b>
Circulating shares not subject to trading moratorium	A Shares	8,092,131,180	390,546,875	8,482,678,055
	H Shares	3,409,568,820	0	3,409,568,820
	<b>Total number of circulating shares not subject to trading moratorium</b>	<b>11,501,700,000</b>	<b>390,546,875</b>	<b>11,892,246,875</b>
<b>Total number of shares</b>		<b>13,064,200,000</b>	<b>0</b>	<b>13,064,200,000</b>

### 3. *Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)*

The Company completed the registration and custody for the shares issued under the Non-public Issuance of A Shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000; and the registered capital of the Company has increased from RMB11,501,700,000 to RMB13,064,200,000. The capital reserve has increased to RMB18,286,436,477.84, and the total assets and net assets of the Company have increased correspondingly. If it is calculated on the basis of 11,501,700,000 Shares before the Non-Public Issuance of A Shares, the earnings per share and net assets per share of 2020 would be RMB0.95 and RMB13.34, respectively. If it is calculated on the basis of 13,064,200,000 Shares after the Non-Public Issuance of A Shares, the earnings per share and net assets per share of 2020 would be RMB0.90 and RMB11.75, respectively.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## 4. Other disclosures deemed necessary by the Company or required by securities regulatory authorities

✓ Not applicable

## (II) Changes in restricted shares

Unit: Share

Name of shareholders	Number of restricted shares at the beginning of the year	Number of restricted shares released in the year	Number of restricted shares increased in the year	Number of restricted shares at the end of the year	Reasons for restriction on sale	Date of release for sale
Shanghai Guosheng (Group) Co., Ltd.	0	0	781,250,000	781,250,000	Restriction on sale of non-publicly issued shares	5 August 2024
Shanghai Haiyan Investment Management Company Limited	0	0	234,375,000	234,375,000	Restriction on sale of non-publicly issued shares	7 February 2022
Shanghai Electric (Group) Corporation	0	0	78,203,125	78,203,125	Restriction on sale of non-publicly issued shares	7 February 2022
Bright Food (Group) Co., Ltd.	0	0	78,125,000	78,125,000	Restriction on sale of non-publicly issued shares	7 February 2022
UBS AG	0	0	116,406,250	116,406,250	Restriction on sale of non-publicly issued shares	5 February 2021
Harvest Global Investments Limited	0	0	62,890,625	62,890,625	Restriction on sale of non-publicly issued shares	5 February 2021
China Huarong Asset Management Co., Ltd.	0	0	39,062,500	39,062,500	Restriction on sale of non-publicly issued shares	5 February 2021
Shanghai Lansheng Corporation	0	0	39,062,500	39,062,500	Restriction on sale of non-publicly issued shares	5 February 2021
Shanghai Chengtuo Holdings Co., Ltd.	0	0	35,156,250	35,156,250	Restriction on sale of non-publicly issued shares	5 February 2021
Fuanda Fund Management Co., Ltd.	0	0	31,250,000	31,250,000	Restriction on sale of non-publicly issued shares	5 February 2021
JPMorgan Chase Bank, National Association	0	0	27,734,375	27,734,375	Restriction on sale of non-publicly issued shares	5 February 2021
Qilu Zhongtai Private Equity Management Co., Ltd. (齊魯中泰私募基金管理有限公司)	0	0	23,359,375	23,359,375	Restriction on sale of non-publicly issued shares	5 February 2021
Greater Bay Area Industry Finance Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司)	0	0	15,625,000	15,625,000	Restriction on sale of non-publicly issued shares	5 February 2021
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,562,500,000</b>	<b>1,562,500,000</b>	<b>/</b>	<b>/</b>

As at the date of this Report, the restricted shares with the date of release for sale of 5 February 2021 were released, and the total restricted shares being released that time were 390,546,875 shares. After the release of the restriction, the total number of shares of the Company was 13,064,200,000, among which 3,409,568,820 were H Shares and 9,654,631,180 were A Shares; and 1,171,953,125 were restricted circulating shares and 11,892,246,875 were unrestricted circulating shares. For details, please refer to the overseas regulatory announcement of the Company dated 29 January 2021.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## II. SECURITIES ISSUANCE AND LISTING

## (I) Issuances of securities during the Reporting Period

Unit: Share Currency: RMB

Type of stocks and derivative securities	Date of issuance	Issue price (or rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
<b>Ordinary shares</b>						
A Shares	5 August 2020	12.80	1,562,500,000	5 August 2020	1,562,500,000	/
<b>Convertible corporate bonds, warrant bonds and corporate bonds</b>						
Corporate bonds	25 November 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	25 November 2023
Corporate bonds	14 July 2014	5.85%	RMB0.8 billion	13 August 2014	RMB0.8 billion	14 July 2024
Corporate bonds	11 August 2017	4.63%	RMB5 billion	24 August 2017	-	11 August 2020
Corporate bonds	11 August 2017	4.80%	RMB1 billion	24 August 2017	RMB1 billion	11 August 2022
Corporate bonds	22 September 2017	4.99%	RMB5.5 billion	10 October 2017	RMB5.5 billion	22 September 2027
Corporate bonds	25 October 2017	4.77%	RMB0.5 billion	7 November 2017	-	25 October 2020
Corporate bonds	8 March 2018	5.15%	RMB3 billion	16 March 2018	RMB3 billion	8 March 2021
Corporate bonds	22 March 2018	5.14%	RMB3 billion	3 April 2018	RMB3 billion	22 March 2021
Corporate bonds	10 May 2018	4.70%	RMB3 billion	25 May 2018	RMB3 billion	10 May 2021
Corporate bonds	6 August 2018	3.98%	RMB3 billion	17 August 2018	RMB3 billion	6 August 2021
Corporate bonds	22 November 2018	3.88%	RMB3 billion	5 December 2018	RMB3 billion	22 November 2021
Corporate bonds	11 April 2019	3.75%	RMB5 billion	23 April 2019	RMB5 billion	11 April 2022
Corporate bonds	15 November 2019	3.52%	RMB4.5 billion	26 November 2019	RMB4.5 billion	15 November 2022
Corporate bonds	27 February 2020	3.01%	RMB5 billion	6 March 2020	RMB5 billion	27 February 2023
Corporate bonds	19 March 2020	2.99%	RMB3.5 billion	27 March 2020	RMB3.5 billion	19 March 2023
Corporate bonds	30 April 2020	2.38%	RMB5.6 billion	12 May 2020	RMB5.6 billion	30 April 2023
Corporate bonds	30 April 2020	2.88%	RMB0.7 billion	12 May 2020	RMB0.7 billion	30 April 2025
Corporate bonds	25 May 2020	2.70%	RMB6.7 billion	29 May 2020	RMB6.7 billion	25 May 2023
Corporate bonds	11 August 2020	3.53%	RMB6 billion	18 August 2020	RMB6 billion	11 August 2023
Short-term corporate bonds	5 June 2020	2.20%	RMB1 billion	12 June 2020	RMB1 billion	2 March 2021
Subordinated bonds	17 November 2016	3.40%	RMB2 billion	30 November 2016	RMB2 billion	17 November 2021
Subordinated bonds	16 March 2017	4.80%	RMB4.5 billion	30 March 2017	-	16 March 2020
Subordinated bonds	28 February 2019	4.09%	RMB3.3 billion	7 March 2019	RMB3.3 billion	28 February 2022
Non-public corporate bonds	18 May 2016	3.80%	RMB5 billion	15 June 2016	RMB5 billion	18 May 2021
Non-public corporate bonds	21 October 2020	3.50%	RMB5 billion	2 November 2020	RMB5 billion	23 October 2021
Non-public corporate bonds	21 October 2020	3.82%	RMB5 billion	2 November 2020	RMB5 billion	21 October 2022
Non-public corporate bonds	19 November 2020	3.70%	RMB5 billion	26 November 2020	RMB5 billion	13 January 2022
Overseas bonds (U.S. dollar)	13 December 2018	4.5%	RMB0.3 billion	14 December 2018	RMB0.3 billion	13 December 2023
Overseas bonds (EUR)	13 December 2018	3M EURIBOR +1.65%	RMB0.23 billion	14 December 2018	RMB0.23 billion	13 December 2023
Financial bonds	29 August 2019	3.39%	RMB7 billion	30 August 2019	RMB7 billion	29 August 2022



## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Explanation of the securities issuance during of the Reporting Period (for bonds with different interest rates during the lifetime, please explain separately):

### 1. *Completion of the non-public issuance of A Shares of the Company*

On 14 February 2020, the CSRC issued the Decision on Revising the Administrative Measures for the Issuance of Securities by Listed Companies (《關於修改<上市公司證券發行管理辦法>的決定》) and the Decision to Amend the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《關於修改<上市公司非公開發行股票實施細則>的決定). Pursuant to the above documents and regulatory requirements, on 25 February 2020, the Board considered and approved the amended non-public issuance of A Shares under the general mandate to amend the issuance price, maximum target subscribers and lock-up period pursuant to the above decisions and the regulatory requirements. Pursuant to the amended non-public issuance of A Shares, the Company will issue no more than 1,618,426,236 A Shares to no more than 35 specific target subscribers (including Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group), which is expected to raise gross proceeds of up to RMB20.0 billion. In compliance with the above decisions, on 25 February 2020, the Company entered into supplemental agreements to the subscription agreements with Shanghai Guosheng Group, Shanghai Haiyan Investment, Bright Food Group and Shanghai Electric Group, respectively. The subscription price, lock up period and conditions precedent under the subscription agreements have been amended based on requirements under the above decisions and the amended non-public issuance of A Shares, and other clauses such as subscription amount and number of shares remained unchanged. For further details of the amended non-public issuance of A Shares and the principal clauses of the supplement agreements to the subscription agreements, please refer to the announcement of the Company dated 25 February 2020 and circular of the Company dated 25 March 2020.

On 8 June 2020, the Company received the “Approval in Relation to the Non-public Issuance of Shares by Haitong Securities Co., Ltd” (Zheng Jian Xu Ke [2020] No.1038) issued by the CSRC. With the approval of the CSRC, the Company non-publicly issued 1,562,500,000 RMB ordinary shares (A Shares) to 13 specific target subscribers including Shanghai Guosheng Group in August 2020. The Company completed the registration and custody for new Shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 5 August 2020. The total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000, of which, the number of H Shares remained at 3,409,568,820, and the number of A Shares has increased from 8,092,131,180 to 9,654,631,180. For details, please refer to the Company’s announcement dated 6 August 2020.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### 2. Issuance of corporate bonds

For details of issuance of corporate bonds, please refer to “X. CORPORATE BONDS”.

For existing bonds of subsidiaries during the Reporting Period, please refer to Bonds Payable of Note to the Consolidated Financial Statements in FINANCIAL REPORT.

### (II) Changes in total number of ordinary shares of the Company and shareholding structure and assets and liabilities structure of the Company

On 5 August 2020, following the completion of non-public issuance of 1,562,500,000 RMB ordinary shares (A Shares) to 13 specific target subscribers (including Shanghai Guosheng Group) by the Company, the total number of Shares of the Company has increased from 11,501,700,000 to 13,064,200,000, of which, the number of H shares remained at 3,409,568,820, and the number of A shares has increased from 8,092,131,180 to 9,654,631,180.

For details of the changes in the assets and liabilities structure of the Company, please refer to “II. OPERATIONS DURING THE REPORTING PERIOD” and “(III) Analysis of assets and liabilities” in “IV. REPORT OF THE BOARD OF DIRECTORS” in this Report.

### (III) Information on existing internal employee shares

As at the end of the Reporting Period, the Company had no internal employee shares.

### (IV) Repurchase, sale or redemption of securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company, other than trading of the securities by the Company or its subsidiaries on behalf of the clients).

## III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

Total number of shareholders of ordinary shares ( <i>accounts</i> ) as at the end of the Reporting Period	315,301 (of which 315,146 were holders of A Shares and 155 were holders of H Shares)
Total number of shareholders of ordinary shares ( <i>accounts</i> ) as at the end of the previous month prior to the date of disclosure of the annual report	321,745 (of which 321,595 were holders of A Shares and 150 were holders of H Shares)

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## (II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: Share

Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Shareholdings of the top ten shareholders			Particulars of shares pledged or frozen	Number of Shares	Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium			
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	-56,400	3,408,817,495	26.09%	0	Unknown	-	Foreign legal person
Shanghai Guosheng (Group) Co., Ltd.	781,250,000	862,489,059	6.60%	781,250,000	Nil	0	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	234,375,000	635,084,623	4.86%	234,375,000	Nil	0	State-owned legal person
Bright Food (Group) Co., Ltd.	78,125,000	480,275,000	3.68%	78,125,000	Nil	0	State-owned legal person
China Securities Finance Corporation Limited	0	343,901,259	2.63%	0	Nil	0	Others
Shenergy Group Company Limited	-11,580,000	310,582,086	2.38%	0	Nil	0	State-owned legal person
Shanghai Guosheng Group Assets Co., Ltd.	0	238,382,008	1.82%	0	Nil	0	State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	1.80%	0	Nil	0	State-owned legal person
Shanghai Electric (Group) Corporation	-40,491,975	225,813,318	1.73%	78,203,125	Nil	0	State
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.64%	0	Nil	0	State-owned legal person

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## Shareholdings of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number of Shares
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	3,408,817,495	Foreign shares listed overseas	3,408,817,495
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
China Securities Finance Corporation Limited	343,901,259	RMB denominated ordinary shares	343,901,259
Shenergy Group Company Limited	310,582,086	RMB denominated ordinary shares	310,582,086
Shanghai Guosheng Group Assets Co., Ltd.	238,382,008	RMB denominated ordinary shares	238,382,008
Shanghai Jiushi (Group) Co., Ltd.	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	167,214,937	RMB denominated ordinary shares	167,214,937
Shanghai Electric (Group) Corporation	147,610,193	RMB denominated ordinary shares	147,610,193
Explanations on the related relationship or concerted action among the above shareholders	Shanghai Guosheng Group Assets Co., Ltd. is a wholly-owned subsidiary of Shanghai Guosheng (Group) Co., Ltd. Moreover, the Company is not aware of any related relationship among other shareholders or whether they are parties acting in concert as stipulated in the Measures for the Administration of the Takeover of Listed Companies.		

- Notes:*
- The nature of shareholders of RMB denominated ordinary shares (A Shares) represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
  - In the table above, overseas listed foreign shares are H Shares. Among the H Shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
  - Shanghai Guosheng Group and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold a total of 1,356.3275 million A Shares and H Shares of the Company, representing 10.38% of the total share capital of the Company; Shanghai Electric (Group) Corporation holds a total of 316.2430 million A Shares and H Shares of the Company, representing 2.40% of the total share capital of the Company.
  - As the shares of the Company are subject of margin financing and securities lending, the number of shares held by a shareholder is calculated based on the aggregated number of shares and interests held by such shareholder through ordinary securities accounts and credit securities accounts.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Number of shares held by the top ten shareholders subject to trading moratorium and trading moratorium

*Unit: Share*

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Listing and trading of shares subject to trading moratorium		Trading moratorium
			Available listed trading hours	Number of newly listed trading shares	
1	Shanghai Guosheng (Group) Co., Ltd.	781,250,000	5 August 2024	-	Lock-up period of 48 months
2	Shanghai Haiyan Investment Management Company Limited	234,375,000	7 February 2022	-	Lock-up period of 18 months
3	UBS AG	116,406,250	5 February 2021	-	Lock-up period of 6 months
4	Shanghai Electric (Group) Corporation	78,203,125	7 February 2022	-	Lock-up period of 18 months
5	Bright Food (Group) Co., Ltd.	78,125,000	7 February 2022	-	Lock-up period of 18 months
6	Harvest Global Investments Limited	62,890,625	5 February 2021	-	Lock-up period of 6 months
7	China Huarong Asset Management Co., Ltd.	39,062,500	5 February 2021	-	Lock-up period of 6 months
8	Shanghai Lansheng Corporation	39,062,500	5 February 2021	-	Lock-up period of 6 months
9	Shanghai Chengtou Holdings Co., Ltd.	35,156,250	5 February 2021	-	Lock-up period of 6 months
10	Fuanda Fund Management Co., Ltd.	31,250,000	5 February 2021	-	Lock-up period of 6 months
Explanations on the related relationship or concerted action among the above shareholders				Nil	

As at the date of this Report, the restricted shares with the date of release for sale of 5 February 2021 were released. For details, please refer to the overseas regulatory announcement of the Company dated 29 January 2021.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### (III) Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As at 31 December 2020, to the best knowledge of the Directors having made all reasonable enquiries, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued	Long position
						A Shares/H Shares of the Company (%)	(Note 2) short position (Note 3) interests in lending pool
1.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	272,590,000	2.09	7.99	Long position
2.	BSA Strategic Fund I	H Share	Beneficial owner	272,590,000	2.09	7.99	Long position
3.	Shi Jing	H Share	Founder of discretionary trust	228,000,000	1.75	6.69	Long position
4.	Wickhams Cay Trust Company Limited	H Share	Trustee (Note 1)	228,000,000	1.75	6.69	Long position
5.	Abhaya Limited	H Share	Interests in controlled corporation (Note 1)	228,000,000	1.75	6.69	Long position
6.	Heyday Trend Limited	H Share	Beneficial owners (Note 1)	228,000,000	1.75	6.69	Long position
7.	Shanghai Guosheng (Group) Co., Ltd. (Note 4)	H Share	Beneficial owner	241,206,000	1.85	7.07	Long position
		A Share	Beneficial owner	1,100,871,067	8.43	11.40	Long position
8.	Shanghai Electric (Group) Corporation	H Share	Beneficial owner	170,658,800	1.31	5.01	Long position
9.	China National Tobacco Corporation	A Share	Beneficial owner	635,084,623	4.86	6.58	Long position

**Note 1:** Heyday Trend Limited holds 228,000,000 H Shares of the Company. Abhaya Limited holds 228,000,000 H Shares of the Company through its wholly-owned Heyday Trend Limited. Abhaya Limited is wholly-owned by Wickhams Cay Trust Company Limited; Shi Yuzhu is a director of Abhaya Limited, and other directors in Abhaya Limited are used to taking orders from Shi Yuzhu. Therefore, Wickhams Cay Trust Company Limited and Shi Yuzhu are deemed to have interest in the 228,000,000 H Shares held by Abhaya Limited.

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

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

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

*Note 4:* For the avoidance of doubt, as the scope of the abovementioned interest disclosure is not limited to the actual shares held by the relevant shareholders (see Note 2 and Note 3 for details). There may be difference between the number and percentage of shares held by the relevant shareholders shown in this table and the number and percentage of shares beneficially held by the relevant shareholders disclosed in other parts of the annual report.

Save as disclosed above, as at 31 December 2020, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

### ***Directors, Supervisors and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations***

As at 31 December 2020, according to the information obtained by the Company and so far as the Directors are aware, none of the Director(s), Supervisor(s) and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (as defined under the Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

### **(IV) Strategic investors or general legal person having become one of the top ten shareholders as a result of placing of new shares**

During the Reporting Period, no strategic investor or general legal person has become one of the top ten shareholders as a result of placing of new shares.

## Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

#### (I) Controlling shareholders

The Company did not have any controlling shareholder and the information about its largest shareholder is as follows:

Name	Shanghai Guosheng (Group) Co., Ltd.
Responsible person or legal representative of the entity	Shou Weiguang (壽偉光)
Date of establishment	26 September 2007
Principal business	Investments in non-financial fields, as the main, and financial field, as the ancillary, capital market operation and asset management, industry research, consultancy of social and economic affairs. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities).

The shareholding of the Company is disperse. Shanghai Guosheng Group, the largest shareholder of the Company, and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold 10.38% of the Shares of the Company. HKSCC Nominees Limited held shares on behalf of the non-registered H shareholders.

#### (II) De facto controllers

The Company had no de facto controller.

### V. OTHER INSTITUTIONAL SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES

Shanghai Guosheng Group and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold a total of 1,356.3275 million A Shares and H Shares of the Company, representing 10.38% of the total share capital of the Company. Of which, Shanghai Guosheng Group holds a total of 1,117.9455 million A Shares and H Shares of the Company, representing 8.56% of the total share capital of the Company; Shanghai Guosheng Group Assets Co., Ltd., holds a total of 238.3820 million A Shares of the Company, representing 1.82% of the total share capital of the Company.

During the Reporting Period, there is no institutional shareholder of the Company who held more than 10% the total issued share capital of the Company.

### VI. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION

During the Reporting Period, the Company had no restriction to shareholding reduction.



## Section VII PREFERENCE SHARES

During the Reporting Period, the Company did not have any matters relating to preference shares.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGES IN SHAREHOLDING AND REMUNERATIONS

## (I) Changes in shareholding and remunerations of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

Unit: Share

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from related party of the Company or not
Zhou Jie	Chairman, Secretary of CPC Party Committee*	Male	53	18 June 2019	18 June 2022	0	0	0	-	120.98	No
Qu Qiuping	Executive Director, General Manager, Deputy Secretary of CPC Party Committee*	Male	59	18 June 2019	18 June 2022	0	0	0	-	241.04	No
Ren Peng	Executive Director, Deputy General Manager	Male	58	18 June 2019	18 June 2022	0	0	0	-	216.94	No
Tu Xuanxuan	Non-executive Director	Male	47	18 June 2019	18 June 2022	0	0	0	-	-	Yes
Zhou Donghui	Non-executive Director	Male	51	18 June 2020	18 June 2022	0	0	0	-	-	Yes
Yu Liping	Non-executive Director	Female	58	18 June 2019	18 June 2022	0	0	0	-	-	Yes
Xu Jianguo	Non-executive Director	Male	56	18 June 2019	18 June 2022	0	0	0	-	-	No
Zhang Ming	Independent Non-executive Director	Male	62	18 June 2019	18 June 2022	0	0	0	-	28	Yes
Lam Lee G.	Independent Non-executive Director	Male	61	18 June 2019	18 June 2022	0	0	0	-	20	Yes
Zhu Hongchao	Independent Non-executive Director	Male	61	18 June 2019	18 June 2022	0	0	0	-	25	Yes
Zhou Yu	Independent Non-executive Director	Male	61	18 June 2019	18 June 2022	0	0	0	-	26	No
Chen Bin (Resigned)	Non-executive Director	Male	39	18 June 2019	26 March 2020	0	0	0	-	-	No
Wu Hongwei	Vice Chairman of the Supervisory Committee, Employee Representative Supervisor, Deputy Secretary of CPC Party Committee*	Male	54	18 June 2019	18 June 2022	0	0	0	-	103.49	No
Shi Xu	Employee Representative Supervisor	Male	48	18 June 2019	18 June 2022	0	0	0	-	227.63	No
Wu Xiangyang	Employee Representative Supervisor	Male	54	18 June 2019	18 June 2022	0	0	0	-	148.49	No

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position <i>(Note)</i>	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period <i>(RMB'000)</i>	Whether received remuneration from related party of the Company or not
Ruan Feng	Supervisor	Male	52	20 October 2020	18 June 2022	0	0	0	-	-	Yes
Li Zhenghao	Supervisor	Male	45	18 June 2020	18 June 2022	0	0	0	-	-	Yes
Cao Yijian	Supervisor	Male	44	18 June 2019	18 June 2022	0	0	0	-	-	Yes
Dong Xiaochun	Supervisor	Male	56	20 October 2020	18 June 2022	0	0	0	-	-	Yes
Dai Li	Supervisor	Female	47	18 June 2019	18 June 2022	0	0	0	-	-	Yes
Xu Renzhong (Resigned)	Supervisor	Male	48	18 June 2019	26 March 2020	0	0	0	-	-	Yes
Zheng Xiaoyun (Resigned)	Supervisor	Female	58	18 June 2019	28 August 2020	0	0	0	-	-	Yes
Feng Huang (Resigned)	Supervisor	Male	49	18 June 2019	10 September 2020	0	0	0	-	-	Yes
Pei Changjiang	Deputy General Manager	Male	55	18 June 2019	18 June 2022	0	0	0	-	212.34	No
Mao Yuxing	Deputy General Manager, Chief Information Officer	Male	49	18 June 2019	18 June 2022	0	0	0	-	139.04	No
Wang Jianye	Chief Compliance Officer	Male	60	18 June 2019	18 June 2022	0	0	0	-	465.97	No
Chen Chunqian	Assistant to the General Manager	Male	57	18 June 2019	18 June 2022	0	0	0	-	507.97	No
Zhang Xiangyang	Assistant to the General Manager	Male	55	18 June 2019	18 June 2022	0	0	0	-	-	No
Li Jianguo	Assistant to the General Manager	Male	57	18 June 2019	18 June 2022	0	0	0	-	-	No
Lin Yong	Assistant to the General Manager	Male	51	18 June 2019	18 June 2022	0	0	0	-	-	No
Jiang Chengjun	Assistant to the General Manager, Secretary to the Board	Male	52	18 June 2019	18 June 2022	0	0	0	-	424.41	No
Du Hongbo	Chief Risk Officer	Male	57	18 June 2019	18 June 2022	0	0	0	-	390.95	No
Pan Guangtao	Assistant to the General Manager	Male	49	18 June 2019	18 June 2022	0	0	0	-	423.45	No
Zhang Xinjun	Chief Financial Officer	Male	45	18 June 2019	18 June 2022	0	0	0	-	390.95	No
Total	/	/	/	/	/	0	0	0	-	4,112.65	/

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- Note:*
1. For details on the tenure period of Mr. Zhou Jie as Secretary of CPC Party Committee, Mr. Qu Qiuping as Deputy Secretary of CPC Party Committee and Mr. Wu Hongwei as Deputy Secretary of CPC Party Committee, please refer to each of their biographical details below.
  2. The total remunerations mentioned above did not include remunerations senior management received from subsidiaries, among whom, Mr. Li Jianguo, assistant to the general manager of the Company, received remunerations of RMB4.0147 million from Haitong International Holdings; Mr. Lin Yong, assistant to the general manager of the Company, received remunerations of RMB15.0822 million from Haitong International Securities; Mr. Zhang Xiangyang, assistant to the general manager of the Company, received remunerations of RMB7.0637 million from Haitong Capital. The remunerations received in foreign currencies was calculated based on the mid-point exchange rate of Renminbi for Inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Centre on 31 December 2020.
  3. The total amount of remunerations before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period mentioned above included performance bonus, tenure incentives and medium and long-term incentives attributable to the previous years deferred in 2020.
  4. Total remuneration before tax disclosed in the annual report are the remunerations received by the Directors, Supervisors and senior management from the Company during their terms of office as Directors, Supervisors and senior management. The remunerations received during their terms of office not as Directors, Supervisors and senior management were excluded.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhou Jie (周杰)	<p><b>Executive Directors (3)</b></p> <p>Born in 1967, a holder of master's degree of engineering. Mr. Zhou has served as the Chairman of the Board since 28 October 2016, the secretary of CPC party committee of the Company since July 2016. Mr. Zhou has concurrently served as the director of the assets and liabilities allocation committee of the Company. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted, successively, as the executive director and the vice chief executive officer, the executive director and the executive vice president, the vice chairman of the board of directors and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served, successively, as the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and deputy secretary of CPC party committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the SSE under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the chairman of the board of directors and the secretary of CPC party committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou has been a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00981) since January 2009. Mr. Zhou has been a supervisor, the chairman of the remuneration committee of Shanghai Stock Exchange, and the president of Shanghai Securities Association (上海證券同業公會) since 2016; the representative of Shanghai People's Congress; the vice chairman of Shanghai Financial Association (上海金融業聯合會), the president of Shanghai Association of Financial Planners (上海金融理財師協會), and an arbitrator of Shanghai Arbitration Commission (上海仲裁委員會) since 2017.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Qu Qiuping (瞿秋平)	<p>Born in 1961, a holder of master's degree in economics, a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC party committee of the Company since 25 June 2014. Mr. Qu has also served as the director of international business committee, the director of proprietary investment decision committee, and the vice director of assets and liabilities allocation committee of the Company. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008;</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Name****Major Work Experience**

the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been a member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council (國務院參事室金融研究中心) since October 2016, the director of the Shenzhen Stock Exchange since April 2017, a member of the Chinese People's Political Consultative Conference Shanghai Committee since December 2017, a member of the Standing Committee of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference since January 2021, vice president of the Securities Association of China (中國證券業協會) since June 2017, the chairman of the Supervisory Committee of the Listed Companies Association of Shanghai (上海上市公司協會) since June 2018, and the chairman of the M&A Financing Committee of the China Association of Listed Companies (中國上市公司協會併購融資專業委員會) since October 2018. Mr. Qu has been the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司), the chairman of the board of directors, a non-executive director, the chairman of the nomination committee and the strategic development committee, and a member of remuneration committee of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) since February 2018.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Ren Peng (任澎)	<p>Born in 1962, a holder of master's degree in business and administration, an economist, joined the Company in March 1996 and has been the deputy general manager since November 1997 and is mainly in charge of investment banking business and finance leasing business. Mr. Ren has been an executive director of the Company since 18 June 2019, and also served as the director of investment banking committee and a member of assets and liabilities allocation committee. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China (中國工商銀行) from June 1982 to February 1988 and served in various positions in the Hangzhou Branch of the Bank of Communications (中國交通銀行) from March 1988 to March 1996, including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to August 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) from June 2014 to May 2017; the chairman of board of directors of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) from July 2014 to March 2018; the chairman of the board of directors of Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) from November 2014 to August 2018; and the chairman of the board of directors of Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (formerly known as "Haitong UniTrust International Leasing Co., Ltd" (海通恒信國際租賃股份有限公司, listed on the Hong Kong Stock Exchange under the stock code of 01905)) from May 2017 to May 2020. Mr. Ren has been a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) since March 2011, a non-executive director of Haitong Unitrust International Financial Leasing Co., Ltd. since May 2020, the chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司) since June 2014, and a director of Haitong International Holdings Limited (海通國際控股有限公司) since July 2014.</p>



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Tu Xuanxuan (屠旋旋)	<p><b>Non-executive Directors (4)</b></p> <p>Born in 1973, a holder of bachelor's degree in economics, an economist, has been a non-executive director of the Company since 18 June 2019. He has served as a general manager of the asset management division of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since March 2020, and chairman of the board of directors of Shanghai Zhenghao Asset Management Company (上海正浩資產管理有限公司) since March 2017. Mr. Tu worked in the Bank of China, Shanghai Branch from July 1993 to March 2001 and in Shanghai Office of China Orient Asset Management Corporation (中國東方資產管理公司) from March 2001 to October 2004. He was in charge of the operation of the Asset Management Department of Shanghai Dasheng Assets Co., Ltd. (上海大盛資產有限公司) from October 2004 to September 2009, and was the deputy director of the Asset Management Centre of Shanghai Guosheng (Group) Co., Ltd. from September 2009 to October 2012. Mr. Tu served successively as the assistant to the president, a member of CPC party committee and the vice president of Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司) from June 2012 to January 2019 (during which he served as the deputy director (on temporary position) of the Intellectual Property Department of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國資委) from July 2014 to July 2015), a deputy general manager (in charge of operations) of the asset management division of Shanghai Guosheng (Group) Co., Ltd. from January 2019 to March 2020. Mr. Tu served as a director of Dongxing Securities Co., Ltd. (東興證券股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 601198) from August 2007 to June 2020. Mr. Tu has been a director of Arcplus Group PLC (華東建築集團股份有限公司) (listed on the SSE under the stock code of 600629) since September 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhou Donghui (周東輝)	<p>Born in 1969, a holder of a bachelor's degree in accounting, a senior accountant, has been a non-executive director of the Company since 18 June 2020. He has been the general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since July 2015. Mr. Zhou served as an officer of the finance section and deputy section chief of fund and price section of the finance and price department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 1991 to September 2000. Mr. Zhou was also the deputy manager and manager of finance department of China Tobacco Shanghai Import &amp; Export Co., Ltd. (中國煙草上海進出口有限責任公司) from September 2000 to September 2008 and was deputy director of investment management division of Shanghai Tobacco (Group) Company from September 2008 to April 2011. Mr. Zhou served as the deputy director of finance department of Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司) from April 2011 to February 2015, and the executive deputy director of the investment department of Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司) and the executive deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2015 to July 2015. Mr. Zhou has been a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the SSE under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) since May 2020, a non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司, listed on the SSE under the stock code of 601601; listed on the Hong Kong Stock Exchange under the stock code of 02601) since January 2021.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Yu Liping (余莉萍)	<p>Born in 1962, a holder of MBA degree, a senior accountant, has served as a non-executive director of the Company since 8 June 2015 and as the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2010. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from August 1996 to April 2006, including deputy chief of finance department, manager of finance department and vice chief accountant. She was a member of CPC party committee, vice president and chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu served as the chairman of supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) from March 2015 to May 2017, and the chairman of supervisory committee of NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) from September 2013 to September 2018. Ms. Yu was the legal representative of Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from March 2014 to February 2019. Ms. Yu was the chairman of supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) from September 2014 to July 2019. Ms. Yu has been a director of Shanghai Hongqiao International Commodity Import, Sales and Exhibition Co., Ltd. (上海虹橋國際進口商品展銷有限公司) since November 2018.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Xu Jianguo (許建國)	<p>Born in 1964, a holder of master of professional accountancy degree, a senior accountant, has served as a non-executive Director of the Company since 18 October 2016. He has been the head of the financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since April 2013, the chairman of the board of directors of Shanghai Haiya Industrial Co., Ltd. (上海亥雅實業有限公司) since March 2019, and the chairman of the board of directors of Shanghai Kaihai Industrial Co., Ltd. (上海開亥實業有限公司) since June 2019. Mr. Xu worked in the finance department and audit office of Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004 and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008 during which period he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited. From December 2009 to April 2013, he served as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation. Mr. Xu served as the chairman of the supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司, listed on the Hong Kong Stock Exchange under the stock code of 02345) from May 2016 to June 2019, and a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the SSE under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) from November 2016 to March 2021. Mr. Xu has been a director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013, a director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015. Mr. Xu has also served as a director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司) since June 2016, the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司, listed on the SSE under the stock code of 600619) since December 2017, a director of Shanghai Electric Group Hong Kong Limited (上海電氣集團香港有限公司) since November 2019, a director of Tianjin Pipe (Group) Corporation (天津鋼管集團股份有限公司) since March 2020, and a director of Shanghai Electric (Group) Corporation Heng Lian Enterprise Development Limited (上海電氣集團恒聯企業發展有限公司) since June 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhang Ming (張鳴)	<p><b>Independent non-executive Directors (4)</b></p> <p>Born in 1958, a holder of doctor's degree in economics, a professor, doctoral supervisor and senior researcher, has served as an independent non-executive Director of the Company since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, the deputy director and then the deputy head of the School of Accountancy. He is now a professor and doctoral supervisor in the same university. Mr. Zhang served as an independent non-executive director of Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司, listed on the SSE under the stock code of 600327) from May 2015 to November 2020. Mr. Zhang has been an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 600000) since May 2016, an independent non-executive director of Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司) since May 2018, an independent non-executive director of National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司) since March 2019, and a director of Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司) since November 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Lam Lee G. (林家禮)	<p>Born in 1959, a holder of Ph.D degree in philosophy, a Solicitor (formerly a barrister-at-law) of the High Court of Hong Kong, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education, has served as an independent non-executive Director of the Company since 6 April 2017, an non-executive Chairman of Greater China and ASEAN Region of Macquarie Infrastructure and Real Assets since May 2015. Dr. Lam has over 30 years of experience in transnational enterprise management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology, consumer market/healthcare, infrastructure/real estates, energy/resources and financial services sectors. Dr. Lam previously held a number of posts including General Manager of Hong Kong Telecom, a member of the Senior Management of CP Group in Thailand and Chairman/Director/Chief Executive Officer of several companies affiliated to the group, Managing Director of BOC International and Vice Chairman and COO of Investment Banking Division of BOC International, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings, a sovereign fund of Singapore), and Chairman of Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand Region and Senior Adviser of Asian Region of Macquarie Capital. Dr. Lam is currently an Independent Non-executive Director of Aurum Pacific (China) Group Limited (Stock Code: 8148), CSI Properties Limited (Stock Code: 497), Elife Holdings Limited (Stock Code: 223), Greenland Hong Kong Holdings Limited (Stock code: 337), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Mei Ah Entertainment Group Limited (Stock Code: 391), and Vongroup Limited (Stock Code: 318). He is a Non-executive Director of China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), Tianda Pharmaceuticals Limited (Stock Code: 455) and Mingfa Group (International) Company Limited (Stock Code: 846, re-designated from independent non-executive director on 23 April 2020) and the shares of all of which are listed on the Stock Exchange.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Name****Major Work Experience**

Dr. Lam is also an Independent Non-executive Director of Asia-Pacific Strategic Investments Limited (fka: China Real Estate Grp Ltd. with Stock code: 5RA), Beverly JCG Limited (fka: JCG Investment Holdings Ltd. with Stock code: VFP), Thomson Medical Group Limited (Stock Code: A50), Top Global Limited (Stock code: BHO), and Alset International Limited (fka: Singapore eDevelopment Limited with Stock code: 40V, re-designated from non-executive director on 1 July 2020) all of which are listed companies on the Singapore Exchange. Dr. Lam is Independent Non-executive Director of Sunwah International Limited (Stock code: SWH), whose shares are listed on the Toronto Stock Exchange, AustChina Holdings Limited (Stock code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock code: 0101), whose shares are listed on the Bursa Malaysia, and Non-executive Director of Jade Road Investments Limited (stock code: JADE, fka: Adamas Finance Asia Limited), whose shares are listed on the London Securities Exchange. Dr. Lam served as a non-executive director of China Shandong Hi-Speed Financial Group Limited from November 2017 to May 2020. Dr. Lam served as an independent non-executive director of Huarong Investment Stock Corporation Limited (a listed company on the Stock Exchange with stock code: 2277) from September 2017 to December 2020.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhu Hongchao (朱洪超)	<p>Born in 1959, a holder of master's degree in law, a senior lawyer, has been an independent non-executive Director of the Company since 18 June 2019. He has served as the director and senior partner of Shanghai United Law Firm (上海市聯合律師事務所) since June 1986. Mr. Zhu currently serves as an arbitrator of China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) and Shanghai Arbitration Commission, the vice president of the Procedure Law Studies at the Shanghai Law Society, a mediator of Shanghai Commercial Mediation Centre, and a part-time professor of Shanghai University Law School, East China University of Political Science and Law and Shanghai University of Political Science and Law. Mr. Zhu was selected as one of Shanghai Leading Talents (上海市領軍人才), is entitled to the special government allowance of the State Council, and is a member of the legal experts of CPC Shanghai Committee (中共上海市委法律專家庫). Mr. Zhu served as a lawyer at Shanghai First Law Firm (上海市第一律師事務所) from July 1983 to June 1986. Mr. Zhu served as the deputy president of the third, fourth, fifth and sixth session of All China Lawyers Association, the president of the sixth session of Shanghai Bar Association and the chief supervisor of the seventh session of Shanghai Bar Association and a representative member of the 13th and 14th Shanghai Municipal People's Congress from 1994 to 2018, an independent director of Shanghai No.1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司, listed on the SSE under the stock code of 600833) from September 2012 to June 2018, an independent director of Wonders Information Co. Ltd. (萬達信息股份有限公司, listed on the SZSE under the stock code of 300168) from December 2013 to October 2019, an independent non-executive director of Chiho Environmental Group Limited (齊合環保集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0976) from April 2018 to February 2020. Mr. Zhu has served as an independent director of Jupai Holdings Limited (鉅派投資有限公司, listed on NYSE under the stock code of JP) since June 2015; an independent director of Leju Holdings Limited (樂居控股有限公司, listed on NYSE under the stock code of LEJU) since March 2017, and an independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2048) since July 2018; an independent director of Shanghai Hysea Industrial Communications Co., Ltd. (上海海希工業通訊股份有限公司) since July 2020; a director of Shanghai Research Institute of Building Sciences Group Co., Ltd. (上海建科集團股份有限公司) since November 2020; and an independent non-executive director of Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2183) since February 2021.</p>



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhou Yu (周宇)	<p>Born in 1959, a holder of doctor's degree in economics, a researcher and a doctoral supervisor. He is an expert entitled to the special government allowance of the State Council and an executive director of China Association of World Economic Research (中國世界經濟學會). He has been an independent non-executive Director of the Company since 18 June 2019; he is currently a researcher of Shanghai Academy of Social Sciences. Mr. Zhou served as a teacher of the Finance Department at Xinjiang University of Finance and Economics (新疆財經學院) from August 1982 to March 1992, among which, he served as a guest research fellow at Osaka University of Commerce (大阪商業大學) from April 1990 to March 1992. He pursued a master's degree and a doctor's degree at the Department of Economics of Osaka City University (大阪市立大學) from April 1992 to March 2000, served as a guest research fellow at the Graduate School of Economics of Osaka City University from April 2000 to November 2000, served in various positions at the Institute of World Economy of Shanghai Academy of Social Sciences including assistant researcher, associate researcher, deputy director of the Finance Research Institution from December 2000 to October 2008, among which, he served as a post-doctoral fellow of economic theory at Shanghai Academy of Social Sciences (上海社會科學院) from January 2001 to December 2002; the director of the International Finance Research Institution of the Institute of World Economy of Shanghai Academy of Social Sciences (上海社會科學院世界經濟研究所國際金融研究室) and the director of the International Finance Monetary Research Centre of Shanghai Academy of Social Sciences (上海社會科學院國際金融貨幣研究中心) from October 2008 to December 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Chen Bin (陳斌) (Resigned)	<p><b>Resigned Director (1)</b></p> <p>Born in 1981, a holder of master's degree in economics, served as a non-executive Director of the Company from 30 December 2014 to 26 March 2020. He has been the deputy general manager of Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司) since July 2019. Mr. Chen served as an officer of the investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 2003 to January 2010. He served, successively, as assistant to section chief, section chief and assistant to head of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司, now renamed as Shanghai Tobacco Group Co, Ltd., 上海煙草集團有限責任公司) from January 2010 to October 2016. He was the assistant to general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) from April 2014 to February 2017. He served as the deputy general manager of Shanghai Haiyan Investment Management Company Limited from February 2017 to July 2019. Mr. Chen was a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the SSE under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) from October 2014 to March 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wu Hongwei (吳紅偉)	<p><b>Employee Representative Supervisors (3)</b></p> <p>Born in 1966, a holder of MBA degree, a researcher, has served as an employee representative Supervisor of the Company since 13 December 2017 and the vice chairman of the Supervisory Committee since 15 December 2017. Mr. Wu has been serving as the deputy secretary of CPC party committee of the Company since September 2017. From July 1990 to June 2001, Mr. Wu served the following positions in Unit 801 of Shanghai Aerospace Administration (上海航天局801所): a designer, project leader, assistant to the director, deputy director of the Research Plan Office (later renamed as the "Science and Technology Office") from July 1990 to January 1997, during which period, he also served as the secretary of the Science and Technology Committee from August 1995 to January 1997; the director of the Personnel Security Department and the secretary of the Science and Technology Committee from January 1997 to March 1997; the director of the Administration Department and the director of Personnel Security Department from March 1997 to October 2000; the deputy secretary of CPC party committee, the secretary of discipline inspection committee, and the director of the Administration Department from October 2000 to June 2001, during which period, he also served as the chairman of the Labor Union from March 2001 to June 2001. From June 2001 to April 2004, Mr. Wu served as the secretary of CPC party committee of Shanghai Xinguang Telecom Factory (上海新光電訊廠). From April 2004 to January 2015, Mr. Wu served the following positions in the Social Work Committee of CPC Shanghai Municipal Committee (中共上海市社會工作委員會): the deputy director of the Human Resources Department (in charge of operations) from April 2004 to January 2006; the director of the Human Resources Department from January 2006 to June 2011; and the Secretary-General from June 2011 to January 2015. Mr. Wu was appointed as the secretary of the discipline inspection committee of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC", 上海市國有資產監督管理委員會) from January 2015 to April 2015, the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of the Shanghai SASAC (中共上海市紀律檢查委員會駐上海市國資委黨委紀檢組), a member of CPC party committee of the Shanghai SASAC from April 2015 to September 2017, and the secretary of discipline inspection committee of the Company from September 2017 to July 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Shi Xu (待旭)	<p>Born in 1972, a holder of master's degree in management, an accountant, has served as an employee representative Supervisor of the Company since 18 June 2019. He has served as a general manager of the audit department of the Company since December 2019. Mr. Shi served in the following various positions in the Company since July 1999, including: project assistant, deputy manager of the off-site audit department and manager of the off-site audit department when working in the audit department from July 1999 to November 2007; manager of the fourth audit department of the risk control headquarters from November 2007 to June 2009; manager of the fourth on-site audit department of the risk control headquarters from June 2009 to March 2011; manager of the fourth on-site audit department of the audit department from March 2011 to March 2014; manager of the fourth audit department of the audit department from March 2014 to November 2014; assistant to general manager of the audit department from November 2014 to March 2018; and deputy general manager of the audit department from March 2018 to December 2019. Mr. Shi served as a supervisor of Liaoning Haitong New Energy Low-carbon Industry Equity Investment Fund Limited (遼寧海通新能源低碳產業股權投資基金有限公司) from December 2016 to November 2019, and a supervisor of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from November 2016 to October 2020. He has served as a supervisor of Haitong Auspicate Capital Management Co., Ltd. (海通新創投資管理有限公司) since December 2016, and a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since July 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wu Xiangyang (武向陽)	<p>Born in 1966, a holder of master's degree in law, an economist, has served as an employee representative Supervisor of the Company since 18 June 2019. He has been the deputy general manager of the compliance and legal department of the Company since March 2020. Mr. Wu served as a teacher at Huibu Middle School in Fengxin County, Jiangxi Province (江西奉新縣會埠中學) from July 1985 to September 1987, and an officer of the Publicity Department of the CPC party committee and secretary of the general Communist Youth League branch of electric department at Nanchang Aerospace College (南昌航空學院) from July 1991 to September 1995. He pursued his master's degree in the economic law department of East China University of Political Science and Law (華東政法學院) from September 1995 to July 1998 and obtained a master's degree in law when graduated. Mr. Wu served as the asset administrator of the legal affairs office of Bank of Communications Shanghai Branch (交通銀行上海分行) from August 1998 to April 2000. Mr. Wu has served in the following various positions in the Company since January 2001, including: project manager of the investment banking headquarter from January 2001 to September 2002; legal counsel of the general manager office from September 2002 to July 2007; deputy manager of the legal affairs department of the office of general manager from July 2007 to January 2008; deputy manager of the legal compliance department of the compliance office from January 2008 to November 2008; manager of the legal compliance department of the compliance department from November 2008 to March 2010; manager of the compliance inspection department of the compliance department from March 2010 to March 2011; manager of the compliance inspection department of the compliance and risk management headquarters from March 2011 to March 2014; manager of the compliance review department of the compliance and risk management headquarters from March 2014 to August 2015; and assistant to general manager of the compliance and risk management headquarters from August 2015 to May 2017. He has worked in the compliance and legal department since May 2017 and served as an assistant to the general manager in the compliance and legal department of the Company from March 2018 to March 2020. He has served as the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2019 and a director of Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司) since March 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Ruan Feng (阮峰)	<p><b>Shareholder Supervisors (5)</b></p> <p>Born in 1968, is a holder of bachelor's degree in accounting and is recognized as an accountant, has served as a Supervisor of the Company since 20 October 2020. Mr. Ruan has been the deputy general manager of the audit department (formerly the audit and supervision department) of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since May 2019. Mr. Ruan worked at Shanghai Municipal Audit Bureau (上海市審計局) from August 1994 to May 2019 and served as a clerk of the audit division in the commercial grain trade commission; a clerk, the deputy section chief and the section chief of the audit division in the economic and trade commission; and the section chief of the second administrative audit division. Mr. Ruan has been a supervisor of Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司) since February 2020.</p>
Li Zhenghao (李爭浩)	<p>Born in 1975, a holder of a bachelor's degree, a senior management and an executive master's degree in business administration, and a senior accountant, has served as a Supervisor of the Company since 18 June 2020. He has been the general manager of the Finance Department of Shenergy Group Company Limited (申能(集團)有限公司) since June 2019. Mr. Li served as an accountant, a loan officer and a senior account manager of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 60000) from July 1997 to January 2003. Mr. Li worked at Siping Road Sub-branch of Shanghai Pudong Development Bank from February 2003 to March 2007, serving as the president. Mr. Li worked at Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from April 2007 to April 2017, successively serving as an assistant manager of finance department, a deputy manager, manager of accounting and settlement department, manager of planning and finance department, and director of operations. Mr. Li served as the deputy manager of the finance department at Shenergy Group Company Limited (申能(集團)有限公司) from May 2017 to May 2019. Mr. Li served as a supervisor of Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from February 2010 to April 2017. Mr. Li served as a council member of Shanghai Payment &amp; Clearing Association (上海市支付清算協會) from May 2015 to April 2017. Mr. Li has been a director of Shanghai Gas Company Limited (上海燃氣有限公司) since June 2019, a director of Shenergy Company Limited (申能股份有限公司, listed on the SSE under the stock code of 600642) since July 2020. Mr. Li has been the chairman of the supervisory committee of Shanghai Shenxin Environmental Protection Co., Ltd. (上海申欣環保有限公司) since June 2019 and served as a supervisor of Shanghai ICY Capital Co., Ltd. (上海申能誠毅股權投資有限公司) from June 2019 to November 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Cao Yijian (曹奕劍)	<p>Born in 1976, a holder of master's degree in science, an economist, has served as a Supervisor of the Company since 18 June 2019. He has served as the general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司) since April 2018. He served as a staff member of Shanghai Huipu Technology Investment Company Limited (上海匯浦科技投資有限公司) from March 2001 to February 2003 and a staff member of Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司, listed on the SSE under the stock code of 600662) from February 2003 to July 2003. He served as the manager of the asset management department of Shanghai Huipu Technology Investment Company Limited from July 2003 to July 2007 and a staff member of the asset operation department at Shanghai Qiangsheng Group Co., Ltd. (上海強生集團有限公司) from August 2007 to November 2008. He also worked as an assistant to the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from November 2008 to June 2009 and the deputy manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from June 2009 to April 2012. He then served as the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from April 2012 to June 2013 and the manager of the asset operation department at Shanghai Jiushi Properties Co., Ltd. (上海久事置業有限公司) from June 2013 to May 2015. He worked at the investment development department of Shanghai Jiu Shi Company (上海久事公司) from May 2015 to October 2015, serving as the deputy general manager. He was the deputy general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. from October 2015 to April 2018. Mr. Cao has been a director of Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司) since April 2018, a supervisor of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 600000) and an executive director and the general manager of Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司) since December 2019. Mr. Cao served as a director of Shenergy Company Limited (申能股份有限公司, listed on the SSE under the stock code of 600642) from May 2019 to July 2020, and a director of Shanghai Qiangsheng Holding Co., Ltd. from October 2018 to June 2020.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Dong Xiaochun (董小春)	<p>Born in 1964, is a holder of MBA degree and is recognized as a senior accountant, has served as a Supervisor of the Company since 20 October 2020. Mr. Dong has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (a company listed on the SSE, Stock code: 600827) since May 2020, the secretary to the board of directors and a director of Shanghai Bailian Group Co., Ltd. since June 2020. Mr. Dong worked in Shanghai Hualian Commercial Building (上海華聯商廈) as the deputy section chief of finance section from September 1983 to September 1992. He served as the chief financial officer and the secretary to the board of directors of Hualian Supermarket Co., Ltd. (華聯超市股份有限公司) from October 1992 to August 2004, the chief financial officer of the department store division of Shanghai Bailian Group Ltd. (上海百聯集團有限公司) from August 2004 to April 2006, the secretary to the board of directors and the chief financial officer of Shanghai Bailian Group Co., Ltd. from April 2006 to September 2011, a director of Shanghai Bailian Group Co., Ltd. from April 2010 to April 2011, the secretary to the board of directors and the chief financial officer of Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司) from September 2011 to August 2014, and the secretary to the board of directors and the chief financial officer of Shanghai Bailian Group Co., Ltd. from August 2014 to June 2015, the chief financial officer of Bailian Financial Services Co., Ltd. (百聯金融服務有限公司, formerly known as Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司)) from June 2015 to May 2020. He has been the director of Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange, Stock Code: 0980) since June 2020. Mr. Dong was a Supervisor of the Company from July 2007 to July 2015.</p>



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Dai Li (戴麗)	<p>Born in 1973, a holder of master's degree in law, a mid-level economist, has been serving as a Supervisor of the Company since 18 June 2019. She has served as the head of the asset operation department of Shanghai United Media Group (上海報業集團) since June 2018. Ms. Dai worked as a teaching assistant intern at Nanyang Institute of Technology (南陽理工學院) from July 1995 to August 1996, a clerk at Nanyang Customs (南陽海關) from August 1996 to August 2000, a legal counsel, head of investment and deputy-director level propagandist of Wenhui Xinmin United Press Group (文匯新民聯合報業集團) from July 2002 to October 2013, the deputy director-level cadre and the deputy director of the asset operation department of Shanghai United Media Group from October 2013 to June 2018. Ms. Dai has served as a director of Shanghai DongJie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司) since June 2016, a director of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司) since November 2017 and the executive director and legal representative of Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司) since January 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Xu Renzhong (徐任重) (Resigned)	<p><b>Resigned Supervisors (3)</b></p> <p>Born in August 1972, a holder of MBA degree, a senior accountant, served as a Supervisor of the Company from 18 June 2019 to 26 March 2020 and has been the chief financial officer of Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司) since June 2019. Mr. Xu served as an employee of Shanghai Shenergy Real Estate Company (上海申能房地產公司) from July 1994 to December 1997, and served successively as clerk, deputy head, head, assistant to the manager and deputy manager (in charge of operations) at the finance department of Shenergy Company Limited (申能股份有限公司, listed on the SSE under the stock code of 600642) from January 1998 to October 2009. He served as manager of the internal control department of Shenergy Company Limited from October 2009 to July 2016. He served as manager of the finance department of Shenergy (Group) Company Limited (申能(集團)有限公司) from July 2016 to June 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zheng Xiaoyun (鄭小蕓) (Resigned)	<p>Born in 1962, a holder of master's degree in accounting, a senior accountant, served as a Supervisor of the Company from 21 September 2015 to 28 August 2020. She was the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司, listed on the SSE under the stock code of 600827, "Shanghai Bailian") from June 2015 to May 2020, and the secretary to the board of Shanghai Bailian from August 2015 to June 2020 and a director of Shanghai Bailian from June 2017 to June 2020. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海市廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百 (集團) 有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfeng Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. from October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and the chairman of the board of directors of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Feng Huang (馮煌) (Resigned)	<p>Born in 1971, a holder of MBA degree, an economist and an in-house legal counsel, served as a Supervisor of the Company from 30 December 2014 to 10 September 2020. Mr. Feng joined SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) in January 1999 and served in various positions, including the director and president since December 2012. Mr. Feng has been a director of Shanghai Lujiazui Finance &amp; Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, the chairman of board of directors and president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) since December 2014, a director of SIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股股份有限公司) since February 2015, a director of Shanghai Invest and Asset Management Co., Ltd. (上海上投資產經營有限公司) since December 2015, a director of SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司) since October 2018, the president of SIIC Shanghai Venture Capital Co. Ltd. since August 2020, and the chairman of the supervisory committee of SIIC Shanghai Aesthetic Medical Group Co., Ltd. (上實(上海)醫療美容醫院有限公司) since November 2020. Mr. Feng was a Director of the Company from 16 May 2011 to 30 December 2014.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Pei Changjiang (裴長江)	<p><b>Other Senior Management (11)</b></p> <p>Born in 1965, a holder of master's degree in economics, joined the Company in August 2013. Since then, he has been serving as the deputy general manager of the Company. Mr. Pei has served as a vice director of the financial products committee of the Company since March 2021. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai International Securities Co., Ltd., (上海萬國證券公司) including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he served as the general manager of Zhabei Business Department, deputy general manager of Zhejiang Management Headquarters and the deputy general manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司). From October 2002 to August 2013, he successively served as investment director of Fortune Trust &amp; Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, the chairman of the board of directors of Fullgoal Fund Management Co., Ltd. since March 2019, the chairman of the board of directors of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since November 2014, the chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and the chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Mao Yuxing (毛宇星)	<p>Born in 1971, a holder of doctor's degree in science and a post-doctoral degree in management, a senior engineer (professor level), has served as the chief information executive officer (now renamed as the "chief information officer") and director of IT management committee of the Company since September 2016, Deputy General Manager of the Company since February 2019. From August 1993 to September 2001, Mr. Mao successively held various positions in Information Technology Department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including the programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he worked in Data Centre (Shanghai) of the Industrial and Commercial Bank of China, served as the assistant to the general manager (deputy department director level and department director level) and a member of CPC party committee from September 2001 to December 2004, served as the deputy general manager and a member of CPC party committee from December 2004 to November 2011. From November 2011 to April 2016, he served as the deputy general manager of Information Technology Department of the Industrial and Commercial Bank of China. Mr. Mao is currently the vice chairman of the "Shanghai Informatization" Council and the vice chairman of the Shanghai Financial Technology Industry Alliance (上海金融科技產業聯盟).</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wang Jianye (王健業)	<p>Born in 1960, a holder of master's degree, a senior economist, joined the Company in August 1994 and has been the chief compliance officer since July 2010 and he is also a member of the assets and liabilities allocation committee. Mr. Wang has served as a member of the financial products committee of the Company since March 2021. Mr. Wang is also the deputy director of Compliance Management Committee of the Securities Association of China (中國證券業協會合規管理委員會), the deputy director of Compliance and Self-discipline Supervision Committee of Shanghai Securities Association (上海市證券同業公會合規與自律監察專業委員會) and the vice president of Shanghai Corporate Counsel Association (上海市企業法律顧問協會). Mr. Wang successively served as the deputy section chief level clerk, trainee deputy director and deputy director of education division of PBOC (中國人民銀行) Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, and was concurrently serving as general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, IT department, brokerage operations centre, sales and transactions headquarters, customer asset management department and risk control department. Mr. Wang served as the general manager of Compliance and Legal Department of the Company from March 2017 to December 2019 and the chief risk officer (entitled to the Company's deputy general manager level benefits) from May 2011 to March 2017.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Chen Chunqian (陳春錢)	<p>Born in 1963, a holder of doctor's degree in economics, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, the deputy director of IT management committee, and a member of the assets and liabilities allocation committee. He has been entitled to the Company's deputy general manager level benefits since February 2017. Mr. Chen has served as a deputy director of the financial products committee since March 2021. He is also the deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), the deputy director of Securities Conflict Resolution Committee of Shanghai Securities Association (上海市證券同業公會證券糾紛調解專業委員會) and vice president of Association of Shanghai Internet Financial Industry. Mr. Chen also served in various positions in the Company, including the head of business department of Shenzhen Branch from October 1997 to January 1998, the deputy general manager of international business department from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013 and the general manager of the institutional department during the period from November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.</p>



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhang Xiangyang (張向陽)	<p>Born in 1965, a holder of bachelor's degree in engineering, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013. He has been entitled to the Company's deputy general manager level benefits since January 2021. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio &amp; TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of operations) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, a director, general manager and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, the chairman of the board of directors of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, the chairman of the board of directors of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and the chairman of the board of directors of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been the chairman of the board of directors and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since November 2012, a director of Haitong Creative Private Equity Fund Management Co., Ltd. (海通創意私募基金管理有限公司, formerly known as "Haitong Creative Capital Management Co., Ltd.") since March 2016, the chairman of the board of directors of Haitong M&amp;A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since March 2018. Mr. Zhang currently serves as the director of Investment Business Committee under the Securities Association of China (中國證券業協會投資業務委員會) and the vice president of PE Association of Shanghai (上海股權投資協會).</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Li Jianguo (李建國)	Born in 1963, a holder of doctor's degree in economics, joined the Company in 1998, and has been the assistant to the general manager of the Company since 2008. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman of the board of directors and general manager of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from May 1999 to August 2008. Mr. Li served as the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) since January 2010 and vice chairman of the board of Haitong International Securities Group Limited since March 2010.

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Name	Major Work Experience
Lin Yong (林湧)	<p>Born in 1969, a holder of doctor's degree in economics, joined the Company in December 1996 and has been the assistant to the General Manager since December 2014. He is also the deputy director of the investment banking committee and a member of the international business committee. Mr. Lin served in various positions in the Company, including serving in investment banking department from December 1996 to July 2003 as (amongst others) the deputy general manager, and as the deputy general manager (in charge of operations) from January 2001 to July 2003, the deputy general manager of the fixed income department from July 2003 to May 2004. Mr. Lin successively served as the deputy general manager (in charge of operations) and the general manager of the investment bank department (Shanghai) from May 2004 to July 2007. Mr. Lin has been the general manager of Haitong International Holdings Limited (海通國際控股有限公司) since July 2007 and a director of Haitong International Holdings Limited since August 2007. He has been an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) since December 2009, an executive director and the joint chief executive officer of Haitong International Securities Group Limited from March 2010 to March 2011. Mr. Lin has been an executive director, the vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, a non-executive director of Haitong Bank S.A. since June 2016, and the chairman of the board of directors of Haitong Bank S.A. since October 2017.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Jiang Chengjun (姜誠君)	Born in 1968, a holder of master's degree in economics, an economist, has been the assistant to the general manager and the secretary to the Board of the Company since 29 March 2017, the joint company secretary and joint authorised representative of the Company since 5 April 2017, and the general manager of investment banking headquarter of the Company since April 2017. He has concurrently served as the deputy director of the investment banking committee and a member of the assets and liabilities allocation committee. Mr. Jiang was a cadre of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994; a deputy manager of finance and securities department, a manager of investment management and development department, an assistant to general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000; a deputy general manager in the investment banking department of the Company from August 2000 to July 2007; a deputy general manager (in charge of operations) in the investment banking department of the Company from July 2007 to April 2009; and the general manager of investment banking department of the Company from April 2009 to April 2017.

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Name	Major Work Experience
Du Hongbo (杜洪波)	<p>Born in 1963, a holder of bachelor's degree in engineering, an engineer, has been the Chief Risk Officer of the Company since May 2017. He is also a member of the assets and liabilities allocation committee, the IT Management committee, and the proprietary trading decision committee. Mr. Du has served as a member of the financial products committee of the Company since March 2021 and a member of the risk management committee of the Securities Association of China since January 2018. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子計算機應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research Centre (武漢軟件研究中心) from August 1992 to August 1996, the information technology centre of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) from August 1996 to March 2002. Mr. Du was the assistant to the general manager of the website management department of the Company from March 2002 to May 2005, the assistant to the general manager of the brokerage business headquarters of the Company from May 2003 to May 2005, the deputy general manager of integrated business management headquarters of the Company from May 2005 to May 2006. He worked at the risk control headquarters of the Company from May 2006 to March 2011, successively serving as the deputy general manager and the deputy general manager (with benefits as a general manager). He was the general manager of the compliance and risk management headquarters of the Company from March 2011 to January 2013, the general manager of OTC department of the Company from January 2013 to February 2014, the general manager of securities finance department of the Company from February 2014 to March 2017, and the general manager of the Risk Management Department of the Company from March 2017 to July 2020. Mr. Du was an Employee Representative Supervisor of the Company from 16 May 2011 to 30 December 2014.</p>

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Name	Major Work Experience
Pan Guangtao (潘光韜)	<p>Born in 1971, a holder of MBA degree, an engineer and an assistant economist, has been the assistant to the general manager of the Company since May 2017 and the general manager of the Equity Investment Trading Department of the Company since March 2013. He has concurrently served as the deputy director of the proprietary trading decision committee and a member of the assets and liabilities allocation committee. Mr. Pan worked as the head of IT at IT Department of Brokerage Headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司) from July 1994 to July 1998. He worked at First Securities Investment Department of Securities Investment Headquarter of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, successively serving as the assistant to manager, deputy manager. Mr. Pan worked as the assistant to general manager of Second Trading Department of the Company from August 2002 to June 2003. He worked at Trading Headquarter from July 2003 to August 2004, successively serving as the assistant to general manager, the deputy general manager. He worked as the deputy general manager of Investment Management Department from August 2004 to August 2006. He worked at Securities Investment Department from August 2006 to March 2013, successively serving as the deputy general manager, deputy general manager (in charge of operations). He has been a non-executive director of Haitong Bank S.A. since November 2015 and a director of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since May 2019.</p>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhang Xinjun (張信軍)	Born in 1975, a holder of master's degree in management, an accountant, joined the Company in July 2001 and has been the chief financial officer of the Company since 27 March 2018. He has concurrently served as a member of the assets and liabilities allocation committee. Mr. Zhang worked at the Finance and Accounting Department of the Company from July 2001 to June 2007, serving in various positions including a clerk, the deputy manager and the manager of asset management department. He has worked at Haitong International Holdings Limited (海通國際控股有限公司) since July 2007, and has been the head of finance from July 2007 to February 2009, the chief financial officer since March 2009. Mr. Zhang served as the chief financial officer of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) from March 2010 to March 2018. He has been a non-executive director, a member of the audit committee and strategic development committee of Haitong International Securities Group Limited since March 2018, a non-executive director of Haitong Bank S.A. since January 2018, a director of Fullgoal Fund Management Co., Ltd. since February 2019, and a director of Haitong Investment Ireland PLC (海通投資愛爾蘭公眾有限公司) since February 2020.

**Descriptions of other changes****1. Changes in Directors**

The resolution regarding the change of Directors was considered and approved at the 7th meeting of the seventh session of the Board and Mr. Chen Bin ceased to be a Director of the seventh session of the Board due to change in work arrangement on 26 March 2020. In addition, the Board proposed to appoint Mr. Zhou Donghui as a candidate for Director of the seventh session of the Board. Such resolution was considered and approved at the 2019 annual general meeting of the Company held on 18 June 2020 and Mr. Zhou Donghui has been a Director of the seventh session of the Board since 18 June 2020.

**2. Changes in Supervisors**

The resolution regarding the change of Supervisors was considered and approved at the 4th meeting of the seventh session of the Supervisory Committee and Mr. Xu Renzhong ceased to be a Supervisor of the seventh session of the Supervisory Committee due to change in work arrangement on 26 March 2020. In addition, the Supervisory Committee proposed to appoint Mr. Li Zhenghao as the a candidate for Supervisor of the seventh session of the Supervisory Committee. Such resolution was considered and approved at the 2019 annual general meeting of the Company held on 18 June 2020 and Mr. Li Zhenghao has been a Supervisor of the seventh session of the Supervisory Committee since 18 June 2020.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The resolution on change of Supervisors was considered and approved at the 6th meeting of the seventh session of the Supervisory Committee and Ms. Zheng Xiaoyun ceased to be a Supervisor of the seventh session of the Supervisory Committee due to age concern on 28 August 2020. In addition, the Supervisory Committee proposed to appoint Mr. Dong Xiaochun as the a candidate for Supervisor of the seventh session of the Supervisory Committee. Such resolution was considered and approved at the second extraordinary general meeting of the Company for 2020 held on 20 October 2020 and Mr. Dong Xiaochun has been a Supervisor of the seventh session of the Supervisory Committee since 20 October 2020.

The Company issued the Announcement on Resignation of Supervisor (Announcement No.: Lin 2020-066) on 10 September 2020. Mr. Feng Huang ceased to be a Supervisor of the seventh session of the Supervisory Committee of the Company due to change in work arrangement. On 28 September 2020, the Company issued the “Announcement on Adding a Provisional Proposal for the Second Extraordinary General Meeting in 2020” (Announcement No.: Lin 2020-067). Shanghai Guosheng (Group) Co., Ltd., a shareholder holding 8.56% of the shares, proposed a provisional proposal of “Proposal on Nominating Mr. Ruan Feng as a Supervisor of the Company” to the second extraordinary general meeting of the Company for 2020 on 28 September 2020, recommending Mr. Ruan Feng as a candidate for Supervisor of the seventh session of the Supervisory Committee of the Company. Such proposal was considered and approved at the second extraordinary general meeting of the Company in 2020 held on 20 October 2020 and Mr. Ruan Feng has been a Supervisor of the seventh session of the Supervisory Committee since 20 October 2020.

### (II) Share incentives granted to Directors and senior management during the Reporting Period

There were no share incentives granted to Directors, Supervisors and senior management during the Reporting Period.



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

## (I) Positions in shareholder entities

Name	Name of shareholder entities	Positions taken in the shareholder entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current Directors:</b>				
Tu Xuanxuan	Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司)	General Manager of Capital Operation Department	2020	to date
Zhou Donghui	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	General Manager	2015	to date
Yu Liping	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2010	to date
Xu Jianguo	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Head of the financial budget department	2013	to date
<b>Positions of current Supervisors:</b>				
Ruan Feng	Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司)	Deputy General Manager of Audit Department	2019	to date
Li Zhenghao	Shenergy Group Company Limited (申能(集團)有限公司)	General Manager of Finance Department	2019	to date
Cao Yijian	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	General Manager of Investment and Development Department	2018	to date
Dong Xiaochun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, Secretary to the Board, Director	2020	to date
Dai Li	Shanghai United Media Group (上海報業集團)	Director of Assets Operation Department	2018	to date
<b>Positions of resigned Supervisors:</b>				
Zheng Xiaoyun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, Secretary to the Board	2015	2020
	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Director	2017	2020

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## (II) Positions in other entities

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current Directors:</b>				
Zhou Jie	Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司)	Director	2009	to date
Tu Xuanxuan	Shanghai Zhenghao Asset Management Co., Ltd. (上海正浩資產管理有限公司)	Chairman, Legal Representative	2017	to date
	Arcplus Group PLC (華東建築集團股份有限公司)	Director	2020	to date
	Dongxing Securities Company Limited (東興證券股份有限公司)	Director	2007	2020
Zhou Donghui	Shanghai Tobacco Machinery Co., Ltd. (上海煙草機械有限公司)	Vice Chairman of the Board, Director	2015	to date
	Shanghai Gaoyang International Tobacco Co., Ltd. (上海高揚國際煙草有限公司)	Director	2015	to date
	Yangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團楊浦煙草糖酒有限公司)	Director	2015	to date
	Minxing Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閔行煙草糖酒有限公司)	Director	2015	to date
	Baoshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團寶山煙草糖酒有限公司)	Director	2015	to date
	Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司)	Director	2015	to date
	Songjiang Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團松江煙草糖酒有限公司)	Director	2015	to date
	Qingpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團青浦煙草糖酒有限公司)	Director	2015	to date
	Chongming Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團崇明煙草糖酒有限公司)	Director	2015	to date

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Shanghai Jieqiang Sugar & Wine (Group) Co., Ltd. (上海捷強糖酒(集團)有限公司)	Vice Chairman of the Board, Director	2015	to date
	China Hangfa Commercial Aviation Engine Co., Ltd. (中國航發商用航空發動機有限責任公司)	Supervisor	2015	to date
	Shanghai Deqiang Industrial Co., Ltd. (上海得強實業有限公司)	Vice Chairman of the Board, Director	2015	to date
	Shanghai Wangbaohe Hotel Co., Ltd. (上海王寶和大酒店有限公司)	Director	2015	to date
	Shanghai Tobacco Group Real Estate Development and Operation Co., Ltd. (上海煙草集團房地產開發經營有限公司)	Director	2015	to date
	Shanghai Haiyan Tobacco, Sugar & Wine Co., Ltd. (上海海煙煙草糖酒有限公司)	Director	2015	to date
	Suzhou Zhonghuayuan Hotel Co., Ltd. of Shanghai Tobacco Group (上海煙草集團蘇州中華園大飯店有限責任公司)	Director	2015	to date
	China Tobacco Shanghai Import and Export Co., Ltd. (中國煙草上海進出口有限責任公司)	Director	2016	to date
	Xuhui Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團徐匯煙草糖酒有限公司)	Director	2016	to date
	Hongkou Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團虹口煙草糖酒有限公司)	Director	2016	to date
	Zhongwei Capital Holding Co., Ltd. (中維資本控股股份有限公司)	Supervisor	2016	to date
	Shenzhen New Tobacco Products Co., Ltd. (深圳新型煙草製品有限公司)	Director	2018	to date
	Shanghai Baiyulan Tobacco Material Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	2019	to date
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司)	Director	2019	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2020	to date
	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司)	Director	2021	to date

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Yu Liping	Shanghai Hongqiao International Commodity Import, Sales and Exhibition Co., Ltd. (上海虹橋國際進口商品展銷有限公司)	Director	2018	to date
Xu Jianguo	Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)	Director	2013	to date
	Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)	Director	2015	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2016	to date
	Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司)	Director	2016	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Chairman of the Supervisory Committee	2017	to date
	Shanghai Haiya Industrial Company Limited (上海亥雅實業有限公司)	Chairman of the Board	2019	to date
	Shanghai Kaihai Industrial Company Limited (上海開亥實業有限公司)	Chairman of the Board	2019	to date
	Shanghai Electric Group Hong Kong Limited (上海電氣集團香港有限公司)	Director	2019	to date
	Shanghai Electric (Group) Corporation Heng Lian Enterprise Development Limited (上海電氣集團恒聯企業發展有限公司)	Director	2020	to date
	Tianjin Pipe (Group) Corporation (天津鋼管集團股份有限公司)	Director	2020	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2016	2021
<b>Positions of current independent non-executive Directors:</b>				
Zhang Ming	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor	1997	to date
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Independent Director	2016	to date
	National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司)	Independent Director	2019	to date
	Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司)	Independent Director	2018	to date
	Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司)	Director	2019	to date

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Lam Lee G.	Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent Director	2015	2020
	Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有形資產(香港)有限公司)	Non-executive Chairman of the ASEAN region	2015	to date
	P.C. Woo & Co. (胡百全律師事務所)	Senior associate	2014	to date
	CSI Properties Limited (資本策略地產有限公司)	Independent Director	2001	to date
	Vongroup Limited (黃河實業有限公司)	Independent Director	2005	to date
	Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Director	2007	to date
	Top Global Limited	Independent Director	2010	to date
	Sunwah International Limited	Independent Director	2011	to date
	AustChina Holdings Limited	Independent Director	2013	to date
	China LNG Group Co., Ltd. (中國天然氣集團有限公司)	Director	2014	to date
	ELife Holdings Limited (易生活控股有限公司)	Independent Director	2015	to date
	Jade Road Investments Limited (fka: Adamas Finance Asia Limited)	Director	2017	to date
	Asia-Pacific Strategic Investments Limited (fka: China Real Estate Grp Ltd.)	Independent Director	2017	to date
	Hang Pin Living Technology Company Limited (杭品生活科技股份有限公司)	Independent Director	2017	to date
	Kidsland International Holdings Limited (凱知樂國際控股有限公司)	Independent Director	2017	to date
	Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)	Independent Director	2017	to date
	National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)	Director	2017	to date
	China Medical (International) Group Limited (中國醫療(國際)集團有限公司)	Independent Director	2018	to date
	Tianda Pharmaceuticals Ltd. (天大藥業有限公司)	Director	2018	to date
Aurum Pacific (China) Group Limited (奧柏中國集團有限公司)	Independent Director	2019	to date	

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Zhu Hongchao	Thomson Medical Group Limited	Independent Director	2019	to date
	TMC Life Sciences Berhad (TMC生命科學)	Independent Director	2019	to date
	Alset International Limited	Independent Director	2020	to date
	Greenland Hong Kong Holdings Limited (綠地香港控股有限公司)	Independent Director	2020	to date
	Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Director	2020	to date
	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)	Director	2017	2020
	Singapore Development Ltd	Director	2017	2020
	Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Independent Director	2018	2020
	Huarong Investment Stock Corporation Limited (華融投資股份有限公司)	Independent Director	2017	2020
	Shanghai United Law Firm (上海市聯合律師事務所)	Director/senior partner	1986	to date
	Fu Shun Kai De International Enterprise Management Advisory (Beijing) Co., Ltd. (富順凱德國際企業管理顧問(北京)有限公司)	Supervisor	2011	to date
	Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	Director	2012	to date
	Jupai Holdings Limited (鉅派投資有限公司)	Independent Director	2015	to date
	Leju Holdings Limited (樂居控股有限公司)	Independent Director	2017	to date
	E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司)	Independent Director	2018	to date
	Shanghai Hysea Industrial Communications Co., Ltd. (上海海希工業通訊股份有限公司)	Independent Director	2020	to date
	Shanghai Research Institute of Building Sciences Group Co., Ltd. (上海建科集團股份有限公司)	Director	2020	to date
	Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司)	Independent Director	2021	to date
	Chiho Environmental Group Limited (齊合環保集團有限公司)	Independent Director	2018	2020

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Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Zhou Yu	Shanghai Academy of Social Sciences (上海社會科學院)	Professor	2008	to date
		Director of the International Finance Monetary Research Centre (國際金融貨幣研究中心), Director of the International Finance Research Institution of the Institute of World Economy of Shanghai Academy of Social Sciences (上海社會科學院世界經濟研究所國際金融研究室)	2008	2020
<b>Positions of resigned Director :</b>				
Chen Bin	Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司)	Deputy General Manager	2019	to date
		Director	2014	2020
<b>Positions of current Supervisors:</b>				
Ruan Feng	Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司)	Supervisor	February 2020	to date
Li Zhenghao	Shanghai Gas Company Limited (上海燃氣有限公司)	Director	2019	to date
	Shenergy Company Limited (申能股份有限公司)	Director	2020	to date
	Shanghai Shenxin Environmental Protection Co., Ltd. (上海申欣環保有限公司)	Chairman of the Supervisory Committee	2019	to date
Cao Yijian	Shanghai ICY Capital Co., Ltd. (上海申能誠毅股權投資有限公司)	Supervisor	2019	2020
	Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司)	Director	2018	to date
	Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司)	Director	2018	2020
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Supervisor	2019	to date
	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	Executive Director, General Manager	2019	to date
	Shenergy Company Limited (申能股份有限公司)	Director	2019	2020
	Dong Xiaochun	Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)	Director	2020

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session	
Dai Li	Bailian Financial Services Co., Ltd. (百聯金融服務有限公司)	Chief Financial Officer	2015	2020	
	Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)	Director	2020	to date	
	Shanghai Bailian Commercial Brand Investment Co., Ltd. (上海百聯商業品牌投資有限公司)	Director	2020	to date	
	Shanghai Friendship Department Store Co., Ltd. (上海友誼百貨有限公司)	Director, General Manager	2020	to date	
	Anfubao Business Co., Ltd. (安付寶商務有限公司)	Director	2020	to date	
	Shanghai Dongjie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司)	Director	2016	to date	
	Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司)	Director	2017	to date	
	Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司)	Executive Director and Legal Representative	2019	to date	
	<b>Positions of resigned Supervisors:</b>				
	Xu Renzhong	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司)	Chief Financial Officer	2019	to date
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director, President	2012	to date	
	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Vice Chairman	2014	2020	
	Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Director	2004	to date	
	SIIC Investment Co., Ltd. (上海實業投資有限公司)	Chairman	2012	2020	
	Hong Kong South Pacific Hotel Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	2020	
	Shanghai Guojin Financial Leasing Co., Ltd. (上海國金融租賃有限公司) (formerly known as "Shanghai Guojin Leasing Co., Ltd." (上海國金租賃有限公司))	Vice Chairman	2014	2020	
	SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司)	Director	2014	2020	
	SIIC Shanghai Asset Operation Co. Ltd. (上海上實資產經營有限公司)	Chairman	2014	2020	



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of other entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	SIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股股份有限公司) (formerly known as "Shanghai Shangshi Financial Services Holdings Company Limited" (上海上實金融服務控股股份有限公司))	Director	2015	to date
	Shanghai International Shanghai Growth Investment Limited	Non-Executive Director	2015	2020
	Shanghai Invest and Asset Management Co., Ltd. (上海上投資產經營有限公司)	Director	2015	to date
	Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Chairman, President	2014	to date
	SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司)	Director	2018	to date
	SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司)	President	2020	to date
	SIIC Shanghai Aesthetic Medical Group Co., Ltd. (上實(上海)醫療美容醫院有限公司)	Chairman of Supervisory Committee	2020	to date
<b>Positions of other senior management:</b>				
Chen Chunqian	E-Capital Transfer Co., Ltd. (證通股份有限公司)	Director	2015	to date

## III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Procedure for determining the remunerations of Directors, Supervisors and senior management

The remuneration of our independent non-executive Directors is determined by the Board and proposed to the general meeting for consideration and approval. The allowances of the independent non-executive Directors are provided monthly. The remuneration of the senior management is considered and determined by the Board. Procedures for determination of the remunerations of Directors and senior management are as follows: the Nomination, Remuneration and Assessment Committee of the Board is responsible for making recommendations to the Board on the remunerations and structure for all Directors and senior management and on the establishment of standard and transparent procedures for developing remuneration policy. The Board decides the remunerations, rewards and punishment matters for the senior management, and the general meeting decides the remunerations of the Directors.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Basis of determining the remunerations of the Directors, Supervisors and senior management

Remunerations of the Directors and Supervisors (non-employee Supervisors) are determined by reference to factors including operating results of the Company, their functions and duties, performance and market environment. Remunerations of the independent non-executive Directors are determined based on the average level of our listed competitors in the Industry. The non-executive Directors and external Supervisors do not receive any remuneration from the Company. Remunerations of our internal Directors, employee Supervisors and senior management are determined based on the remuneration and assessment system of the Company and according to their positions and duties and the progress of achieving annual targets. Under the existing legal framework, the Company has a bonus scheme based on performance. The Board will offer and distribute bonus based on the Company's operating results in accordance with the established policy.

Actual payments of remunerations of the Directors, Supervisors and senior management

For details, please refer to "Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section.

Remunerations received in aggregate by all the Directors, Supervisors and senior management at the end of the Reporting Period

The actual remuneration received in aggregate by all the Directors, Supervisors and senior management from the Company at the end of the Reporting Period was RMB41.1265 million. (The total number above did not include remunerations senior management of the Company received from subsidiaries. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period included the 2020 deferred payment of performance bonus, term incentive and medium and long term incentive attributable to prior years).

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Particulars of changes	Reasons of change
Chen Bin	Non-executive Director	Resignation	Change in work arrangement
Zhou Donghui	Non-executive Director	Election	/
Xu Renzhong	Supervisor	Resignation	Change in work arrangement
Zheng Xiaoyun	Supervisor	Resignation	Age
Feng Huang	Supervisor	Resignation	Change in work arrangement
Li Zhenghao	Supervisor	Election	/
Dong Xiaochun	Supervisor	Election	/
Ruan Feng	Supervisor	Election	/

### V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS

Over the past three years, the Company has not received any administrative punishment documents issued by the securities regulatory authorities to the Company.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### VI. PARTICULARS ABOUT STAFF OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

#### (I) Particulars about Staff

Number of existing employees of the Parent Company	5,910
Number of existing employees of major subsidiaries	5,372
Total number of existing employees	11,282
Total number of retired workers the Parent Company and its major subsidiaries should bear costs for	27

#### Composition of Specialisation

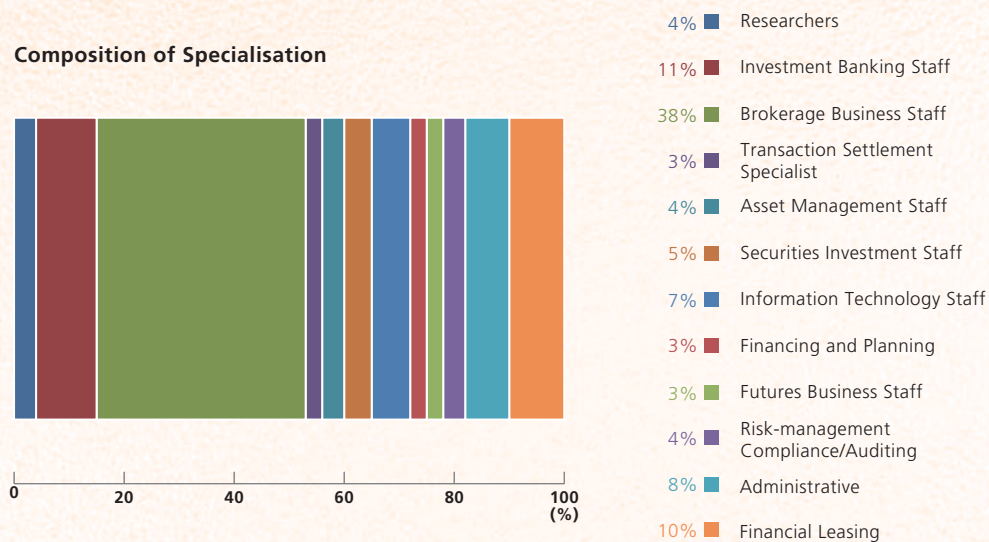
<b>Category of Specialisation</b>	<b>Number of Persons</b>
Researchers	455
Investment Banking Staff	1,293
Brokerage Business Staff	4,233
Transaction Settlement Specialist	368
Asset Management Staff	449
Securities Investment Staff	614
Information Technology Staff	731
Futures Business Staff	301
Financing and Planning	296
Risk-management Compliance/Auditing	476
Administrative	932
Financial Leasing	1,134
<b>Total</b>	<b>11,282</b>

#### Education Background

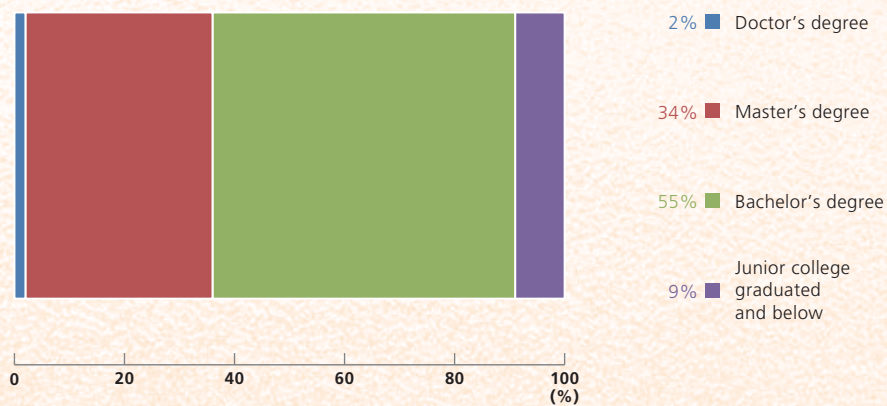
<b>Highest Level of Education Attained</b>	<b>Number of Persons</b>
Doctor's degree	170
Master's degree	4,003
Bachelor's degree	6,170
Junior college graduated and below	939
<b>Total</b>	<b>11,282</b>

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Composition of Specialisation**



**Composition of education background**



## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### (II) Remuneration Policies

As at the end of the Reporting Period, the Group had 11,282 employees, of whom 5,910 were from the Company, and 5,372 were from subsidiaries.

The Company emphasises talent attraction, motivation, training and use, and has established a series of remuneration system which are consistent with the practical situation of the Company, and has established and continuously optimized a remuneration mechanism that is market-competitive and business development-oriented. The remuneration package generally comprises fixed salary, performance-pay, and benefits. Under the relevant laws and regulations, the Company enters into a labour contract and establishes employment relationship with each of its employees. A labour contract contains the provisions relating to contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour protection and conditions, as well as modification and termination of the contract. The Company establishes and pays in full various social insurances (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and housing funds for its employees in accordance with national laws and regulations. It also establishes corporate annuity plans and supplementary commercial medical insurance for employees.

### (III) Training Plans

In 2020, under the background of regularized pandemic prevention and control measures, the Company emphasized online training and learning, and continued to take advantage of the Wealth Management Academy online platform. In-depth integration of the online and offline training was moved forward to effectively facilitate the development of talent teams. As to the compilation of contents for the academy, we strengthened the development of internal and external sections of the online courses and the establishment of knowledge base for providing practical and helpful contents. Regarding the development of the academy's functions, external information and diversified function modulars were incorporated. Our core functions, such as intelligent learning consultancy, two-way video interactive class and one-way livestreaming class, were well developed with the assistance of innovated technologies. For training management, we further implemented the closed-loop management of the training process, enhanced the management of big data for training, and made training credit review regular practices. In respect of operation and maintenance, the contents and functions of the academy were integrated with the achievements in the integration between operation and maintenance and the diversified management for training classes and training programs. The Company enhanced learning experience by optimization of functions, increased training effect by operation and maintenance of programs, and ensured training quality by proper compilation of contents. In 2020, the academy updated the livestreaming learning section, improved the functions of backstage data management, and launched new functions of exclusive channels. Leveraging the platform functions for coordination and organization, we efficiently operated, maintained and managed 142 livestreaming training, 18 Haitong wealth management lectures, over 50 online training programs and 256 online examinations. For the compilation of contents, we rendered a number of well-selected contents online, including 382 online, a major publicly-offered fund learning column, a industry culture fostering column, innovative case studies programs and Rongyi Small Learning Class (融易小課堂), which gave strong support for synergistic business development and manpower training.

## Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### (IV) Particulars about Labour Outsourcing

Total working hours involved in labour outsourcing	846,330.4 hours
Total compensation paid for labour outsourcing	RMB45.4136 million

## VII. OTHERS

### Information of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

Since its acquisition of securities brokerage qualification in 2009, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2 CSRC) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No. 302). Through the improvement of rules and regulations, internal control mechanisms, supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As at the end of the Reporting Period, the Company has already had 270 securities business departments with 3,844 securities brokers who have completed registration in the Securities Association of China.

Securities brokers engaging in soliciting customers and servicing customers authorised by the Company are affiliated with the securities business department directly and have to comply with the brokers' codes of conduct as well as the Company's regulations and rules. Customers can go through and check brokers' occupational registration information through ways such as visiting the Company's website, checking on-site information disclosed by the business department and calling 95553, the unified customer service hotline. The Company has established a risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risks. As the chief management officer, the director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and is subject to the management, coordination, supervision and inspection of the corporate headquarter. Securities business department will pay a return visit to customers that the securities brokers have solicited and served on a regular basis to understand the particulars of broker's practice through personal interviews, phone calls, letters or other ways. In 2020, the Company continued to reinforce training for securities brokers on compliant business practice and standardised practice management. The size of its team remained top in the market with steady and orderly business development.

## Section IX CORPORATE GOVERNANCE

### I. DESCRIPTION OF CORPORATE GOVERNANCE

#### (I) Overview of Corporate Governance

As a public company listed on both mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations and regulatory requirements in the places where the shares of the Company are listed, and is dedicated to maintain and improve its good market image. Pursuant to the Company Law, the Securities Law, relevant regulations of the CSRC, the Hong Kong Listing Rules and other relevant regulations, the Company has been continuously improving its corporate governance structure and has further established its sound compliance and risk management system and internal control management mechanism. The Company has also formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee and the management are separated from each other and can check and balance each other, which enables all levels to perform their respective duties and obligations within their respective responsibilities and powers and ensures the standardised operations of the Company, and the scientific, standardised and transparent corporate governance. The procedures and regulations for convening and holding the Company's general meetings, Board meetings and meetings of the Supervisory Committee and the voting mechanisms with respect thereto are legal and valid, with information disclosed in a true, accurate, complete, timely and fair manner. The Company has, strictly in compliance with relevant provisions of the Corporate Insider Registration System, strengthened the management of the Company's inside information and well organised the work of insider registration, with professional management of investor relations.

During the Reporting Period, according to the Company Law, the Securities Law, the Provisions on the Administration of Equities of Securities Companies (《證券公司股權管理規定》), the Corporate Governance Guidelines of Listed Companies, the Reply of the State Council on the Adjustment of the Notice Period for General Meetings and Other Matters Applicable to Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》), the Management Rules for Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》), the Management Rules for Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) and other laws and regulations as well as the actual conditions of the Company, the Company has amended the Articles of Association, Rules of Procedure for Shareholders' General Meetings of the Company and Rules of Procedure for meetings of the Supervisory Committee of the Company. The main amendments included but not limited to the types of subsidiaries which the Company can establish, the rights and obligations of the Company's shareholders, and other regulations relating to the management of the equity of securities companies, the changes in the registered capital and number of shares of the Company in the Articles of Association after the completion of the non-public issuance of A Shares, and changes in the shareholding of the Company's shareholders, public solicitation of the rights of shareholders, the content regarding approval and filing adjustments, the notice period for convening general meetings and the convening procedures and requirements, etc. The above amendments were made in three stages, all of which were considered and approved by the general meeting of the Company. For specific revisions, please refer to "(VII) Other Reporting Issues" of "XI. Others" in this section.



## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the Company has strictly complied with all the provisions of the Code and has satisfied the majority of the recommended best practice provisions therein.

During the Reporting Period, the Company convened 34 meetings in total, including 3 general meetings, 8 meetings of the Board, 4 meetings of the Supervisory Committee, 2 annual report work meetings of the independent non-executive Directors, 5 meetings of the Audit Committee, 2 meetings of the Nomination, Remuneration and Assessment Committee, 7 meetings of the Development Strategy and Investment Management Committee and 3 meetings of the Compliance and Risk Control Committee.

### (II) Formulation and Implementation of the Insider Management System

During the Reporting Period, in major events such as non-public issuance of A Shares, preparation of periodic reports, the Company, as required by the Insider Registration System, performed well in inside information management and insider registration, and truly and completely recorded the list of all insiders involved in the reporting, delivery, preparation, auditing and disclosure before publication of the inside information as well as the files concerning the contents of the inside information known by the insider and the timing thereof to facilitate enquiries made by the Company and relevant regulatory authorities. During the Reporting Period, no violation of the Insider Registration System by the Company has occurred and the said system was well implemented.

### (III) Corporate Governance Policies and Related Duties of the Board

The Company is in strict compliance with the Hong Kong Listing Rules, and adopts all principles as set out in the Code as its corporate governance policies. The Board has the following duties in respect of corporate governance:

- (a) to formulate and review the corporate governance policies and practices of the Company;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company for the compliance with legal and regulatory requirements;
- (d) to formulate, review and supervise the code of conduct and compliance manual (if any) of the employees and Directors;
- (e) to review the Company's compliance with the Code and the disclosure in Corporate Governance Report.

## Section IX CORPORATE GOVERNANCE

### II. BRIEFING OF THE GENERAL MEETINGS

<b>Session of the meeting</b>	<b>Date of the meeting</b>	<b>Query index of the designated website for poll results disclosure</b>	<b>Disclosure date of poll results</b>
First Extraordinary General Meeting for 2020	15 April 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	16 April 2020 15 April 2020
2019 Annual General Meeting	18 June 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	19 June 2020 18 June 2020
Second Extraordinary General Meeting for 2020	20 October 2020	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	21 October 2020 20 October 2020

#### Descriptions of the general meetings

During the Reporting Period, the Company held the first Extraordinary General Meeting for 2020 at Haitong Securities Building on 15 April 2020 and seven resolutions were considered and approved, including: 1. the resolution regarding the satisfaction of the conditions of the Non-public Issuance of A Shares of the Company; 2. the resolution regarding the adjustments to the Non-public Issuance of A Shares of the Company; 3. the resolution regarding the proposal on the Non-public Issuance of A Shares of the Company (second revision proof); 4. the resolution regarding the supplemental agreements to the conditional share subscription agreements entered into with the specific target subscribers; 5. the resolution regarding the related party transactions involved in the Company's Non-public Issuance of A Shares; 6. the resolution regarding the dilution of current returns as a result of the Non-public Issuance of A Shares of the Company and the remedial measures (second revision proof); 7. the resolution regarding the grant of authorisation by the general meeting to the Board and the delegation of powers by the Board to the management to deal with all matters relating to the Non-public Issuance of A Shares of the Company. Among them, resolution numbered 6 was ordinary resolution, while resolutions numbered 1 to 5, and 7 were special resolutions. The above resolutions were considered and approved. The relevant poll results were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the date of the meeting, and published on the website of the SSE (<http://www.sse.com.cn>) and in the China Securities Journal, the Shanghai Securities News, the Securities Times and the Securities Daily on the next date of the meeting.

The Company held the 2019 Annual General Meeting at Haitong Securities Building on 18 June 2020 and 11 resolutions were considered and approved, including: 1. the report of the Board of Directors of the Company for the year 2019; 2. the report of the Supervisory Committee of the Company for the year 2019; 3. the annual report of the Company for the year 2019; 4. the final accounts report of the Company for the year 2019; 5. the profit distribution proposal of the Company for the year 2019; 6. the resolution regarding the appointment of auditing firms for the year 2020; 7. the resolution on change of Directors; 8. the resolution on change of Supervisors; 9. the resolution regarding projected routine related party transactions of the Company in 2020; 10. the resolution regarding the proposed amendments to the Articles of Association; 11. the resolution regarding the grant by the general meeting of general mandate for the Board to authorise, allot or issue A Shares and/or H shares. Among them, resolutions numbered 1 to 9 were ordinary resolutions, while resolutions numbered 10 and 11 were special resolutions. The above resolutions were considered and approved. The relevant poll results were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the date of the meeting, and published on the website of the SSE (<http://www.sse.com.cn>) and in the China Securities Journal, the Shanghai Securities News, the Securities Times and the Securities Daily on the next date of the meeting.

## Section IX CORPORATE GOVERNANCE

The Company held the second Extraordinary General Meeting for 2020 at Haitong Securities Building on 20 October 2020 and four resolutions were considered and approved, including: 1. 2020 interim profit distribution proposal of Haitong Securities Co., Ltd.; 2. the resolution on change of Supervisors; 3. the resolution regarding the proposed amendments to the Articles of Association, the Rules of Procedure for Shareholders' General Meetings and the Rules of Procedure for Meetings of the Supervisory Committee; 4. the resolution regarding the proposed nomination of Mr. Ruan Feng as Supervisor of the Company. Among them, resolutions numbered 1, 2 and 4 were ordinary resolutions, while resolution numbered 3 was special resolution. The above resolutions were considered and approved. The relevant poll results were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the date of the meeting, and published on the website of the SSE (<http://www.sse.com.cn>) and in the China Securities Journal, the Shanghai Securities News, the Securities Times and the Securities Daily on the next date of the meeting.

### III. PERFORMANCE OF DUTIES BY DIRECTORS

The Board exercises its powers and duties specified in the Articles of Association, reports its work to the general meeting, implements proposals of the general meeting and is accountable to the general meeting in the best interest of the Company and the shareholders.

Profiles of the Directors as at the date of this Report are set out in the section headed "Major Work Experience" under "Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES" of this Report. None of the Directors, the Supervisors or the senior management has any relationship with each other (including financial, business, kinship or other material or connected relations). The Board is structurally scientific, and each Director has adequate knowledge, experience and capacity relating to the business operations and developments of the Group. All Directors are well aware of their joint and several responsibilities to the shareholders.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of the members of the Board. Four independent non-executive Directors of the Company are fully qualified as specified in Rules 3.10(1) and (2), and Rule 3.10(A) of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each of the independent non-executive Directors in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that all independent non-executive Directors fulfil the requirement of independence as required by the Hong Kong Listing Rules.

#### (I) Attendances of Directors at Board Meetings and General Meetings

According to the Articles of Association, meetings of the Board shall be convened by the chairman at least four times a year. Notice of a regular meeting of the Board shall be issued at least 14 days prior to the meeting and shall include the date, venue, duration, reasons, proposals for discussion and the date of issuance of the notice.

## Section IX CORPORATE GOVERNANCE

A meeting of the Board shall be held only when over half of the members are present. Save as otherwise specified in the Articles of Association, proposals made by the Board shall be passed by more than half of all members. If any Director has connection with the enterprise involved in the proposals made at a meeting of the Board, the said Director shall abstain from voting on the said proposal for himself or on behalf of other Directors. Such meetings of the Board may be held when more than half of the non-connected Directors are present. The proposals made at the meeting of the Board shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the matter shall be submitted to the general meeting for consideration. Meetings of the Board shall be held on-site in principle. If necessary, extraordinary meetings of the Board may be held via video, telephone or facsimile, or be held on-site and by other means simultaneously. A Director may attend the meeting of the Board in person or appoint another Director in writing to attend the meeting on his/her behalf.

Name of Director	Independent director or not	Attendance at the Board meetings					Attendance at the general meetings	
		Number of attendances as required	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not	Number of attendances at general meetings
Zhou Jie	No	8	8	4	0	0	No	3
Qu Qiuping	No	8	8	4	0	0	No	2
Ren Peng	No	8	8	4	0	0	No	3
Tu Xuanxuan	No	8	8	4	0	0	No	2
Zhou Donghui	No	5	5	3	0	0	No	1
Yu Liping	No	8	8	4	0	0	No	1
Xu Jianguo	No	8	8	5	0	0	No	1
Zhang Ming	Yes	8	8	4	0	0	No	1
Lam Lee G.	Yes	8	8	8	0	0	No	0
Zhu Hongchao	Yes	8	8	5	0	0	No	1
Zhou Yu	Yes	8	8	7	0	0	No	2
Chen Bin (Resigned)	No	2	2	1	0	0	No	/

## Section IX CORPORATE GOVERNANCE

Description of absence from two consecutive Board meetings

✓ Not applicable

Number of Board meetings convened during the year	8
Including: Number of meetings held on-site	0
Number of meetings held via correspondence	4
Number of meetings held on-site and via correspondence simultaneously	4

The voting results of the deliberation on the proposals at the Board meeting were agreed by all Directors, with no waiver or opposition.

During the Reporting Period, the Board convened 8 meetings in total, details of which are as follows:

1. On 25 February 2020, the sixth meeting (extraordinary meeting) of the seventh session of the Board was held via correspondence, at which the Board considered and approved the resolution regarding the satisfaction of the conditions of the Non-public Issuance of A Shares of the Company; the resolution regarding the adjustments to the Non-public Issuance of A Shares of the Company; the resolution regarding the proposal on the Non-public Issuance of A Shares of the Company (second revision proof); the resolution regarding the supplemental agreements to the conditional share subscription agreements entered into with the specific target subscribers; the resolution regarding the related party transactions involved in the Company's Non-public Issuance of A Shares; the resolution regarding the dilution of current returns as a result of the Non-public Issuance of A Shares of the Company and the remedial measures (second revision proof); the resolution regarding the grant of authorisation by the general meeting to the Board and the delegation of powers by the Board to the management to deal with all matters relating to the Non-public Issuance of A Shares of the Company; and the resolution regarding the convening of the first Extraordinary General Meeting for 2020.

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2. On 26 March 2020, the seventh meeting of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the annual report of the Company for the year 2019, the final accounts report of the Company for the year 2019; the profit distribution proposal of the Company for the year 2019, the compliance report of the Company for the year 2019, the internal control evaluation report of the Company for the year 2019, the special audit report on related party transactions of the Company for the year 2019, the report on performance of duties of the audit committee under the Board of Directors for the year 2019, the resolution regarding the appointment of auditing firms for the year 2020, the resolution regarding the special report and audit report on the use of proceeds from previous fundraising activities of the Company, the report of the Board of Directors of the Company for the year 2019, the work report of the independent Directors for the year 2019, the 2019 corporate social responsibility report of the Company, the resolution regarding the projected daily related party transactions of the Company for the year 2020, the resolution regarding the signing of a related party transaction framework agreement between the Company and Shanghai Guosheng (Group) Co., Ltd. and Shanghai Guosheng Group Assets Co., Ltd. and determining the upper limit of daily related party transactions for 2020-2022, the resolution regarding the proposed amendments to the Articles of Association, the resolution regarding the special audit report on anti-money laundering work of the Company for the year 2019, the resolution for the Company to formulate a reform implementation plan for the wage determination mechanism, the resolution regarding the grant by the general meeting of general mandate for the Board to authorise, allot or issue A Shares and/or H shares; the resolution on change of Directors; and the resolution regarding the convening of 2019 Annual General Meeting of the Company. The Board also listened to the Operating Report for the Year 2019 and Work Plan for the Year 2020 of the Company and the Relevant Opinions of the Audit Committee on the Accounting Firm's Engagement in Audit Work for the Year, and reviewed the Report regarding the Management's Assessment of the Overall Effect and Efficiency of the Company's Information Technology Management in 2019. The list of the latest related parties was also confirmed.
3. On 28 April 2020, the eighth meeting of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the First Quarterly Report for the Year 2020, the Proposal regarding the Results of Assessment on the Company's Senior Management in 2019, the Proposal regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2020, the Proposal regarding the Formulation of the Internal Control System of Haitong Securities Co., Ltd., the Proposal regarding the Establishment of a Special Account for the Company for Fundraising, and the Proposal on the Establishment of a Subsidiary by an Indirect Wholly-owned Subsidiary Haitong UT Capital Group Co., Limited. The Board also listened to the Operating Report for the First Quarter of 2020 and Key Work Report for the Second Quarter of 2020 of the Company and the Statement on Financial Position for the First Quarter of 2020 of the Company.

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4. On 24 July 2020, the ninth meeting (extraordinary meeting) of the seventh session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding the Proposed Delisting of 60% equity of Gui'an UT from a Property Rights Trading Agency by the Indirect Holding Subsidiary Haitong UT, the Proposal regarding the Proposed Increase in the Registered Capital of Subsidiary Haitong Resources by Haitong Futures, the Proposal regarding the Adjustment of the Plan to Acquire 100% Equity of Shanghai Zechun Investment & Development Co. Ltd. and the Proposal regarding the Addition of Members in the Special Committee of the Seventh Session of the Board of the Company.
5. On 6 August 2020, the tenth meeting (extraordinary meeting) of the seventh session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding the Signing of Connected Transactions/Related Party Transaction Framework Agreement between the Company and Shanghai Guosheng (Group) Co., Ltd. and Determining the Upper Limit of Continuous Connected Transactions/Related Party Transactions for 2020-2022, and the Proposal regarding the Increase in Capital to Haitong Innovation Securities Investment Co., Ltd.
6. On 28 August 2020, the 11th meeting of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Interim Report of the Company for the Year 2020, the Interim Profit Distribution Proposal of the Company for the Year 2020, the Proposal regarding the Provision for Asset Impairment of the Company, the Proposal regarding the Provision of Joint Liability Guarantees for Overseas Debt Financing of Overseas Wholly-owned Subsidiaries, the Proposal regarding the Establishment of Factoring Subsidiaries by an Indirect Holding Subsidiary Haitong UT, the Proposal regarding the Proposed Amendments to the Articles of Association and the Appendix thereof, the Proposal regarding the Formulation of the Management Measures on Integrity of Haitong Securities Co. Ltd., the Proposal regarding Adjustments to the Organisational Structure of the Company, and the Proposal regarding the Convening of the Second Extraordinary General Meeting of the Company for the year 2020. The Board also listened to the Operating Report for the First Half of 2020 and Work Plan for the Second Half of 2020 of the Company, the Statement on Financial Position for the First Half of 2020 of the Company and the Report on the Implementation of Risk Control Indicators in the First Half of 2020.
7. On 29 October 2020, the 12th meeting of the seventh session of the Board was held via correspondence, at which the Board considered and approved the Third Quarterly Report of the Company for the Year 2020, the Proposal regarding the Establishment of Professional Subsidiaries in the Hotel Industry by an Indirect Holding Subsidiary Haitong UT. The Board also listened to the Operating Report for the First Three Quarters of 2020 and Key Work Report for the Fourth Quarter of 2020 of the Company and the Statement on Financial Position for the Third Quarter of 2020 of the Company.

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8. On 29 December 2020, the 13th meeting (extraordinary meeting) of the seventh session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Proposal regarding the 14th Five-Year Plan of the Company and the Three-year Action Plan of the Company for 2021-2023, the Proposal regarding the Innovative Special Report under the 14th Five-Year Plan of Haitong Securities and the Three-year Action Plan for Innovation and Development of Haitong Securities for 2021-2023, the Proposal regarding the Formulation of the Administrative Measures for the Long-term Equity Investment of the Company, the Proposal regarding the Adjustment of the General Mandate of the Company for the Capital Increase of Subsidiaries and the Establishment of Subsidiaries, the Proposal regarding the Adjustment of Deadline for Transferring the Equity Plan of Haitong UT from Haitong Capital.

### (II) Independent Non-executive Directors' Objections to Relevant Matters of the Company

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" of this section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. Please refer to the Work Report of the Independent Directors for the Year 2020 of Haitong Securities Co., Ltd. to be disclosed by the Company on the website of the SSE in the same period of the disclosure of this report for the details of the performance of duties of independent non-executive Directors.

### (III) Others

#### *Powers and Duties of the Board and the Management*

Powers and duties of the Board and the management have been specified in the Articles of Association to ensure adequate check and balance mechanism for the sound corporate governance and internal control.

The Board is responsible for deciding the Company's operations and investment plans, determining the internal management structure of the Company, establishing the basic management system of the Company, resolving other major business and administrative issues of the Company and supervising the management.

The management of the Company, under the leadership of the general manager (who is also an executive Director), is responsible for implementing various proposals made by the Board and organising daily operation and management of the Company.

#### 1. *Chairman and General Manager*

The Chairman and the general manager (i.e. chief executive officer under the Hong Kong Listing Rules) of the Company are held by different individuals to secure the independence of their respective duties, accountabilities and balanced distribution of rights and authorisations. Mr. Zhou Jie serves as the Chairman and Mr. Qu Qiuping serves as the general manager. The Rules of Procedure for Board Meetings and Terms of Reference for the General Manager considered and approved by the Board clearly define the duties of the Chairman and the general manager respectively.



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Chairman Mr. Zhou Jie is responsible for leading the Board to determine the overall development strategy of the Company and ensuring the Board's effective operation, performance of its statutory duties and timely discussion of all important and appropriate issues. The Chairman has to ensure that the Company formulates sound corporate governance practices and procedures and the Board acts for the best interest of the Company and all shareholders. General Manager Mr. Qu Qiuping is mainly responsible for daily operation and management of the Company, including organising and implementing the proposals of the Board and daily decision making.

### **2. *Directors' Appointment and Re-election***

According to the Articles of Association, non-employee representative directors shall be elected or replaced by the general meetings, and employee representative directors shall be elected or replaced by the employee representatives meeting. A director shall serve a term of office no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointing new directors. A list of candidates for directors may be proposed by the Board as per the number of the directors to be elected as specified in the Articles of Association. Candidates for directors may also be nominated by shareholders severally or jointly holding more than 3% of the Company's shares and shall be elected at the general meetings or at the employee representatives meeting. For specific procedures for shareholders to nominate candidates for directors, the Company has prepared the Procedures for Shareholders' Nomination of Candidates for Directors and has published the same on its website.

### **3. *Terms of Office of Non-executive Directors***

Non-executive directors of the Company are all elected by the general meetings, with terms of office of three years, which are renewable upon re-election and reappointment.

### **4. *Directors' Remunerations***

For details, please refer to "III. Remunerations of Directors, Supervisors and Senior Management" in "Section VIII Particulars about Directors, Supervisors, Senior Management and Employees" of this report.

## Section IX CORPORATE GOVERNANCE

### 5. *Directors' Trainings*

The Company highly emphasises the continuous trainings for Directors to ensure that Directors have proper knowledge of the Company's operations and businesses and their duties imposed by the CSRC, the SSE, the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations.

During the Reporting Period, the Directors actively participated in the regular trainings organised by local regulatory authorities or other organizations to complete continued trainings as required. From 30 November 2020 to 4 December 2020, Directors Zhou Jie, Qu Qiuping, Ren Peng, Tu Xuanxuan, Zhou Donghui, Yu Liping and Xu Jianguo and independent non-executive Director Zhang Ming participated in the first session of training course in 2020 for directors and supervisors of listed companies in Shanghai organized by the Listed Companies Association of Shanghai, and obtained a certificate of completion. During the Reporting Period, Mr. Lam Lee G., an independent non-executive Director of the Company, participated in a total of about 20 trainings related to Hong Kong Listing Rules and compliance, and read material of various topics (including corporate governance matters, directors' responsibilities and Hong Kong Listing Rules, etc.).

During the Reporting Period, the Newsletter for Directors and Supervisors (11 issues in total for 2020) and Regulations of Securities Market and Case Analysis (4 issues in total for 2020) were regularly compiled and delivered to the Directors by the office of the Board of the Company. All Directors (including Directors Zhou Jie, Qu Qiuping, Ren Peng, Tu Xuanxuan, Zhou Donghui, Yu Liping, Xu Jianguo and Chen Bin (resigned), independent non-executive Directors Zhang Ming, Lam Lee G., Zhu Hongchao and Zhou Yu) received day-to-day written training in 2020. These trainings allowed the Directors to be timely informed of the latest policies, regulations and classic cases. The Company has also built multi-level information communication mechanisms and set up an information exchange platform to strengthen information sharing and exchanging among Directors, Supervisors and the management, and improved Directors' duty performance capability. At the same time, the written materials were sent by the Company via email on 10 March 2020. All Directors read the documents regarding the new requirements under the new Securities Law for directors and supervisors to perform their duties. The Company invited Grandall Law Firm (Shanghai) on 26 March 2020 to conduct a training entitled "Interpretation of the New Securities Law" for all Directors. On 28 August 2020, the Company invited Beijing SynTao Information Technology Co., Ltd. (北京商道縱橫信息科技有限責任公司) to give Directors a special training entitled "The Hong Kong Stock Exchange's Requirements for the Establishment of ESG Governance by the Board and the Practice of Chinese and Foreign Financial Companies".

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### IV. DETAILS OF ANY OBJECTION MATTERS IN SIGNIFICANT OPINIONS AND SUGGESTIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD SHOULD BE DISCLOSED

#### (I) Special Committees of the Board and their Members

The seventh session of the Board of the Company sets up four special committees, with members set out as follows:

Special committees and their members are as follows:

1. Development Strategy and Investment Management Committee: Zhou Jie (Chairman), Ren Peng, Tu Xuanxuan, Chen Bin (resigned), Zhou Donghui, Zhou Yu
2. Compliance and Risk Control Committee: Qu Qiuping (Chairman), Chen Bin (resigned), Zhou Donghui, Xu Jianguo, Zhang Ming, Zhu Hongchao
3. Nomination, Remuneration and Assessment Committee: Zhu Hongchao (Chairman), Tu Xuanxuan, Yu Liping, Zhang Ming, Lam Lee G.
4. Audit Committee: Zhang Ming (Chairman), Yu Liping, Xu Jianguo, Lam Lee G., Zhou Yu

On 26 March 2020, the resolution on change of Directors was considered and approved at the seventh meeting of the seventh session of the Board. Mr. Chen Bin, the former Director of the Company, submitted a resignation report to the Board of the Company and resigned from the director of the seventh session of the Board of the Company, a member of the Development Strategy and Investment Management Committee of the seventh session of the Board and a member of the Compliance and Risk Control Committee of the seventh session of the Board. After his resignation, he no longer holds any position in the Company. The Board agreed to nominate Mr. Zhou Donghui to the general meeting as the candidate for the seventh session of the Board of the Company. The above resolution was considered and approved at the 2019 Annual General Meeting of the Company on 18 June 2020. Mr. Zhou Donghui has served as a Director of the seventh session of the Board of the Company since 18 June 2020. On 24 July 2020, the Proposal on Adding a Member in the Special Committees of the Seventh Session of Board of the Company was considered and approved at the ninth meeting (extraordinary meeting) of the seventh session of the Board of the Company. Mr. Donghui Zhou was elected as a member of the Development Strategy and Investment Management Committee and the Compliance and Risk Control Committee of the seventh session of the Board of the Company.

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### (II) Duties of the Special Committees and their Meetings

#### 1. *Compliance and Risk Control Committee*

The primary duties of the Compliance and Risk Control Committee are to formulate compliance management policies for the Board to review according to laws, regulations and regulatory policies, to review and monitor scientificity, rationality, effectiveness and implementation of the compliance management system of the Company, to formulate principles of the risk management and define the boundary of the major risks for the Company, to review and supervise the implementation of the internal control system formulated by the management and to supervise relevant works based on the results thereof. For the specific duties of the Compliance and Risk Control Committee, please refer to the Terms of Reference of the Compliance and Risk Control Committee under the Board of Directors which was published on the websites of the Company and the Hong Kong Stock Exchange.

During the Reporting Period, the Compliance and Risk Control Committee of the seventh session of the Board held three meetings, as specified below:

- The first meeting of the Compliance and Risk Control Committee of the seventh session of the Board in 2020 was convened via correspondence on 25 March 2020, at which the Internal Control Evaluation Report of the Company for the Year 2019, the Compliance Report of the Company for the Year 2019, the Risk Assessment Report of the Company for the Year 2019, and the Proposal regarding the Special Audit Report on Anti-Money Laundering Work of the Company for the Year 2019 were considered and approved.
- The second meeting of the Compliance and Risk Control Committee of the seventh session of the Board in 2020 was convened via correspondence on 27 April 2020, at which the Proposal regarding the Formulation of Internal Control System of Haitong Securities Co., Ltd. was considered and approved.

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- The third meeting of the Compliance and Risk Control Committee of the seventh session of the Board in 2020 was convened via correspondence on 27 August 2020, at which the Group Risk Assessment Report of the Company for the First Half of 2020 and the Proposal regarding Formulation of the Management Measures on Integrity of Haitong Securities Co. Ltd. were considered and approved. At the same time, the Committee also reviewed the Report on the Compliance Management and Group Money Laundering Risk Assessment of the Company for the First Half of 2020 and the Report on the Implementation of Risk Control Indicators in the First Half of 2020.

<b><u>Name of the members of the seventh session of Compliance and Risk Control Committee</u></b>	<b><u>Number of actual attendances/number of attendances as required</u></b>
Qu Qiuping	3/3
Chen Bin (resigned)	1/1
Xu Jianguo	3/3
Zhang Ming	3/3
Zhu Hongchao	3/3
Zhou Donghui	1/1

### 2. **Audit Committee**

The primary duties of the Audit Committee are: to propose the appointment or change of the external audit institution and to approve the remuneration and appointment terms of the external audit institution; to ensure the objectivity and independence of the external audit institution and the effectiveness of the audit process; to audit the Company's financial information and disclosure thereof, and to review, where necessary, material connected transactions; to review the financial monitoring, internal control system and risk management system of the Company and its subsidiaries and branches from the perspectives of scientificity, rationality, effectiveness and implementation results; to discuss risk management and internal control system with the management to ensure that the management has performed its duties to set up effective systems; and to review financial and accounting policies and practices of the Group. The committee will also perform other duties assigned by the Board. For the specific duties of the Audit Committee, please refer to the Terms of Reference of the Audit Committee under the Board of Directors published on the websites of the Company and the Hong Kong Stock Exchange.

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The Audit Committee convened meetings to consider relevant matters according to relevant provisions of the Terms of Reference of the Audit Committee under the Board of Directors and improved working efficiency as well as scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board of Directors. The Audit Committee fully communicated with certified public accountants to jointly formulate audit project plans in 2020 for the Company. The audit work in 2020 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of the audit and the improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee of the seventh session of the Board held seven meetings in total, as specified below:

- The first working meeting for the 2019 annual report of the Audit Committee of the seventh session of the Board was convened on-site and by means of teleconference simultaneously on 21 January 2020, and the main contents of the meeting were: learning from relevant documents from the regulatory authorities on dealing with annual report of 2019 of listing companies, listening to the Chief Financial Officer's brief financial report of 2019 of the Company (parent company), discussing with certified public accountants of the annual audit to formulate the annual audit work plans, reviewing the (unaudited) financial statement of 2019 (of the parent company) prepared by the finance department of the Company and providing written opinions.
- The first meeting of the Audit Committee of the seventh session of the Board in 2020 was convened via correspondence on 24 February 2020, at which the Proposal regarding the Supplemental Agreements to the Conditional Share Subscription Agreements Entered into with the Specific Target Subscribers, and the Proposal regarding the Related Party Transactions Involved in the Non-public Issuance of A Shares of the Company were considered and approved.

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- The second working meeting for the 2019 annual report of the Audit Committee of the seventh session of the Board was convened via correspondence on 25 March 2020, at which the Financial Report and Special Report of the Company (Audited or Reviewed Draft) for the Year 2019, the Relevant Opinions of the Audit Committee under the Board of Directors on the Accounting Firm's Engagement in Audit Work for the Year, the Proposal regarding the Engagement of Accounting Firms for the Year 2020, the Proposal regarding the Special Report and Audit Report on the Use of Proceeds from Previous Fundraising Activities of the Company, the Proposal regarding Daily Related Party Transactions of the Company for the Year 2020, the Proposal regarding the Signing of a Related Party Transaction Framework Agreement between the Company and Guosheng Group and Guosheng Assets and Determining the Upper Limit of Daily Related Party Transactions for 2020-2022, the Proposal regarding the Special Audit Report on Related Party Transactions of the Company for the Year 2019, the Internal Control Evaluation Report of the Company for the Year 2019, and the Report on Performance of Duties of the Audit Committee under the Board of the Company for the Year 2019 were considered and approved. At the same time, the Committee also reviewed the Company's Report on Final Accounts for the Year 2019 and Financial Budget for the Year 2020, the Communication Report related to Preliminary Audit Results for the Year 2019 by Accounting Firms as well as the Work Report of the Independent Directors for the Year 2019, and the list of the latest related parties was also confirmed.
- The meeting for the 2020 First Quarterly Report of the Audit Committee of the seventh session of the Board was convened via correspondence on 27 April 2020, at which the 2020 First Quarterly Report of Haitong Securities Co., Ltd. and the Proposal regarding the Establishment of a Special Account for the Company for Fundraising were considered and approved.
- The second meeting of the Audit Committee of the seventh session of the Board in 2020 was convened via correspondence on 6 August 2020, at which the Proposal regarding the Signing of a Related Party/Connected Transaction Framework Agreement between the Company and Shanghai Guosheng (Group) Co., Ltd. and Determining the Upper Limit of Continuous Related Party/Connected Transactions for 2020-2022 was considered and approved.

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- The meeting for the 2020 Interim Report of the Audit Committee of the seventh session of the Board was convened on-site and by means of teleconference simultaneously on 28 August 2020, at which the Interim Report (A+H Financial Report) of the Company for the Year 2020 and the Proposal on the Provision for Asset Impairment of the Company were considered and approved. At the same time, the Committee also listened to the Statement on Financial Position for the First Half of 2020 of the Company, the Report to the Audit Committee on Reviewing the 2020 Interim Financial Report of the Company and the 2020 Interim Profit Distribution Proposal of the Company, and the list of the related parties of the Company was also confirmed.
- The meeting for the 2020 Third Quarterly Report of the Audit Committee of the seventh session of the Board was convened via correspondence on 28 October 2020, at which the 2020 Third Quarterly Report of Haitong Securities Co., Ltd. was considered and approved. At the same time, the Committee also reviewed the Statement on Financial Position for the Third Quarter of 2020 of the Company.

<b><u>Name of the Audit Committee members of the seventh session of the Board</u></b>	<b><u>Number of actual attendances/number of attendances as required</u></b>
Zhang Ming	7/7
Yu Liping	7/7
Xu Jianguo	7/7
Lam Lee G.	7/7
Zhou Yu	7/7

### ***3. Development Strategy and Investment Management Committee***

The primary duties of the Development Strategy and Investment Management Committee are: to conduct studies and submit proposals regarding mid-to-long-term development strategies and planning of the Company; to study and propose suggestions to material plans on investment and financing which are required by the Articles of Association to be approved by the Board; to analyse the feasibility of and make suggestions on the major capital operation, asset operation and mergers and acquisitions and reorganisation which are required by the Articles of Association to be approved by the Board; to study and make suggestions on other major issues affecting the development of the Company; and to conduct inspection and supervision to the implementation of the above matters. Its duties also include other matters assigned by the Board.



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During the Reporting Period, the Development Strategy and Investment Management Committee of the seventh session of the Board held seven meetings in total, as specified below:

- The first meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 24 February 2020, at which the Resolution regarding the Satisfaction of the Conditions of the Non-public Issuance of A Shares of the Company, the Resolution regarding the Adjustments to the Non-public Issuance of A Shares of the Company, the Resolution regarding the Proposal on the Non-public Issuance of A Shares of the Company (second revision proof), the Resolution regarding the Supplemental Agreements to the Conditional Share Subscription Agreements Entered into with the Specific Target Subscribers, the Resolution regarding the Related Party Transactions Involved in the Company's Non-public Issuance of A Shares, the Resolution regarding the Dilution of Current Returns as a result of the Non-public Issuance of A Shares of the Company and the Remedial Measures (second revision proof), the Resolution regarding the Grant of Authorisation by the General Meeting to the Board and the Delegation of Powers by the Board to the Management to Deal with All Matters relating to the Non-public Issuance of A Shares of the Company were considered and approved.
- The second meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 27 April 2020, at which the Proposal on the Establishment of a Subsidiary by an Indirect Wholly-owned Subsidiary Haitong UT Capital Group Co., Limited. was considered and approved.
- The third meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 23 July 2020, at which the Proposal regarding the Proposed Delisting of 60% equity of Gui'an UT from a Property Rights Trading Agency by the Indirect Holding Subsidiary Haitong UT, the Proposal regarding the Proposed Increase in the Registered Capital of Subsidiary Haitong Resources by Haitong Futures, and the Proposal regarding the Adjustment of the Plan to Acquire 100% Equity of Shanghai Zechun Investment & Development Co. Ltd. were considered and approved.
- The fourth meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 6 August 2020, at which the Proposal regarding the Increase in Capital to Haitong Innovation Securities Investment Co., Ltd. was considered and approved.

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- The fifth meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 27 August 2020, at which the Proposal regarding the Establishment of Factoring Subsidiaries by an Indirect Holding Subsidiary Haitong UT was considered and approved.
- The sixth meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened via correspondence on 28 October 2020, at which the Proposal regarding the Establishment of Professional Subsidiaries in the Hotel Industry by an Indirect Holding Subsidiary Haitong UT was considered and approved.
- The seventh meeting of the Development Strategy and Investment Management Committee of the seventh session of the Board in 2020 was convened on-site and by means of teleconference simultaneously on 29 December 2020, at which the Proposal regarding the 14th Five-Year Plan of the Company and the Three-year Action Plan of the Company for 2021-2023, the Proposal regarding the Innovative Special Report under the 14th Five-Year Plan of Haitong Securities and the Three-year Action Plan for Innovation and Development of Haitong Securities for 2021-2023, the Proposal regarding the Formulation of the Administrative Measures for the Long-term Equity Investment of the Company, the Proposal regarding the Adjustment of the General Mandate of the Company for the Capital Increase of Subsidiaries and the Establishment of Subsidiaries, and the Proposal regarding the Adjustment of Deadline for Transferring the Equity Interests of Haitong UT from Haitong Capital were considered and approved.

<b>Name of the Development Strategy and Investment Management Committee members of the seventh session of the Board</b>	<b>Number of actual attendances/number of attendances as required</b>
Zhou Jie	7/7
Ren Peng	7/7
Tu Xuanxuan	7/7
Chen Bin (resigned)	1/1
Zhou Yu	7/7
Zhou Donghui	4/4

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### 4. *Nomination, Remuneration and Assessment Committee*

The primary duties of the Nomination, Remuneration and Assessment Committee are: to study and make suggestions on criteria and procedure for selecting Directors and managers; to extensively identify qualified candidates for Directors and managers; to examine the qualifications of the candidates for Directors and managers and make suggestions; to review the structure, size and composition (including skills, knowledge and experience) of the Board, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the general manager; to formulate remuneration policies that include but not limited to performance evaluation standards and procedure, major evaluation system, principal award and punishment scheme and system; to examine the fulfilment of the duties of the Directors and managers of the Company, evaluate their annual performance and make suggestions according to the annual audit result of the Audit Committee; to appraise the remuneration reform plan of the Company and approve the terms of the service contracts of the executive Directors and supervise the implementation of the Company's remuneration system. For the specific duties of the Nomination, Remuneration and Assessment Committee, the nomination and the performance appraisals of Directors and managers as well as the remuneration review procedures, please refer to the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors" published on the websites of the Company and the Hong Kong Stock Exchange.

#### *Policy on Board Diversity*

To carry out the requirements regarding board diversity in the Hong Kong Listing Rules and to ensure a more scientific and reasonable composition of the Board, the Company formulated the Policy on Board Diversity of Haitong Securities Co., Ltd., of which the contents include the objective, significance, policy statement, measurable goals, supervising and reporting, etc. The policy is published on the website of the Company. The Company confirms that the composition of the Board satisfies the requirements regarding board diversity in the Hong Kong Listing Rules as well as the policy on board diversity formulated by the Company.

## Section IX CORPORATE GOVERNANCE

### *Director Nomination Policy*

Pursuant to Article 149 of the Articles of Association, the means of nominating Directors and the procedure are: (i) Within the scope of the number of Directors stipulated in the Articles of Association and in accordance with the proposed number of Directors to be elected, the candidates may be nominated by the Board; (ii) The shareholder(s) individually or jointly holding more than 3% of the Company's shares may nominate candidate(s) directorship, but such nomination shall be within the scope of the number of Directors stipulated in the Articles of Association and shall not exceed the total proposed number of Directors to be elected; (iii) A candidate for directorship shall make a written undertaking prior to the convening of the Company's shareholders' general meeting, confirming his acceptance of nomination and further undertake that his provided information in this aspect is authentic and complete and that he shall earnestly perform the Director's duties; (iv) The written notice of the intent to nominate a candidate for directorship and the written notice by such candidate of his willingness to be elected shall be given to the Company seven days prior to the date of the shareholders' general meeting appointed for such election; (v) The period allowed for the relevant nominator and the nominee to submit the aforesaid notices and documents (calculated from the next day after the notice of the shareholders' general meeting was issued) shall be no less than seven days.

Pursuant to Article 10 of the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors", the selection process of Directors and managers is as follows: (i) The Nomination Committee should actively communicate with relevant departments and study the Company's demand for Directors and managers, and formulate written materials; (ii) The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the HR market; (iii) Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing; (iv) Seek the nominees' consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers; (v) Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers; (vi) Make suggestion to the board of directors regarding the candidates for Directors and new managers and submit the relevant information to the board of directors one to two months prior to the election of new Directors and appointment of new managers; and (vii) Complete other follow-up work according to the decision and feedback from the board of directors.

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the seventh session of the Nomination, Remuneration and Assessment Committee convened two meetings, as specified below:

- The first meeting of the Nomination, Remuneration and Assessment Committee of the seventh session of the Board in 2020 was convened via correspondence on 25 March 2020, at which the Resolutions regarding the Change of Directors and the Resolution regarding the Formulation of a Reform Implementation Plan for the Wage Determination Mechanism of the Company were considered and approved.
- The second meeting of the Nomination, Remuneration and Assessment Committee of the seventh session of the Board in 2020 was convened via correspondence on 27 April 2020, at which the Proposal regarding the Results of Assessment of Senior Management of the Company in 2019 and the Proposal regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2020 were considered and approved. The Committee also reviewed the work report of professional managers.

<b><u>Names of the Nomination, Remuneration and Assessment Committee members of the seventh session of the Board</u></b>	<b><u>Number of actual attendances/number of attendances as required</u></b>
Zhu Hongchao	2/2
Tu Xuanxuan	2/2
Yu Liping	2/2
Zhang Ming	2/2
Lam Lee G.	2/2

## Section IX CORPORATE GOVERNANCE

### V. EXPLANATION ON DISCOVERY OF COMPANY'S RISK BY THE SUPERVISORY COMMITTEE

The Supervisory Committee has no objection to matters under supervision during the Reporting Period.

#### (1) Attendances of Supervisors at the Meetings of the Supervisory Committee

Name of Supervisor	Number of the meetings of Supervisory Committee as required to be present this year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not
Wu Hongwei	4	4	1	0	0	No
Shi Xu	4	4	1	0	0	No
Wu Xiangyang	4	4	1	0	0	No
Ruan Feng	1	1	1	0	0	No
Li Zhenghao	2	2	1	0	0	No
Cao Yijian	4	4	2	0	0	No
Dong Xiaochun	1	1	1	0	0	No
Dai Li	4	4	1	0	0	No
Xu Renzhong (resigned)	1	1	0	0	0	No
Zheng Xiaoyun (resigned)	3	2	1	1	0	No
Feng Huang (resigned)	3	3	2	0	0	No

The voting results of the deliberation on the proposals by the Supervisory Committee were agreed by all Supervisors, with no waiver or opposition.

## Section IX CORPORATE GOVERNANCE

### (II) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened four meetings in total, and the details are as follows:

1. On 26 March 2020, the fourth meeting of the seventh session of the Supervisory Committee was held on-site and by means of teleconference simultaneously, at which the Annual Report of the Company for the Year 2019, the Internal Control Evaluation Report of the Company for the Year 2019, the Compliance Report of the Company for the Year 2019, the Report of the Supervisory Committee of the Company for the Year 2019, and the Proposal regarding the Change of Supervisors were considered and approved. The Committee also listened to the Operating Report for the Year 2019 and Work Plan for the Year 2020 of the Company, the Final Accounts Report for the Year 2019 of the Company and the appendices thereof and the Profit Distribution Proposal for the Year 2019 of the Company, and reviewed the Special Report on Employee Benefits and Labor Relations for the Year 2019 of the Company and the list of the related parties of the Company.
2. On 28 April 2020, the fifth meeting of the seventh session of the Supervisory Committee was held on-site and by means of teleconference simultaneously, at which the First Quarterly Report of the Company for the Year 2020 was considered and approved. The Committee also listened to the Operating Report for the First Quarter of 2020 and Key Work Report for the Second Quarter of 2020 of the Company and the Statement on Financial Position for the First Quarter of 2020 of the Company.
3. On 28 August 2020, the sixth meeting of the seventh session of the Supervisory Committee was held on-site, at which the Interim Report of the Company for the Year 2020, the Proposal regarding the Provision for Asset Impairment of the Company, the Proposal regarding Amendments to Rules of Procedure for the Supervisory Committee of the Company, and the Proposal regarding the Change of Supervisors were considered and approved. The Committee also listened to the Operating Report for the First Half of 2020 and Work Plan for the Second Half of 2020 of the Company and the Statement on Financial Position for the First Half of 2020 of the Company, and reviewed the list of the related parties of the Company.
4. On 29 October 2020, the seventh meeting of the seventh session of the Supervisory Committee was held through voting by correspondence, at which the Third Quarterly Report of the Company for the Year 2020 was considered and approved. The Committee also reviewed the Operating Report for the First Three Quarters of 2020 and Key Work Report for the Fourth Quarter of 2020 of the Company and the Statement on Financial Position for the Third Quarter of 2020 of the Company.

## Section IX CORPORATE GOVERNANCE

### VI. EXPLANATION ON ABSENCE OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY ON BUSINESS, STAFF, ASSETS, INSTITUTIONS AND FINANCE WITH ITS CONTROLLING SHAREHOLDERS BY THE COMPANY

The equity structure of the Company is relatively scattered. There is no controlling shareholder. The Company is completely independent from its shareholders in business, personnel, assets, institutions, finance, etc. The Board, the Supervisory Committee and other functional departments of the Company all function independently with independent and complete business and self-operating capabilities.

#### 1. Business Independence

According to the PRC Company Law, the Articles of Association and the business scope approved by the CSRC, the Company legally conducts its businesses independently. The Company has obtained relevant operation permits for securities businesses, by which shapes its independent and complete business structure and the capability to conduct independent operation. The Company's business operation is free of control or influence from its shareholders or related parties and is able to participate in market competition independently. There is no violation of the Company's operational procedures by any shareholder or related party to intervene the Company's internal management or business decision-making.

#### 2. Staff Independence

The Company has an established human resource department with independent and complete labour, personnel and salary administration system. The Company has elected/appointed its Directors, Supervisors and senior management through statutory procedures. None of our senior management holds any position other than positions of director or supervisor at any shareholder or any of the Company's subsidiaries, nor do they hold any position in any enterprise that have the same or similar business with that of the Company. There is no occasion where the Company's shareholders acted beyond the authority of the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointments of Directors, Supervisors, and senior management strictly complies with the PRC Company Law, the PRC Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established comprehensive labour employment, personnel administration, payroll management and social security system, and all employees have signed labour contracts with the Company. The Company has the independent rights to sign labour contracts without interference of any shareholders.



## Section IX CORPORATE GOVERNANCE

### 3. Assets Independence

The Company owns independent and complete assets necessary to conduct securities business. There is no occasion where any shareholder or related party occupies the Company's assets and infringes the lawful rights of the Company, other shareholders or clients of the Company. The Company independently operates and manages its assets according to law and owns the special operating licenses, properties, operating equipment and trademarks necessary to conduct business.

### 4. Institutional Independence

The Company has established a complete corporate governance structure with the general meeting, the Board, the Supervisory Committee, management and relevant management departments in sound condition and accountable for their own responsibilities. The general meeting, the Board, the Supervisory Committee and the management function well and exercise their respective functions and duties in accordance with the law. The Company has independent and complete securities operation and management system to independently conduct business operation, and its structure and operation of organisation are in compliance with the relevant requirements of the CSRC. The existing offices and premises are separate from our shareholders. There is no mix of corporate structures or direct interference against the operations of the Company by any shareholder.

### 5. Financial Independence

The Company has set up dedicated financial department, with dedicated financial accounting system and financial management system. The Company makes financial decisions in accordance with decision-making procedures. There is no occasion where any shareholder or related party interferes the Company's use of fund. The chief financial officer of the Company is appointed by the Board and works with dedicated financial officers. They have opened separate bank accounts thus no shareholder or related party shares any bank account with the Company. As an independent tax payer, the Company pays various taxes according to financial and taxation rules and regulations.

### **The Company's corresponding solutions, progress and follow-up plans for intra-industry competition**

✓ Not applicable

## Section IX CORPORATE GOVERNANCE

### VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company formulated the Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (together, the “two Measures”). The Board will conduct the annual performance appraisal and consider related awards for senior management upon the end of an accounting year. During the Reporting Period, the Proposal regarding the Results of Assessment of Senior Management of the Company in 2019 and the Proposal regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2020 were considered and approved at the eighth meeting of the seventh session of the Board, to implement “an overall remuneration and performance appraisal system for the senior management, linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders” and “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives” established by the two Measures, so as to ensure the marketisation of the remuneration and rewarding system and maintain its competitive advantages in the industry.

At the same time, the Company continued to refine the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd. In accordance with the principles of “market-oriented recruitment, contract-based management and differential remuneration”, and the aims of “adequate capabilities, reasonable structure, standardised management and effective supervision,” the Company adheres to combining incentives with constraints, implements contract-based management, and closely links professional managers’ annual salary and mid-term and long-term incentive incomes with the Company’s performance and their performance appraisal results so as to guarantee the marketisation of executive compensation incentive system and effectively improve the overall competitiveness of the Company.

### VIII. WHETHER OR NOT TO DISCLOSE SELF EVALUATION REPORT OF INTERNAL CONTROL

For details of the self-evaluation report of internal control of the Company, please refer to the Internal Control Evaluation Report of Haitong Securities Co., Ltd. for the Year 2020 disclosed by the Company on the same date of the 2020 Annual Results Announcement of the Company.

During the Reporting Period, the Company had no material defects in terms of internal control.

## Section IX CORPORATE GOVERNANCE

### IX. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

The Company's internal control audit institution, PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), issued a standard unqualified audit report on internal control of the Company.

For details of the audit report on internal control of the Company, please refer to the 2020 Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE in the same period of the disclosure of this report.

### X. ESTABLISHMENT AND EXECUTION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

#### (I) Statement of the Board

To establish, improve and effectively implement risk management and internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of risk management and internal control of the Board. The management shall be responsible for organising and leading daily operations of the Company's risk management and internal control.

The objectives of the Company's risk management and internal control are: to reasonably ensure compliance with laws and regulations of business operation, assets safety, truthfulness and completeness of financial reports and relevant information, to improve operating efficiency and facilitate the achievement of development strategy of the Company. As risk management and internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives.

The Board has assessed the risk management and internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid at 31 December 2020.

#### (II) The Setting of Risk Management and Internal Control Institution

The Company has established a scientific and effective internal control structure to identify, evaluate and manage major risks of the Group. The Board, Supervisory Committee, management, functional management departments and business operation departments each performs its clearly defined functions and responsibilities under the internal control structure.

## Section IX CORPORATE GOVERNANCE

The Board of the Company has established the Audit Committee and the Compliance and Risk Control Committee, the responsibilities of which include reviewing the Company's risk management and internal control basic system, supervising the overall effective implementation and self-assessment of risk management and internal control. With the Audit Committee and the Compliance and Risk Control Committee, the Board will review the effectiveness of risk management and internal control system at least once a year. These committees assist the Board to fulfil its duties of supervision and corporate governance, which covers the finance, operation, compliance, risk management and internal control, as well as the duties of financing resource and internal audit. The Supervisory Committee is responsible for supervising the establishment and implementation of risk management and internal control of the Board. The General Compliance Officer is responsible for reviewing, supervising and inspecting the compliance of operations and practices of the Company and its staff; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of risk management and internal control and enforcing the strategies and policies of the risk management of the Company; the functional management departments, consisting of compliance and legal department, risk management department, internal audit department of investment banking business, strategy and development department, audit department, planning & finance department, capital management headquarter, financial technology department, data centre, software development centre, operating centre and human resources department, shall be responsible for the specific implementation of internal control work and assessing the soundness and effectiveness of each internal control system; the business operation departments internally designate persons responsible for establishing and implementing the internal control system of their respective units and reviewing the implementation of regulations and conducting front-line supervision on operational risks.

### (III) Risk Management and Internal Control Systems

The Board is the maker and authorised person of the Company's strategic objectives for risk management. The Board of the Company undertakes the ultimate responsibility for the effectiveness of the risk management and internal control system, specifically for facilitating the construction of risk culture, reviewing and approving the overall objective, fundamental policy and system of the Company's risk management, and the overall risk orientation, risk tolerance, material risk limit and solution for material risk, the Company's periodic risk assessment report, appointment, dismissal and evaluation of chief risk officer, as well as the establishment of a direct communication mechanism with the chief risk officer. The Board set up the Compliance and Risk Control Committee to execute the specific risk management duties.

In accordance with the laws, regulations and industry standards, the Company has built up the comprehensive risk management and internal control system that embeds a complete operable administrative system, an improved organisation structure, a reliable IT system, a measurable risk indicators system, a professional talent pool, an effective risk response mechanism and a well-established risk control culture. In facing of liquidity risk, market risk, credit risk, operational risk, information technology risk, reputation risk, etc., the Board, the management and the entire staff would work together in identifying the risks precisely, evaluating the risks prudently, conducting dynamic monitoring, responding immediately and managing the whole process of risk control.

## Section IX CORPORATE GOVERNANCE

The objective of building comprehensive risk management system is to enhance the Company's scientific, regulatory and effective management and operation, so as to strengthen its capability of defending against financial risks and ensure the continuous, stable and healthy development of the Company's various businesses. It can only provide reasonable but not absolute assurance for preventing material false statement or loss considering its purpose is to manage, instead of eliminating, risks that might affect the achievement of business objectives.

The comprehensive risk management of the Company abides by the following principles: (1) Principle of comprehensiveness: the Company's risk management system has involved all levels of the Company, including the Board, the management and the entire staff, into the processes of identification, response, measurement, evaluation, monitoring and reporting of the risk. The concept and measures of risk management have been widely acknowledged through all departments, branches, subsidiaries and business lines; (2) Principle of independence: an effective system had been established to isolate and balance the front operational departments and the middle and back departments, so that the risk management department is able to evaluate and monitor the risk independently; (3) Principle of prudence: the Company must carefully examine all sections of the risk management and prudently evaluate the risks encountered by the Company.

The Company has standardised the procedure of handling and publishing inside information, to ensure the inside information remains confidential until it has been properly disclosed with approval and ensure the information is disclosed effectively and consistently.

### **(IV) Establishment and Improvement of Risk Management and Internal Control System**

The Company attaches great importance to the establishment of risk management and internal control system and updates its relevant internal control system in a timely manner to ensure the effectiveness and promptness of the design of internal control in accordance with the latest requirements of relevant laws and regulations, the exchange rules, industry standards and self-disciplinary regulations.

During the Reporting Period, the Company continued to improve internal control system by formulating or amending over 200 systems and operating procedures covering various aspects such as business management, compliance management, risk management, finance management, fund management, human resource and administrative management, for which, the Board considered and approved the proposals regarding the formulation of the Internal Control System of Haitong Securities Co., Ltd. and the Management Measures on Integrity of Haitong Securities Co. Ltd.

With the comprehensive advancement of the registration system reform, the Company made a full revision in the business management measures related to the underwriting business of the GEM during the Reporting Period. In order to cooperate with the development of the listing and underwriting businesses on the NEEQ Select Tier, the Company formulated and improved a series of supporting systems. In 2021, the Company will continue to revise and optimize the underwriting and sponsorship business management system, bookkeeping and filing management system, and core management system in accordance with the strategic positioning and business development of investment banking businesses, and in line with the main directions of the registration system reform.

## Section IX CORPORATE GOVERNANCE

### (V) Basis of Establishment of Internal Control over Financial Reports

Based on Basic Standards for Enterprise Internal Control and Guidelines for Enterprise Internal Control jointly issued by Five ministries including the Ministry of Finance, Guidelines for Internal Control of Securities Companies issued by the CSRC and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by Shanghai Stock Exchange, the Company has established a sound internal control system over financial reports.

During the Reporting Period, the Company has formulated or improved financial accounting management systems and other internal control systems in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardisation of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional financial accounting staff, normative and precise financial accounting management systems, appropriate accounting policies, and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, accurate and complete view on its financial position, operating results, cash flow and relevant information. In accordance with the Articles of Association and relevant regulations, the Company's Supervisory Committee and external audit institutions inspected and supervised the Company's financial position. The external audit institutions delivered their professional audit opinions on the financial reports of the Company.

During the Reporting Period, the internal control system over financial reports of the Company was sound and ran well. According to the identification of material defects in the internal control over financial reports, there are no material or important defects in the internal control over financial reports as at the base date of the assessment report on internal control.

## Section IX CORPORATE GOVERNANCE

### (VI) Operations of Risk Management and Internal Control System

The Company attached great importance to the establishment of risk management and internal control mechanisms and established internal control systems covering all departments, branches and subsidiaries of the Company. During the operation of various business activities, the Company was able to conduct risk management and internal control in a trinity way before, during and after the activities through following comprehensive and scientific policies and implementing execution and supervision mechanisms in respect of all the risks encountered in the course of operation.

The Company regularly conducted comprehensive assessment on the management and business process for all departments, branches and subsidiaries for the inspection of the major risks in the course of operation management. The Company continued to perfect the list of risk control management in respect of major business, key areas and critical sectors of the Company. In accordance with internal and external environment and business development, the Company formulated, amended or perfected various internal control systems to ensure their reasonableness and effectiveness. During the Reporting Period, overall internal control system of the Company ran well. Internal control systems corresponding to the natures, sizes and complexity of businesses have been established to reasonably ensure compliance with laws and regulations of business operation management, assets safety, truthfulness and completeness of financial reports and relevant information and improve operational efficiency and results.

Before the operations of business, the Company has formulated corresponding management system and review process for each business; during the operations of the business, the Company has established a real-time monitoring system, implementing the dynamic monitoring of risk control indicators and automatic warning, and has also established a net capital complementation mechanism to ensure that the risk control indicators, including the net capital, continuously conform to the requirements of regulatory authorities and the Company; in respect of the control after the operations of business, the Company is able to carry out rectification measures for the issues identified during the monitoring. The audit department has formulated auditing plan on an annual basis to proceed with the on-site audit of the Company's relevant departments, branches and subsidiaries and supervise the rectification of the identified issues.

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to improve the establishment and operation of its comprehensive risk management system. In respect of system building, the Company completed and launched the Group's market risk management system, and realized the centralized measurement and monitoring of the market risk indicators for the investment transaction business of the group members worldwide. The Company completed the construction of the third phase of the credit risk management system. It upgraded and transformed the platform of analysis for the big data of the customer relationship diagram, realized the visualization of the same customer risk management and control tool, broadened the data sources used for the same customer risk identification, enhanced the efficiency of system automatic identification and customer coverage, further improved the group management of the same customer relationship, unified internal rating and credit management and public opinion monitoring, and centralized the monitoring of risk control indicators in such aspects as the Group's full-scale future potential risk exposure, expected credit loss, creditability adjustment, risk-weighted assets, economic capital, etc., and enhanced the Group's credit risk control of the same customer. The operational risk management system was perfected to achieve real-time data connection between operational risk events, key risk indicators with the data of subsidiaries, so as to support subsidiaries to furnish, maintain and manage relevant data through the operational risk management system. The Company completed the construction of the second phase of the Group's T+1 risk data mart, which expanded the scope of data collection, refined the collection scale, and improved the quality of report and delivery. Also, it promoted the application of T+1 risk data to optimize the systematic management of risk events, linked up the risk data mart to the systems of downstream management such as those of market risk and credit risk, and provided effective support for the evaluation, measurement, monitoring and reporting of the Group's risk management. In terms of risk control indicator consolidation, the Company developed consolidated quarterly risk control indicators, prepared related consolidated statements and work reports and submitted them to regulatory authorities in accordance with regulatory requirements. In addition, the Company consolidated internal risk control indicators monthly. The consolidated indicators of risk control of the Group and each of its subsidiaries were analysed and reported to the management of the Company monthly. Furthermore, the Company established and perfected the T+1 working mechanism of the consolidated risk control indicator of the Group, produced consolidated risk control indicator of the Group daily, monitored the operations of the consolidated indicator of the Group daily and incorporated the indicator into the risk reports of the Group and submitted the reports to the management. In terms of risk management of subsidiaries, the Company revised the Management Measures for Comprehensive Risk of the Subsidiaries of Haitong Securities Co., Ltd., and further refined the risk management requirements of the subsidiaries. The risk management indicator system for its subsidiaries was optimized. Hence, different risk control indicators were designed for different risks by the approach of same business and same client management. In the meantime, the Company vigorously strengthened its vertical risk management on subsidiaries through various manners, including nomination of risk management heads in subsidiaries, limits and reports, risk control consolidated management, review and approval of significant events of the subsidiaries, data connection, daily communication, risk investigations and examinations and risk management assessments.



## Section IX CORPORATE GOVERNANCE

### **(VII) Internal Supervisions of the Establishment and Implementation of Risk Management and Internal Control**

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The Company has set up a leading group, a working group and an internal control evaluation group for implementation of internal control regulations. The office meeting among general managers has appointed the risk management department as the leader of the working group for implementation of risk management and internal control regulations, being responsible for guiding the establishment and implementation of risk management and internal control; and assigned the audit department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The risk management department and the audit department independently perform their duties to evaluate the implementation and effectiveness of internal control. The risk management department has pushed forward departmental coordination and urged each of the departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses and new operation processes. The audit department has organised all departments and subsidiaries to conduct self-assessment on the effectiveness of internal control, reviewed and evaluated the preliminary drafts of the evaluation report, summarised the weaknesses of internal control and tracked the rectification of such weaknesses.

In respect of risk management and internal control, the Company's Compliance and Risk Control Committee and Audit Committee undertake their supervising responsibility and examine the effectiveness of the Company's risk management and internal control system. The annual internal control self-assessment of the Company covers all the departments and subsidiaries. In addition, the audit department would audit the situation of risk management and internal monitoring from time to time and evaluate their effectiveness. Besides the internal review and evaluation, the external audit institutions also evaluate the sufficiency and effectiveness of material risk and internal control of the Company.

### **(VIII) Defects in Risk Management and Internal Control and Identification**

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, which are consistent with those in previous years, under Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and taking into account of various factors including the size of the Company, industry features and risk levels.

Significant defects refer to a combination of one or more control defects which may cause serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences that are less serious than those of significant defects but may still cause deviation from the control target of the Company. Common defects refer to any defects other than significant defects and important defects.

## Section IX CORPORATE GOVERNANCE

### (IX) Evaluation of Effectiveness of the Company's Risk Management and Internal Control

The Company has self-evaluated the effectiveness of the design and operation of its internal control up to 31 December 2020 pursuant to the requirements of the Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and relevant laws and regulations, and has issued the 2020 Internal Control Evaluation Report. Based on the determination of material defects in terms of internal control in financial reports, there were no material defects in terms of internal control over financial reports on the base date of internal control evaluation report. Based on the determination of material defects in terms of internal control in non-financial reports, there were no material defects in terms of internal control over non-financial reports on the base date of internal control evaluation report. The Board is of the view that the Company has maintained effective internal control over financial reports in all material aspects in accordance with systems for enterprise internal control and relevant requirements.

From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the internal control that may have a substantive influence on the evaluation results.

### (X) Work Plan of Risk Management and Internal Control in the 2021

The risk management and internal control should be adaptive with the operation scale, business scope, competitiveness and risk level of the Company and be timely adjusted according to the changes of situations. In 2021, the Company will continue to further improve the internal control policy and system, regularize the implementation of internal control policy, reinforce the supervision and examination of internal control, increase the accountability against misconducts and incessantly facilitate the regularized operation and healthy development of the Company pursuant to the requirements under the Basic Standards for Enterprise Internal Control.

## XI. OTHERS

### (I) Company Secretaries

Mr. Jiang Chengjun and Ms. Wong Wai Ling are the joint company secretaries of the Company. Ms. Wong Wai Ling serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Jiang Chengjun, the secretary to the Board and the joint company secretary, is the main contact person within the Company. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Jiang Chengjun and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training as of 31 December 2020.

## Section IX CORPORATE GOVERNANCE

### (II) Compliance with Code on Securities Transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set guidelines, which is no less strict than the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any relevant employee violating the said guidelines.

The Board will examine the corporate governance and operations of the Company in accordance with relevant provisions in the Hong Kong Listing Rules from time to time to protect shareholders' interests.

### (III) Internal Control

For details of the audit report on internal control of the Company, please refer to the 2020 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE in the same period of the disclosure of this report. Please refer to the relevant overseas regulatory announcement of the Company dated 30 March 2021 for details.

### (IV) Directors' and Auditor's Responsibilities for the Financial Statements

The Board has acknowledged its responsibilities for preparing the annual report for the year ended 31 December 2020 of the Group.

The Board is responsible for the clear and fair assessment for annual reports, interim reports, price-sensitive information and other disclosures as required by the Hong Kong Listing Rules and other regulatory rules. The management has provided the Board with all necessary explanations and information for the Board to make an informed assessment of the Group's financial data and position for the Board's consideration and approval.

The Company has not encountered any significant uncertainties or situations that might cause material doubt to the ability of continuous operations of the Company. In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

## Section IX CORPORATE GOVERNANCE

### (V) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company shall hold general meetings in strict accordance with relevant regulations to ensure that all shareholders, especially the minority shareholders, enjoy equal status and can exercise their rights adequately. Under the restriction imposed by the Articles of Association, the Company maintains orderly, stable and healthy development in the interest of the Company and its shareholders.

The Company attaches great importance to the opinions and recommendations of its shareholders and actively, proactively and normatively carries out various investor relationship activities to keep in contact with shareholders and timely satisfy their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website [www.htsec.com](http://www.htsec.com), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines or directly sending their letters to the Company's office address. The Company will properly and timely handle relevant enquiries.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly express any concerns they may have to the Board or to the management. Normally, the chairman of the Company, the chairmen of respective committees and the management will attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Shareholders may convene an extraordinary general meeting and make proposals on the general meeting in accordance with the procedures specified in Articles 82 and 87 of the Articles of Association, which have been published on the websites of the SSE, Hong Kong Stock Exchange and the Company.

The Company will arrange the Board to answer questions raised by shareholders at the 2020 annual general meeting.

Detailed procedures of voting and proposals to be voted by way of poll will be published on the website of the SSE (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).

## Section IX CORPORATE GOVERNANCE

### (VI) Investors Relationship Activities

In 2020, as required by the Board, the management overcame the impact of the pandemic and took effective measures to actively maintain investor relationship by means such as online performance updates and online roadshows, which led to incessantly and highly efficient communication with investors. During the period that the spread of the pandemic stabilized, we adopted some new measures, including continuously receiving investors' visits and participating in meetings with investors, to proactively strengthen the communication with investors and analysts and share the Company's business strategies, approaches and achievements with investors. Thus, investors' expectations were meticulously managed which led to investors' increased confidence in the Company. In 2020, the Company convened a total of two result announcement sessions and received approximately 200 visits by domestic and foreign investors and analysts. The Company was invited to and attended forums held by 6 domestic and foreign investment banks and brokers. Besides, through a number of activities, such as organization of online performance updates on the platform of the SSE and participation in the collective reception day for listed companies within the jurisdiction of Shanghai, the Company enlarged the scope of communication with investors.

### (VII) Other Reporting Issues

During the Reporting Period, the Company amended the Articles of Association three times;

The Resolution regarding the Amendment to the Articles of Association was considered and approved by the seventh meeting of the seventh session of the Board convened by the Company on 26 March 2020 and the annual general meeting of the Company of 2019 convened by the Company on 18 June 2020. For details of the amendment, please refer to the Company's announcements dated 26 March 2020 and 18 June 2020.

Pursuant to the authorisation under the Resolution regarding Advising the General Meeting to Authorise the Board of Directors and the Delegation by the Board of Directors to the Management to Deal with Specific Matters Relating to the Non-Public Issuance of A Shares of the Company, being considered and approved by the first extraordinary general meeting of 2020 convened by the Company on 15 April 2020, the Company completed the amendments to the Articles of Association on 6 August 2020. For details of the amendment, please refer to the Company's announcement dated 6 August 2020.

The Resolution regarding the Proposed Amendments to the Articles of Association, the Rules of Procedure for Shareholders' General Meetings and the Rules of Procedure for Meetings of the Supervisory Committee was considered and approved by the 11th meeting of the seventh session of the Board convened by the Company on 28 August 2020 and the second extraordinary general meeting of the Company of 2020 convened by the Company on 20 October 2020. For details of the amendment, please refer to the Company's announcements dated 28 August 2020 and 20 October 2020 for details.

## Section X CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

During the Reporting Period, the Company publicly issued six tranches of corporate bonds and non-publicly issued two tranches of corporate bonds, raising a total amount of RMB43.5 billion. Details of the existing publicly issued corporate bonds as of the end of the Reporting Period are as follows:

*Unit: 100 million Currency: RMB*

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18	Simple annualised interest rate	SSE
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85	Simple annualised interest rate	SSE
2016 private placement bonds (Tranche 1) of Haitong Securities Co., Ltd.	16 Haitong 02	135485	18 May 2016	18 May 2021	50	3.80	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 02	143232	11 August 2017	11 August 2022	10	4.80	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	17 Haitong 03	143301	22 September 2017	22 September 2027	55	4.99	Simple annualised interest rate	SSE

## Section X CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2018 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	18 Haitong 01	143480	8 March 2018	8 March 2021	30	5.15	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	18 Haitong 02	143529	22 March 2018	22 March 2021	30	5.14	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	18 Haitong 03	143632	10 May 2018	10 May 2021	30	4.70	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd.	18 Haitong 04	143464	6 August 2018	6 August 2021	30	3.98	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd.	18 Haitong 05	155038	22 November 2018	22 November 2021	30	3.88	Simple annualised interest rate	SSE
2019 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	19 Haitong 01	155316	11 April 2019	11 April 2022	50	3.75	Simple annualised interest rate	SSE
2019 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	19 Haitong 02	155830	15 November 2019	15 November 2022	45	3.52	Simple annualised interest rate	SSE
2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 01	163148	27 February 2020	27 February 2023	50	3.01	Simple annualised interest rate	SSE
2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	20 Haitong 02	163290	19 March 2020	19 March 2023	35	2.99	Simple annualised interest rate	SSE
2020 Registered Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 04	163507	30 April 2020	30 April 2023	56	2.38	Simple annualised interest rate	SSE
2020 Registered Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong 05	163508	30 April 2020	30 April 2025	7	2.88	Simple annualised interest rate	SSE

## Section X CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2020 Registered Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	20 Haitong 06	163568	25 May 2020	25 May 2023	67	2.70	Simple annualised interest rate	SSE
2020 Short-term Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong S1	163807	5 June 2020	2 March 2021	10	2.20	Principal to be repaid upon maturity in one lump sum together with the interest	SSE
2020 Registered Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	20 Haitong 08	163903	11 August 2020	11 August 2023	60	3.53	Simple annualised interest rate	SSE
2020 private placement bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong F1	167896	21 October 2020	23 October 2021	50	3.50	Principal to be repaid upon maturity in one lump sum together with the interest	SSE
2020 private placement bonds (Tranche 1) of Haitong Securities Co., Ltd.	20 Haitong F2	167897	21 October 2020	21 October 2022	50	3.82	Simple annualised interest rate	SSE
2020 private placement bonds (Tranche 2) of Haitong Securities Co., Ltd.	20 Haitong F3	177170	19 November 2020	13 January 2022	50	3.70	Principal to be repaid upon maturity in one lump sum together with the interest	SSE

## PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF CORPORATE BONDS

## 1. Repayment

During the Reporting Period, the Company completed the payment of two tranches of its corporate bonds, details of which are as follows:

Abbreviation of Bonds	Code of Bonds	Date of issuance	Issuance scale	Interest rate (%)	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
17 Haitong 01	143231	11 August 2017	50	4.63	11 August 2020	Repaid
17 Haitong 04	143336	25 October 2017	5	4.77	25 October 2020	Repaid



## Section X CORPORATE BONDS

### 2. Payment of Interest

During the Reporting Period, the interests of all existing corporate bonds have been registered on time through relevant institutions and paid in full and on time in accordance with the methods stipulated in the prospectuses.

### Further Description of Corporate Bonds

The Company's existing subordinated bonds, offshore bonds and financial bonds at the end of the Reporting Period are represented in the following table. Please refer to Bonds Payable of Note to the Consolidated Financial Statements in FINANCIAL REPORT for more details on corporate bonds.

*Unit: 100 million Currency: RMB (Foreign currency in special remarks)*

Abbreviation of Bonds	Code of Bonds	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
16 Haitong C2	145180	5 years	17 November 2016	17 November 2021	20	3.40	Simple annualised interest rate	SSE
19 Haitong C1	151202	3 years	28 February 2019	28 February 2022	33	4.09	Simple annualised interest rate	SSE
Haitong Securities 4.5% B2023	5482	5 years	13 December 2018	13 December 2023	US\$300 million	4.50	Simple semi-annualised interest rate	Hong Kong Stock Exchange
Haitong Securities FRN B2023	5483	5 years	13 December 2018	13 December 2023	EUR230 million	3M EURIBOR +1.65	Simple quarterly interest rate	Hong Kong Stock Exchange
19 Haitong Financial Bonds 01	091900022	3 years	29 August 2019	29 August 2022	70	3.39	Simple annualised interest rate	Inter-bank

## Section X CORPORATE BONDS

### II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

Bond trustee	Name	CITIC Securities Company Limited
	Office address	22nd Floor, CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact persons	Song Yilan, Kou Zhibo
	Tel	010-60838888
	Bonds under custody	13 Haitong 03, 13 Haitong 06, 17 Haitong 02, 17 Haitong 03, 18 Haitong 01, 18 Haitong 02, 18 Haitong 03, 18 Haitong 04, 18 Haitong 05, 19 Haitong 01, 20 Haitong 04, 20 Haitong 05, 20 Haitong 06, 20 Haitong 08, 20 Haitong S1, 20 Haitong F1, 20 Haitong F2, 20 Haitong F3
Bond trustee	Name	CSC Financial Co., Ltd.
	Office address	2/F, Building B, Building E, Kaiheng Centre, No.2 Chaoyangmen Inner Street, Dongcheng District, Beijing
	Contact persons	Fang Beibei, Lu Hongtu
	Tel	010-65608396
Bond trustee	Bonds under custody	19 Haitong 02, 20 Haitong 01, 20 Haitong 02
	Name	Shanghai AllBright Law Offices
	Office address	12th Floor, Shanghai Tower, No. 501 Yincheng Middle Road, Pudong New Area, Shanghai
	Contact persons	Pei Zhenyu, Lv Xijing, Xiao Wenyan
Credit-rating agency	Tel	021-20511217
	Bonds under custody	16 Haitong 02, 16 Haitong C2, 19 Haitong C1
	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	No. 2 Nanzhugan Hutong, Dongcheng District, Beijing

## Section X CORPORATE BONDS

### III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

As of the end of the Reporting Period, the proceeds raised from issuance of various bonds by the Company during the Reporting Period were fully used to pay its due debts, replenish the working capital of the Company to meet the Company's needs for business development, which were consistent with the committed use of proceeds, the usage plan and other agreements as described in the prospectus. Proceeds in the above special accounts have been used up. The Company deposits and uses the raised proceeds, and discloses relevant information in a timely, accurate and complete manner strictly subject to applicable regulations, and does not violate any such proceeds management regulations.

According to the notice issued by the CSRC requiring bonds issuer to conduct self-inspection, in March 2021, the Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("BDO") to conduct special inspection on the deposit and usage of proceeds raised from bonds of the Company as at 31 December 2020, and BDO prepared an Inspection Report (XIN KUI SHI BAO ZI [2021] No. ZA10422) accordingly.

### IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin International Credit Rating Co., Ltd. ("CCXI"). In February 2020, CCXI was licensed by the CSRC to carry out stock market credit rating business and its subsidiary China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) ("CCXR") no longer engages in the stock market credit rating business. The stock market credit rating businesses formerly conducted by CCXR were carried on by CCXI.

In February 2020, CCXR approved credit rating of AAA for the "20 Haitong 01" corporate bonds publicly issued by the Company to qualified investors (Xin Ping Wei Han Zi [2020] No. G076-F2).

From March to November 2020, CCXI approved credit rating of AAA for the "20 Haitong 02" corporate bonds publicly issued by the Company to qualified investors, AAA for the "20 Haitong 04", "20 Haitong 05", "20 Haitong 06" and "20 Haitong 08" corporate bonds publicly issued by the Company to professional investors, and AAA to "20 Haitong F1", "20 Haitong F2" and "20 Haitong F3" corporate bonds non-publicly issued by the Company (Xin Ping Wei Han Zi [2020]0531D, [2020]1256D, [2020]1511D, [2020]2626D, [2020]3878D, [2020]4453D).

On 27 April 2020, the Company announced CCXI's follow-up ratings report on various bonds issued by the Company on the website of the SSE. Credit ratings of publicly issued corporate bonds "13 Haitong 03", "13 Haitong 06", "17 Haitong 01", "17 Haitong 02", "17 Haitong 03", "17 Haitong 04", "18 Haitong 01", "18 Haitong 02", "18 Haitong 03", "18 Haitong 04", "18 Haitong 05", "19 Haitong 01", "19 Haitong 02", "20 Haitong 01" and "20 Haitong 02" remained at AAA (Xin Ping Wei Han Zi [2020] Gen Zong No. 012). The results of the follow-up ratings report were announced on the listed company section published on the website of the SSE (Announcement No.: Lin 2020-033).

In 2020, the corporate credit rating of the Company remained at AAA (CCXI) and BBB (Standard & Poor) with a stable outlook.

## Section X CORPORATE BONDS

### V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

There were no credit enhancement mechanisms and no change in repayment plan and other repayment supporting measures.

#### 1. Repayment plan

The Company will perform the obligation of annual payment of interest and repayment of principal and interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities.

#### 2. Other relevant information

On 18 June 2019, the proposal regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments was considered and approved at the General Meeting of the Company, which stipulated repayment supporting measures, i.e., “authorising the Board and permitting the Board to re-authorize the authorised persons, jointly or separately, in respect of the issuances of the Corporate Onshore Debt Financing Instruments to adopt at least the following measures when there is an anticipated failure to repay the principal and interest of the onshore debt financing instrument or an actual failure to repay the principal and interest of the onshore debt financing instrument on due dates: ① ceasing to distribute dividends to the Shareholders; ② suspending the implementation of capital expenditure projects such as material external investments, acquisitions and mergers; ③ reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; ④ freezing the job transfer of the key responsible personnel.” The above was announced by the Company on the website of the SSE (Announcement No.: Lin 2019-042).

As for the implementation of other repayment supporting measures, the Company, in strict compliance with the relevant rules of procedure for the bondholders’ meeting, organised bondholders to exercise their powers through bondholders’ meetings, engaged CITIC Securities, CSC Financial and AllBright Law Offices as the bond trustees for corresponding bonds respectively, to safeguard bondholders’ interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with the relevant fund management plans and information disclosure requirements. The above measures were consistent with the descriptions in the prospectus.

## Section X CORPORATE BONDS

### VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, there was no meeting convened for holders of corporate bonds.

### VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

As the Bond Trustee of the Company, CITIC Securities Company Limited, CSC Financial Co., Ltd. and Shanghai AllBright Law Offices had no conflict of interest in the course of performing their duties, conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus and agreements by the Company and focused on the credit status, inside and outside credit enhancement mechanisms and implementation of repayment supporting measures of the Company on an ongoing basis.

On 30 April 2020, CITIC Securities issued the report of entrusted management affairs for 2019 in respect of two tranches of 2013 Corporate Bonds, three tranches of 2017 Corporate Bonds, five tranches of 2018 Corporate Bonds and the 2019 Corporate Bonds (Tranche 1) of the Company, and CSC Financial issued the report of entrusted management affairs for 2019 in respect of the 2019 Corporate Bonds (Tranche 2).

On 27 May 2020, AllBright Law Offices issued the report of entrusted management affairs for 2019 in respect of 2016 Non-publicly Issued Corporate Bonds (Tranche 2), 2016 Non-publicly Issued Subordinated Bonds (Tranche 1) and 2019 Non-publicly Issued Subordinated Bonds (Tranche 1).

The abovementioned reports were all disclosed on the website of the SSE.

## Section X CORPORATE BONDS

## VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AT THE END OF THE REPORTING PERIOD

Unit: Yuan Currency: RMB

Key indicators	2020	2019	Movement for the period compared with the last corresponding period (%)		Reasons of change
EBITDA	<b>29,679,158,259.24</b>	28,603,712,194.58	3.76	-	
Liquidity ratio	<b>1.96</b>	1.79	9.50	-	
Quick ratio	<b>1.96</b>	1.79	9.50	-	
Gearing ratio (%)	<b>71.30</b>	74.31	Decreased by 3.01 percentage points	-	
EBITDA total debt ratio	<b>0.08</b>	0.08	-	-	
Interest coverage ratio	<b>2.25</b>	2.02	11.39	-	
Cash interest coverage ratio	<b>2.19</b>	2.88	-23.96	-	
EBITDA interest coverage ratio	<b>2.36</b>	2.10	12.38	-	
Loan repayment ratio (%)	<b>100</b>	100	-	-	
Interest payment ratio (%)	<b>100</b>	100	-	-	

Liquidity ratio/Quick ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Short-term financing bills payables + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Accounts payable)

## Section X CORPORATE BONDS

### IX. PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

#### 1. Repayment

In the Reporting Period, the Company completed the repayment of Tranche 1 of subordinated bonds with details as follows:

Abbreviation of Bonds	Code of Bonds	Date of issuance	Issuance scale	Interest rate (%)	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
17 Haitong C1	145411	16 March 2017	45	4.80	16 March 2020	Repaid

#### 2. Payment of interest

In the Reporting Period, interests on all subsisting other bonds and debt financing instruments of the Company were registered on time and paid in full and on time through relevant organizations according to the manner stipulated in the prospectus.

### X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate credit facilities of various types of over 500,000 million from approximately hundred of banks. At the end of the Reporting Period, the unutilised credit facilities was over 300,000 million.

### XI. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

There were no agreements or commitments described in the prospectus in connection with the issuance of corporate bonds.

## Section X CORPORATE BONDS

### **XII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY**

On 6 June 2020 and 8 September 2020, the Company released announcements on the website of the SSE (Announcement No.: Lin 2020-041, Lin 2020-063), announcing its accumulative new borrowings in the year has exceeded 20% of the net assets as at the end of the previous year. On 7 November 2020, the Company released an announcement that its accumulative new borrowings in the year has exceeded 40% of the net assets as at the end of the previous year (Announcement No.: Lin 2020-073) and the new portion of loans was mainly short-term loans. As at 31 December 2020, the loan balance of the Company was basically the same as compared to the end of 2019. At present, the Company has a sound financial situation, and it fulfils its obligations of principal repayment and interest payment on maturity for each liability.



## Section XI FINANCIAL REPORT

- (I) The Financial Report (H Share) of the Company for the year 2020 has been audited by PricewaterhouseCoopers, which has issued a standard unqualified audit report.
- (II) Consolidated Financial Statements (H Share) (Appendices).
- (III) Notes to Consolidated Financial Statements (H Share) (Appendices).

## Section XII DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Text of annual report with the signature of legal representative of the Company.
- (II) Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
- (III) Text of the audit report with seal of the accounting firm and the signatures and seals of the certified public accountants.
- (IV) Original copies of all the Company's documents and announcements disclosed on newspapers designated by the CSRC during the Reporting Period.
- (V) Annual reports disclosed in other securities markets.
- (VI) Other relevant materials.

## Section XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING MATTERS OF THE COMPANY

No.	Approval date	Title of Approval Document	Approval Organization	No. of Approval
1	1 January 2020	Permission for Printing Publication of Internal Information	Shanghai Press and Publication Bureau	Permission Number: (K)0772
2	25 March 2020	Reply of Approval on Qualification of Li Zhenghao as Supervisor of Securities Company	Shanghai Supervision Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Xu Ke [2020] No. 21
3	26 March 2020	Reply of Approval on Qualification of Zhou Donghui as Director of Securities Company	Shanghai Supervision Bureau of the China Securities Regulatory Commission	Hu Zheng Jian Xu Ke [2020] No. 22
4	9 June 2020	Approval in Relation to the Non-Public Issuance of Shares by Haitong Securities Co., Ltd.	China Securities Regulatory Commission	Zheng Jian Xu Ke [2020] No. 1038
5	27 October 2020	Reply of Opinions on Provision of Guarantee for the Offshore Wholly-owned Subsidiary by Haitong Securities Co., Ltd.	China Securities Regulatory Commission	Ji Gou Bu Han [2020] No. 2848

### II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

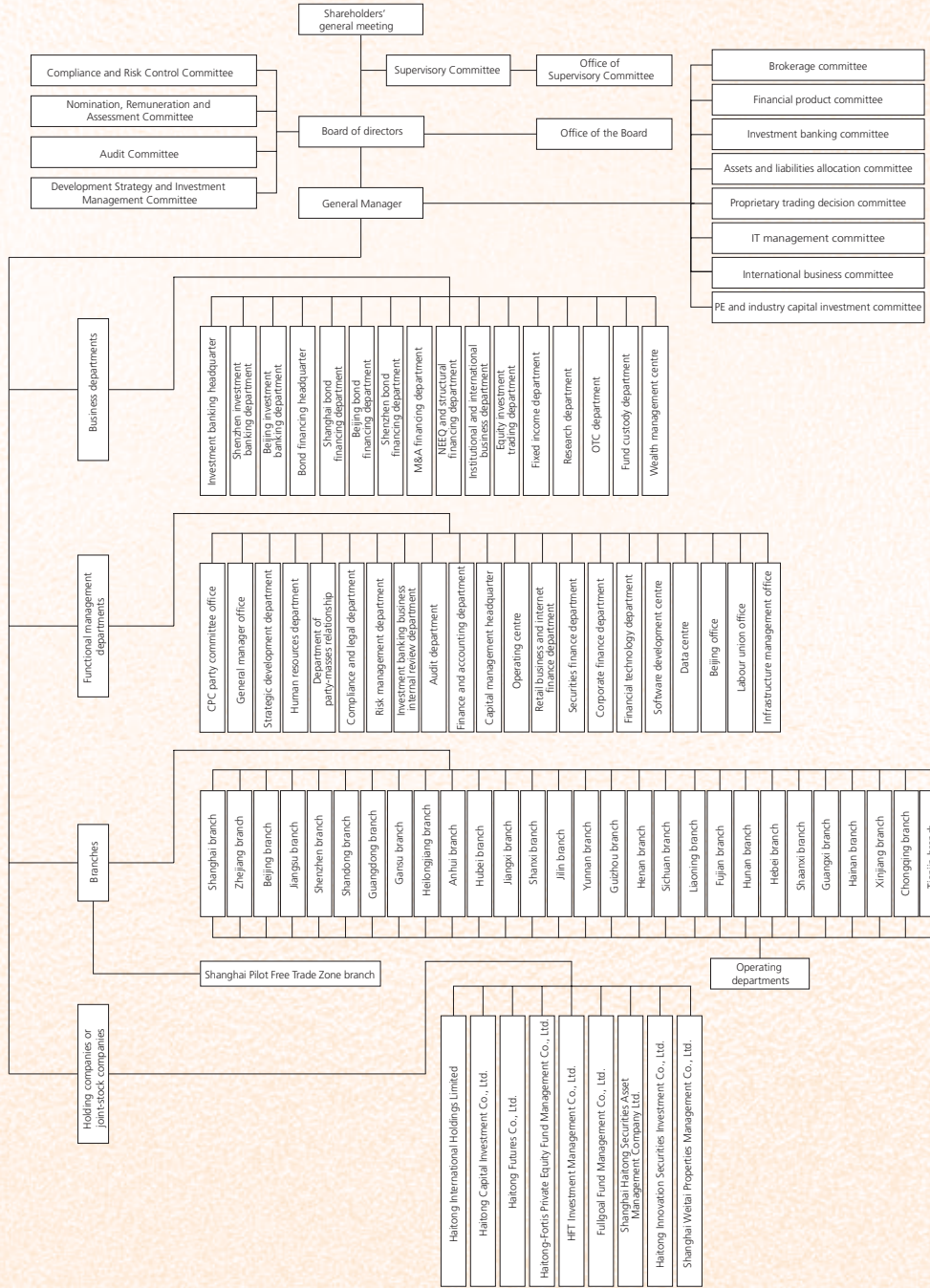
In 2020, the Company was rated as Grade AA under Category A company in classification and evaluation of securities firms.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU JIE**  
*Chairman*

Shanghai, the PRC  
 30 March 2021

# APPENDIX I

## Organizational structure chart of Haitong Securities Co., Ltd.



## APPENDIX II

## List of branches

No.	Branches	Address	Year of establishment	Person in charge
1	Shanghai branch	19, 20/F, No. 285, Jianguo West Road, Xuhui District, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	Rooms 801, 803 & 804, Dikai Yinzuo, Jianggan District, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	Rooms 2303-2306, 2307-2308, Siya Zhidi Plaza, No. 55, Hongwu North Road, Xuanwu District, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	6101, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen	2009	Wu Guohua (吳國華)
5	Guangdong branch	Rooms 901-902, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou	2009	Cai Zhaopeng (蔡昭鵬)
6	Beijing branch	Room 601, 6/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin	2009	Hu Haibin (胡海斌)
8	Gansu branch	3/F, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	2009	Han Gang (韓鋼)
9	Hubei branch	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	2009	Wang Song (王宋)
10	Anhui branch	6/F, Xingdu Building, crossing between Huangshan Road and Susong Road, Baohe District, Hefei, Anhui	2009	Sun Wei (孫偉)
11	Jilin branch	Building 4, Xinglan Community (No. 550, Dajing Road), Nangan District, Changchun	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	Rooms 1803, 1804, Bojin Centre, No. 777, Jinrong Street, Honggutan New Area, Nanchang, Jiangxi	2011	Zhu Farong (朱發榮)
13	Shanxi branch	Units 04, 05 & 06, 16/F, Building B, China Overseas International Center, No. 8, Jinci Road Section 1, Wanbailin District, Taiyuan, Shanxi	2011	Li Benquan (李本權)
14	Yunnan branch	No. 3-4, 22/F, Spring City 66, No. 23, Dongfeng East Road, Panlong District, Kunming, Yunnan	2011	Ye Kang (葉康)
15	Guizhou branch	No. 1, 12-14/F, North Tower, South-North Building of Tianheng Building, Tianheng City Garden, Fushui North Road, Yunyan District, Guiyang, Guizhou	2011	Zhong Jian (鐘健)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Jinshui District, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)

## APPENDIX II

No.	Branches	Address	Year of establishment	Person in charge
17	Shandong branch	2/F, Building D, Shunhuayuan, No. 28, Shungeng Road, Shizhong District, Jinan, Shandong	2011	Lin Peng (林鵬)
18	Sichuan branch	No. 12, Xiaohe Street, Qingyang District, Chengdu	2011	Liu Hongzhi (劉宏志)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)
20	Fujian branch	Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	2011	Lin Yupeng (林毓鵬)
21	Guangxi branch	16/F, Building C, Guangxi Xinyi Financial Investment Building, No. 34, Shuangyong Road, Qingxiu District, Nanning	2012	Lu Xiangyang (盧向陽)
22	Hunan branch	16/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha, Hunan	2012	Song Jiaqing (宋家清)
23	Shaanxi branch	West Area, 10/F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya (孟立亞)
24	Hebei branch	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	2012	Liu Tao (劉濤)
25	Hainan branch	AVIC Building, No. 15, Longkun North Road, Haikou	2014	Xing Weichang (邢維暢)
26	Xinjiang branch	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	2014	Lin Hai (林海)
27	Shanghai Pilot Free Trade Zone branch	Unit 02, 25/F, No. 1196, Century Avenue, China (Shanghai) Pilot Free Trade Zone	2014	Xu Li (許莉)
28	Chongqing branch	4-8, 4-9, No. 2, Qingyun Road, Jiangbei District, Chongqing	2020	Jiang Xue (江雪)
29	Tianjin branch	503, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	2020	Ren Yu (任宇)

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## List of Securities Business Departments

No.	Name of business department	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Room 1, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui	Wang Tao (王韜)
2	Bengbu Zhongrong Street Securities Business Department	Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Jiang Long (江龍)
4	Chuzhou Huifeng Road Securities Business Department	Room 103-11-14, Building 1, No.1899, Fengle Avenue (Changjiang Trade City), Chuzhou, Anhui	Shu Yaming (束亞明)
5	Fuyang Qinghe East Road Securities Business Department	Building 1, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui	Wan Hao (萬浩)
6	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Wang Liguó (王立國)
7	Huaibei Xiangshan Road Securities Business Department	Rooms 1017-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, Huaibei	Huang Baohong (黃保宏)
8	Huainan Dongshan Middle Road Securities Business Department	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxing Community, Dongshan Street, Tianjia'an District, Huainan	Zhao Zhifeng (趙陟峰)
9	Liu'an Qiupai East Road Securities Business Department	Shops S2-1022 & 2022, Outside Walking Street, Wanda Plaza, Qiupai East Road, Jin'an District, Liu'an	Qu Yue (曲樂)
10	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui	Ni Shixu (倪士旭)
11	Tongling Beijing West Road Securities Business Department	No.6, 1/F, Building 2-B2, Beidou Star City, Tongling, Anhui	Xiao Lianqi (肖連齊)
12	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Zhang Haibo (張海波)
13	Suzhou Bianhe Road Securities Business Department	2/F, West Gate of the Central Square Building, Bianhe Road, Yongqiao District, Suzhou, Anhui	Hou Yundong (侯運動)
14	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuancheng District, Xuancheng, Anhui	Kuai Yongxiang (蒯永祥)
15	Hefei Feicui Road Securities Business Department	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Economic & Technological Development Area, Hefei, Anhui	Huang Fei (黃飛)
16	Beijing Guanghua Road Securities Business Department	Room 3-302, 3/F, Building 1, No. A8 Block, Guanghua Road, Chaoyang District, Beijing	Li Yuanzheng (李元正)
17	Beijing Workers Stadium North Road Securities Business Department	Unit 301, 3/F, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)

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No.	Name of business department	Address	Person in charge
18	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Guo Ran (郭冉)
19	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Bai Rubin (白汝斌)
20	Beijing Pinggu Jinxiang Road Securities Business Department	1 & 3/F, No. 1, Jinxiang Road, Pinggu District, Beijing	Yu Hao (于昊)
21	Beijing Miyun Drum Tower East Street Securities Business Department	No. 19, Drum Tower East Street, Miyun County, Beijing	Pan Shuai (潘帥)
22	Beijing Fuwai Street Securities Business Department	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Meng Xiujian (孟秀娟)
23	Beijing Liangmaqiao Road Securities Business Department	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Lin Yi (林鷗)
24	Beijing Tongzhou Xinhua North Road Securities Business Department	116, 1/F to 2/F, Building 3, No. 4, Guanyinan South Street, Tongzhou District, Beijing	Qi Pengjin (齊彭進)
25	Fu'an Yangtou Square North Road Securities Business Department	Office B05, 5/F, Building 1, Pearl along Riverside, No. 6, Yangtou Square North Road, Fu'an Urban Area, Fujian	Chen Zuowu (陳作武)
26	Fuzhou Qunzhong Road Securities Business Department	3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	Chen Chaoying (陳朝迎)
27	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Zhu Chengkai (朱承凱)
28	Xiamen Zhanhong Road Securities Business Department	Unit 2604, International Finance Centre, No. 82, Zhanhong Road, Siming District, Xiamen	Liu Yanxiang (劉雁翔)
29	Sanming Liedong Street Securities Business Department	Shop 15 on the first floor and Shop 5 on the second floor of Building 3, Jiangbin Square, Meilie District, Sanming, Fujian	Guan Na (管娜)
30	Fuqing Qingchang Avenue Securities Business Department	Room 1206, Office Building A2, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian	Li Qiang (李強)
31	Longyan Longteng Middle Road Securities Business Department	Room 03, 2/F, Block 56-61, (City Center Garden Phase 3), No. 488, Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian	Su Weijian (蘇偉建)
32	Jinjiang Century Avenue Securities Business Department	Joint Store 62, Building 1- Building 2, Jinjiangwan Square, No. 888, Century Avenue, Meiling Street, Jinjiang, Quanzhou, Fujian	Li Yanqing (李燕清)
33	Zhangzhou Shuixian Street Securities Business Department	Room 405, Building B, No. 88, Shuixian Street, Longwen District, Zhangzhou, Fujian	Yang Guoqiang (楊國強)
34	Chengxian East Binhe Middle Road Securities Business Department	No. 21, 3/F, Unit 3, Guanshui Lijing Commercial and Residential Building, East Binhe Middle Road, Chengxian, Longnan, Gansu	Niu Lingqi (牛凌琦)
35	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Zhou Youxue (周有學)



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No.	Name of business department	Address	Person in charge
36	Jinchang Changchun Road Securities Business Department	China Salt Administration Building, Changchun Road, Jinchang	Xu Longshan (許龍善)
37	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Wang Weida (王維達)
38	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Zhou Jun (周軍)
39	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Wu Yong (武勇)
40	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Wu Chunrui (吳春瑞)
41	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Shen Ziqiang (沈自強)
42	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Liu Ru (劉儒)
43	Tianshui Xinhua Road Securities Business Department	1/F, Tianshui Feitian Meiju Hotel, No. 108, Xinhua Road, Qinzhou District, Tianshui, Gansu	Zhou Jun (周軍)
44	Wuwei Qilian Avenue Securities Business Department	No. 612, Qilian Avenue, Liangzhou District, Wuwei, Gansu	Qian Qian (錢茜)
45	Xining Wenjing Street Securities Business Department	1/F, Building A, Qinghai Guotou Plaza, No. 32, Wenjing Street, Chengxi District, Xining, Qinghai	Ren Chengxin (任承新)
46	Dongguan Shenghe Road Securities Business Department	3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Chen Yunying (陳雲穎)
47	Foshan Shunde Dongle Road Securities Business Department	No. 2001-1, Block 1, Wanbang Commercial Plaza, No. 266, Dongle Road, Fuyou Community, Daliang Subdistrict, Shunde District, Foshan, Guangdong	Lin Peigui (林培貴)
48	Guangzhou Dongfeng West Road Securities Business Department	Room 1306, No. 209, Dongfeng West Road, Yuexiu District, Guangzhou	Zhuang Yiqun (莊益群)
49	Guangzhou Xingang East Road Securities Business Department	Room 2601, No. 148, Xingang East Road, Haizhu District, Guangzhou	Tian Xiangming (田向明)
50	Guangzhou Zhujiang West Road Securities Business Department	9/F (whole floor), No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Wang Zhenghe (王正和)
51	Huizhou Huishadi Second Road Securities Business Department	Nos. 31 & 32, 1/F, Building 14, Yuehuhui Garden, No. 86, Huishadi Second Road, Henan Riverbank, Huicheng District, Huizhou, Guangdong	Wang Nanwang (王南望)
52	Jieyang Puning Xinhe East Road Securities Business Department	6th and 7th from South of the Westward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Lin Dequan (林德銓)
53	Shantou Zhongshan Middle Road Securities Business Department	Rooms 203 & 303, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong	Zhu Shiqun (朱詩群)

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No.	Name of business department	Address	Person in charge
54	Shaoguan Wenhua Street Securities Business Department	1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan	Lin Hanli (林漢利)
55	Zhongshan Yuelai South Road Securities Business Department	2/F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Wang Tieping (王鐵平)
56	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai, Guangdong	Ma Chufeng (馬楚峰)
57	Guangzhou Huadu Fenghuang North Road Securities Business Department	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Huang Haixiang (黃海翔)
58	Jiangmen Yingbin Avenue West Securities Business Department	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Zhang Ming (張鳴)
59	Guangzhou Xingmin Road Securities Business Department	Room 1502, No. 222-3, Xingmin Road, Tianhe District, Guangzhou	Ou Yangting (歐陽婷)
60	Guangzhou Panyu Hanxi Avenue East Securities Business Department	Nos. 539 & 541, Hanxi Avenue East, Nancun Town, Panyu District, Guangzhou, Guangdong	Huang Shuolin (黃燦林)
61	Foshan Nanhai Jinyuan Road Securities Business Department	Shops 146-147, Starcrest Zijing Commercial, No. 8, Jinyuan Road, Guicheng Subdistrict, Nanhai District, Foshan	Li Wu (李鏊)
62	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin	Zhang Lingang (張林剛)
63	Nanning Shuangyong Road Securities Business Department	16/F, Building C, Guangxi Xinyi Financial Investment Building, No.34, Shuangyong Road, Qingxiu District, Nanning	Ma Jun (馬俊)
64	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, Building 7, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Liuzhou	Tan Baihua (譚百花)
65	Qinzhou Zicai East Street Securities Business Department	Shops 1-31-32, 1/F, Sunny Manhattan, No. 4, Zicai East Street, Qinzhou	Bin Yifeng (賓一鋒)
66	Bijie Kaihang Road Securities Business Department	No. 25, 9/F, Lianbangjinzhuo, No. 163, Kaihang Road, Mayuan Avenue, Sanshimi Avenue, Qixingguan District, Bijie, Guizhou	Jin Liping (靳麗萍)
67	Guiyang Fushui North Road Securities Business Department	Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Zhang Kai (章凱)
68	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, Building 1, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	Yuan Liting (袁麗婷)
69	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Crossing between Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Zhou Hong (周洪)

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No.	Name of business department	Address	Person in charge
70	Zunyi Zhonghua South Road Securities Business Department	3/F, Longjinggou Complex, Zunyi	Huang Zhiyi (黃志義)
71	Haikou Longkun North Road Securities Business Department	AVIC Building, No 15, Longkun North Road, Haikou, Hainan	Yang Haiyan (楊海燕)
72	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Gu Yue (谷悅)
73	Baoding Dongfeng East Road Securities Business Department	Ground Floor Shop, Renhe Yijia Apartment, No. 215, Dongfeng East Road, Baoding	Tian Hong (田紅)
74	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	Ma Xiaoyong (馬驍勇)
75	Shijiazhuang Zhaiying South Street Securities Business Department	Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	Ma Shang (馬上)
76	Cangzhou Shuxi Street Securities Business Department	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei	You Mu (尤牧)
77	Tangshan Youyi South Road Securities Business Department	No. 121, Youyi South Road, Lubei District, Tangshan, Hebei	Sun Chuchuan (孫楚川)
78	Luoyang Changxing Street Securities Business Department	No. 66, Changxing Street, Luolong District, Luoyang	Mao Yun (毛贇)
79	Shangqiu Shenhua Avenue Securities Business Department	Room 53, Sheraton, west of Shenhua Avenue and north of Wenhua Road, Liangyuan District, Shangqiu	Shen Shuaipeng (僧帥鵬)
80	Xuchang Weiwen Road Securities Business Department	1/F & 2/F, Building 1, Zhongyuan Yunding Square, No. 2019, Weiwen Road, Xuchang	Dong Yixing (凍逸興)
81	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou, Henan	Zhao Limin (趙麗敏)
82	Zhengzhou 8th Avenue Securities Business Department	No.102-11, 8th Avenue, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)
83	Jiaozuo Renmin Road Securities Business Department	Shop No.8, 1/F, Commercial and Residential Building No.1, Jiaozuo Nongxin Community, No. 889, Minzhu South Road, Jiefang District, Jiaozuo	Meng Xinke (孟信可)
84	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang	Liu Yaxuan (劉亞軒)
85	Jiagedaqui Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqui District, Daxing Anling Area, Heilongjiang	You Mingzhe (尤明哲)
86	Jiamusi Baowei Road Securities Business Department	No. 263 (Baowei Community), Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Han Min (韓民)
87	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)

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No.	Name of business department	Address	Person in charge
88	Daqing Jianshe Road Securities Business Department	No. 51-6, Jianshe Road, Sa'ertu District, Daqing, Heilongjiang	Li Gaoping (李高平)
89	Daqing Jingsan Street Securities Business Department	Business Outlets 1-1, 2, 3 and 4 and Business Outlets 2, 3 and 4, Block D, No. 29, Jingsan Street, Sa'ertu District, Daqing, Heilongjiang	Song Junjie (宋俊頡)
90	Daqing Honggang South Road Securities Business Department	Half of 2/F (Rooms 203, 204 & 205) & Room 402, No. 11, Honggang South Road, Honggang District, Daqing, Heilongjiang	Wang Xichen (王喜臣)
91	Harbin Heping Road Securities Business Department	Heping Building, No. 2, Heping Road, Xiangfang District, Harbin, Heilongjiang	Zhao Qun (趙群)
92	Harbin Changjiang Road Securities Business Department	1-3/F, No.109, Changjiang Road, Nangang Jizhong District, Harbin Economic Development Zone	Guo Wei (郭威)
93	Harbin Gogol Avenue Securities Business Department	3/F & 4/F, No. 278, Gogol Avenue, Nangang District, Harbin	Qu Pu (曲譜)
94	Harbin Yiman Street Securities Business Department	2/F & 3/F, No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang	Zhao Jia (趙家)
95	Harbin Tongjiang Street Securities Business Department	No. 218, Tongjiang Street, Daoli District, Harbin	Liu Songtao (劉松濤)
96	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Nangang District, Harbin	Zou Qi (鄒祺)
97	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin	Li Yanli (李延立)
98	Harbin Hulan Beierdao Street Securities Business Department	No. 135, Beierdao Street, Group 2, Committee 4, Shengli Street, Hulan District, Harbin	Tian Ran (田然)
99	Harbin Shuangcheng Longhua Street Securities Business Department	Business Outlets 28, 29 and 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng Town, Shuangcheng City	Yao Haitao (姚海濤)
100	Hegang East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
101	Heihe Zhongyang Street Securities Business Department	No. 258, Zhongyang Street, Aihui District, Heihe, Heilongjiang	Su Xianwu (蘇憲武)
102	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang	Zhang Chi (張弛)
103	Heihe Nenjiang Nenxing Road Securities Business Department	Nos. 59 and 61, Nenxing Road, Nenjiang City, Heihe, Heilongjiang	Wang Nan (王楠)
104	Jixi Hulin Hongqi Street Securities Business Department	Central Community, Hongqi Street, Hulin Town, Jixi, Heilongjiang	He Ming (何明)
105	Jixi Zhongxin Street Securities Business Department	(No. 110, Zhongxin Street), Xiangyang Office, Jiguan District, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
106	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)

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No.	Name of business department	Address	Person in charge
107	Daxing'anling Mohe Zhenxing Road Securities Business Department	Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Daxing'anling Region, Heilongjiang	Zhu Zhiqiang (朱志強)
108	Mudanjiang Mudan Street Securities Business Department	No. 1, Mudan Street, Xi'an District, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
109	Mudanjiang Ping'an Street Securities Business Department	No. 7, West Ping'an Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
110	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75, Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang	Su Xingli (蘇興利)
111	Mudanjiang Hailin Linhai Road Securities Business Department	2/F, BOC Building, No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Yao Houyu (姚厚宇)
112	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
113	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
114	Qitaihe Datong Street Securities Business Department	No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
115	Qiqihar Bukui Street Securities Business Department	No. 42, Bukui Street, Longsha District, Qiqihar, Heilongjiang	Yin Ziguang (尹子光)
116	Qiqihar Heping Road Securities Business Department	No. 81, Heping Road, Fularji District, Qiqihar, Heilongjiang	Liu Yi (劉義)
117	Qiqihar Anshun Road Securities Business Department	No. 6, Anshun Road, Longsha District, Qiqihar, Heilongjiang	Tian Yukun (田玉坤)
118	Shuangyashan Wuma Road Securities Business Department	No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Wang Xiaofei (王曉飛)
119	Suihua Anda Niu Street Securities Business Department	Business Outlet 1, East of Youdian Community West, Anda, Suihua, Heilongjiang	Wang Xibin (王希斌)
120	Suihua Kangzhuang Road Securities Business Department	Building 16, Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
121	Yichun Xinwei Street Securities Business Department	1-6/F, Post Construction Department, north side of ICBC Office Building, No. 256, Xinwei Street, Qianjin Office, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
122	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Yinzuo Dijingwan (Tianmen CBD), Tianmen Xincheng, Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
123	Macheng Jinqiao Avenue Securities Business Department	(3 storefronts on the east side of 1/F of the office building of the Development and Reform Bureau), No. 61, Jinqiao Avenue, Macheng, Hubei	Zhang Yuanyuan (張媛媛)
124	Wuhan Zhaojiatiao Securities Business Department	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	Li Dong (李冬)

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No.	Name of business department	Address	Person in charge
125	Wuhan Zhongbei Road Securities Business Department	No. 259, Zhongbei Road, Wuchang District	Yu Zhonggui (余宗貴)
126	Wuhan Shisheng Road Securities Business Department	6/F, Tower A, No. 1 (Te), Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)
127	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	Huang Li (黃莉)
128	Yueyang Baling Middle Road Securities Business Department	Room 703, 7/F, Haichuan Building, No. 450, Baling Middle Road, Yueyanglou District, Yueyang	Deng Jiabin (鄧家斌)
129	Chenzhou Qingnian Avenue Securities Business Department	Room 1013, 10/F, Building 1, Yangguang Ruicheng, No. 333, Qingnian Avenue, Bailudong Street, Suxian District, Chenzhou	Li Jie (李傑)
130	Changde Langzhou Road Securities Business Department	1/F & 6/F, No. 619, Langzhou Road, Binhu Community, Chuanzi River Sub-district, Wuling District, Changde, Hunan	Liu Jianle (劉建樂)
131	Hengyang Zhengyang South Road Securities Business Department	Rooms 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Wu Xiaowei (伍小偉)
132	Shaoyang Xihu Road Securities Business Department	1/F & 3/F, Guotu Building, No. 474, Xihu Road, Daxiang District, Shaoyang	Liu Lei (劉磊)
133	Changsha Wuyi Avenue Securities Business Department	1/F & 6/F, Yinhu Building, No. 618, Wuyi Avenue, Changsha, Hunan	Li Ying (李穎)
134	Dongfeng Dongfeng Road Securities Business Department	Rooms 1-4, Building 2, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Wei Jinliang (蔚金良)
135	Jilin Nanjing Street Securities Business Department	No. 104, Nanjing Street, Jilin, Jilin	Gao Yang (高揚)
136	Liaoyuan Renmin Avenue Securities Business Department	No. 2853, Renmin Avenue, Longshan District, Liaoyuan, Jilin	Qin Jingbo (秦靖波)
137	Songyuan Wulan Street Securities Business Department	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin	Zhang Hongtao (張洪濤)
138	Changchun Dajing Road Securities Business Department	No. 550, Dajing Road, Nangan District, Changchun, Jilin	Zheng Weichao (鄭偉超)
139	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong, Jiangsu	Zhang Fugui (張富貴)
140	Changshu Haiyu North Road Securities Business Department	No. 20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)
141	Changzhou Jianshen Road Securities Business Department	No. 16, Jianshen Road, Changzhou, Jiangsu	Qian Jingxing (錢敬星)
142	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu	Tan Yajian (談亞建)

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No.	Name of business department	Address	Person in charge
143	Danyang Jinling West Road Securities Business Department	Stores 1-2, No. 180, Jinling West Road, Danyang	Zhang Lei (張蕾)
144	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an, Jiangsu	Liang Liang (梁樑)
145	Yangzhou Wenchang East Road Securities Business Department	Rooms 296 & 298, Building S2, Merlion Garden, No. 368, Wenchang East Road, Jiangdu District, Yangzhou	Qiao Leizhang (喬雷璋)
146	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Ren Xiaoping (任筱萍)
147	Kunshan Qianjin Road Securities Business Department	Nos. 53 and 55 Qianjin Road, Yushan Town, Kunshan	Xin Mingyue (辛明越)
148	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No. 28, Yanshan Middle Road, Licheng Town, Liyang, Jiangsu	Jiang Yi (姜怡)
149	Lianyungang Julong South Road Securities Business Department	Room 110, Building 5, Junyue Fortune Plaza, No. 66, Julong South Road, Lianyungang, Jiangsu	Cun Jiansong (寸建松)
150	Nanjing Changfu Street Securities Business Department	No. 85-7, Changfu Street, Qinhuai District, Nanjing, Jiangsu	Xu Xuchao (徐旭超)
151	Nanjing Guangzhou Road Securities Business Department	No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu	Chen Zhiping (陳志平)
152	Nantong Renmin Middle Road Securities Business Department	No. 23-6, Renmin Middle Road, Nantong, Jiangsu	Liao Pengfei (繆鵬飛)
153	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou, Jiangsu	Xu Jianqiang (徐建強)
154	Taicang Shanghai West Road Securities Business Department	No. 1-1, 1-2, Shanghai West Road, Chengxiang Town, Taicang	Huang Yingda (黃穎達)
155	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing, Jiangsu	Huang He (黃何)
156	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou	Xing Yi (邢翼)
157	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Zhang Wei (張瑋)
158	Suqian Huanghe South Road Securities Business Department	Room C104, Podium, Building 6, Jintian Lake Spring, Huanghe South Road, Sucheng District, Suqian	Wang Dongyi (王東奕)
159	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Chen Lu (陳律)
160	Yancheng Jianjun Middle Road Securities Business Department	Room 201 (1), Complex Building, No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
161	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou, Jiangsu	Ma Yuefeng (馬躍峰)

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No.	Name of business department	Address	Person in charge
162	Yixing Jiubin South Road Securities Business Department	Nos. 63, 65 & 67, Jiubin Avenue, Yicheng Street, Yixing, Jiangsu	Pan Jun (潘駿)
163	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu	Zhu Hui (朱慧)
164	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, Zhenjiang, Jiangsu	Liang Zheng (梁正)
165	Suzhou Luxiang South Road Securities Business Department	Nos. 2328, 2330 & 2332, Luxiang South Road, East Taihu Eco Tourism Resort (Taihu New Town), Wujiang District, Suzhou	Shu Mingqing (舒明清)
166	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County, Yangzhou, Jiangsu	Cui Junlan (崔俊嵐)
167	Yancheng Funing Shanghai Road Securities Business Department	Store (C), 1/F, 05 & 06, Building 1, Jincheng Times Square, Groups 2 & 3, Cuiwan Village, Fucheng Town, Funing County, Yancheng	Xu Qijun (徐其俊)
168	Yingtian Wuzhou Road Securities Business Department	No. 9, Building 1, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Peng Chao (彭超)
169	Jingdezhen Jiefang Road Securities Business Department	Shop 16A, Building 2, International Trade Plaza, Jiefang Road, Zhushan District, Jingdezhen, Jiangxi	Tang Liting (唐麗婷)
170	Jiujiang Xunyang East Road Securities Business Department	3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Chin Jun (秦俊)
171	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Ren Wenyu (任文宇)
172	Ganzhou Hongqi Avenue Securities Business Department	Building 1, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Liang Xiaohui (梁小輝)
173	Nanchang Nanjing East Road Securities Business Department	Rooms 211-213, 2/F, Office Building, Tianyu International Building, No. 399, Nanjing East Road, Qingshanhu District, Nanchang, Jiangxi	Zhong Jinying (鐘瑾瑛)
174	Pingxiang Chuping East Road Securities Business Department	27/F, Comprehensive Building 1, No. 98, Chuping East Road, Anyuan District, Pingxiang, Jiangxi	Yu Li (余立)
175	Shangrao Jiefang Road Securities Business Department	Flat 1-2-1, No. 6, Jiefang Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
176	Xinyu Laodong South Road Securities Business Department	No. 1, Laodong South Road, Xinyu, Jiangxi	Gao Ge (高歌)
177	Xinyu Fenyi Fuqian Road Securities Business Department	Buildings 101/320/370-374, Block A, North Side of Qianyang Road (Dream Times Square), East Side of Fuqian Road, Fenyi County, Xinyu, Jiangxi	Fei Jun (費俊)
178	Yichun Yuanshan East Road Securities Business Department	Nos. 1-8, -1/F, Jiachen Building 1, No. 166-8, Yuanshan East Road, Yuanzhou District, Yichun, Jiangxi	Li Guohua (李國華)



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No.	Name of business department	Address	Person in charge
179	Yingkou Hudiequan Road Securities Business Department	Outlet 7#,10#/F, Yinhewan, No. 36-6, Hudiequan Road, Bayuquan District, Yingkou	Jiang Dayong (姜大勇)
180	Dandong Xingwu Road Securities Business Department	Building 1, Bawai, Xingwu Road, Zhenxing District, Dandong	Wang Liang (王亮)
181	Anshan Erdao Street Securities Business Department	No. 90, Erdao Street, Tiedong District, Anshan	Wang Qun (王群)
182	Anshan Xiuyan Securities Business Department	Street No. 1 (located in West Unit 7 and Unit 8 of Building No. 2 Yihua Yuan), Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning	Hong Yangyang (洪洋洋)
183	Dalian Tianjin Street Securities Business Department	No. 91, Tianjin Street, Zhongshan District, Dalian	Qiao Wenxuan (喬文選)
184	Panjin Shuangxin Road Securities Business Department	No. 177, Shuangxing South Road, Xinglongtai District, Panjin, Liaoning	Yang Fan (楊帆)
185	Shenyang Daxi Road Securities Business Department	No. 364, Daxi Road, Shenhe District, Shenyang	Zhao Bushu (趙步抒)
186	Yingkou Liaohe Street Securities Business Department	No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Wei Chunmin (衛春敏)
187	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Tang Hongyu (湯宏宇)
188	Weifang Yingqian Street Securities Business Department	2/F, No. 107, Jiulong Building, No. 13291 Yingqian Street, Kuiwen District, Weifang, Shandong	Liu Longxin (劉隆鑫)
189	Linyi Suhe South Street Securities Business Department	Room 103, Building 1, No. 46-1, Suhe South Street, Lanshan District, Linyi, Shandong	Han Jianfei (韓建飛)
190	Dongying Beiyi Road Securities Business Department	E-106, No. 730, Beiyi Road, Dongying District, Dongying, Shangdong	Xu Yongjian (許永健)
191	Feicheng Xincheng Road Securities Business Department	No. 039, Xincheng Road, Feicheng, Shandong	Liu Shanshun (劉善順)
192	Jinan Quancheng Road Securities Business Department	No. 13, Quancheng Road, Lixia District, Jinan, Shandong	Yu Hongquan (于洪泉)
193	Jinan Hongjialou South Road Securities Business Department	No. 25, Hongjialou South Road, Jinan, Shandong	Zhou Xi (周熙)
194	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Jiao Xuefu (焦學福)
195	Qingdao Zhanshan First Road Securities Business Department	No. 25, Zhanshan First Road, Shinan District, Qingdao	Cui Ning (崔寧)
196	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Kong Liqian (孔力前)
197	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an, Shangdong	Xiang Ying (項穎)

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No.	Name of business department	Address	Person in charge
198	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai, Shangdong	Jiang Songtao (蔣松濤)
199	Yantai Jiefang Road Securities Business Department	No. 164, Jiefang Road, Zhifu District, Yantai	Wang Peng (王鵬)
200	Zaozhuang Yanshan Road Securities Business Department	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang, Shangdong	Li Kai (李開)
201	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong	Xu Yongjian (許永健)
202	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
203	Zibo Huantai Dongyue Road Securities Business Department	2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Huantai County, Zibo, Shandong	Zhang Yong (張勇)
204	Liaocheng Dongchang Road Securities Business Department	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong	Wang Pengfei (王鵬飛)
205	Jincheng Huanghua Street Securities Business Department	First Floor Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng Urban Area, Shanxi	Yang Yong (楊勇)
206	Taiyuan Xinjian Road Securities Business Department	No. 92, Xinjian Road, Taiyuan, Shanxi	Liu Hong (劉虹)
207	Taiyuan Jinci Road Securities Business Department	Commercial No. 1006, No.91, Jinci Road, Wanbailin District, Taiyuan	Feng Bing (馮冰)
208	Taiyuan North Street Securities Business Department	No. 109, North Street, Xinghualing District, Taiyuan	Du Yuqing (都玉清)
209	Taiyuan Pingyang Road Securities Business Department	No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi	Zhang Bin (張濱)
210	Datong Xiangyang Street Securities Business Department	No. 14, Xiangyang Street, Datong Urban Area	Li Wei (李瑋)
211	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji, Shaanxi	Yan Xiaojia (顏小佳)
212	Hanzhong Tianhan Avenue Securities Business Department	BOC Building, Tianhan Avenue, Hantai District, Hanzhong, Shaanxi	Wang Peng (王鵬)
213	Xi'an Xixin Street Securities Business Department	10/F (Nos. 11001 & 11002 of Building 1), Haixing Intelligent Square, No. 11, Xixin Street, Xincheng District, Xi'an	Zhao Chenguang (趙晨光)
214	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1, Shenxing North Road, Qingdu District, Xianyang	He Qian (何倩)
215	Yulin Yuyang Securities Business Department	Room 01, 3/F, No. 112, Shangjun North Road, Yuyang District, Yulin, Shaanxi	Chen Jian (陳劍)

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No.	Name of business department	Address	Person in charge
216	Yinchuan Wenhua West Street Securities Business Department	Room B07, 12/F, Block B, Yinchuan International Trade Center, No.106, Wenhua West Street, Xingqing District, Yinchuan	Wu Wei (武偉)
217	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Shanghai	Lin Jia (林佳)
218	Shanghai Huangpu District Fuzhou Road Securities Business Department	Nos. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road of Huangpu District, Shanghai	Du Jun (杜峻)
219	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758, Fuhai Road, Jiading District, Shanghai	Zhang Renci (張任慈)
220	Shanghai Pudong South Road Securities Business Department	1/F and units J, K, L, M, N, O of 25/F, No. 379, Pudong South Road, China (Shanghai) Pilot Free Trade Zone	Zhou Wei (周韡)
221	Shanghai Mudanjiang Road Securities Business Department	Nos. 263-265, Mudanjiang Road, Shanghai	Zhang Minghua (張明華)
222	Shanghai Gonghexin Road Securities Business Department	Room 101, No. 3703, Gonghexin Road, Zhabei District, Shanghai	Sun Min (孫敏)
223	Shanghai Zhongdeqiao Road Securities Business Department	No. 2, Zhongdeqiao Road, Shanghai	Cheng Lin (成琳)
224	Shanghai Putuo District Dahua First Road Securities Business Department	Rooms 101, 102, 103, 104, 1/F & Rooms 201 & 202, 2/F, No. 6, Lane 239, Dahua First Road, Putuo District, Shanghai	Xu Lan (徐嵐)
225	Shanghai Gushan Road Securities Business Department	1/F & 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Zhang Yingxia (張穎俠)
226	Shanghai Pudong New Area Century Avenue Securities Business Department	Room D, 1/F, No. 1777, Century Avenue, China (Shanghai) Pilot Free Trade Zone	Chen Hao (陳浩)
227	Shanghai Putuo District Yichuan Road Securities Business Department	1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai	Lou Gang (樓剛)
228	Shanghai Jianguo West Road Securities Business Department	No. 285, Jianguo West Road, Shanghai	Zhou Jie (周杰)
229	Shanghai Hongkou District Xinjian Road Securities Business Department	Ground floor & 2/F, Nos. 207 & 211, Xinjian Road, Hongkou District, Shanghai	Xie Wenbo (謝聞博)
230	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Yu Yonghao (于永浩)
231	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Putuo District, Shanghai	Du Shuang (杜霜)
232	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road	Si Anxiang (司安祥)
233	Shanghai Hefei Road Securities Business Department	No. 293, Hefei Road, Huangpu District, Shanghai	Wang Yi (王軼)
234	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Zhang Feng (張峰)

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No.	Name of business department	Address	Person in charge
235	Shanghai Yutian Branch Road Securities Business Department	1-3/F, No. 11, Yutian Branch Road, Shanghai	Lu Zhiquan (盧志泉)
236	Shanghai Jinshan District Weiqing West Road Securities Business Department	No. 612, Weiqing West Road, Jinshan District, Shanghai	Liao Dayu (廖達愉)
237	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, Fengxian District, Shanghai	Zhang Cheng (張成)
238	Shanghai Putuo District Tongchuan Road Securities Business Department	Rooms 102, 125 & 335-345, Nos. 1601-1613 (odd), Tongchuan Road, Putuo District, Shanghai	Xu Lan (徐嵐)
239	Shanghai Minhang District Wuzhong Road Securities Business Department	B101, 4/F, Building 6, No. 1059, Wuzhong Road, Minhang District, Shanghai	Shi Wei (史偉)
240	Shanghai Changning District Tianshan West Road Securities Business Department	1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai	Gu Hongman (谷紅漫)
241	Shanghai Xuhui District Liuzhou Road Securities Business Department	Rooms 109, 703-2, 704, No. 138, Liuzhou Road, Xuhui District, Shanghai	Mao Jiajun (茅佳俊)
242	Shanghai Putuo District Jinshajiang Road Securities Business Department of Haitong Securities Co., Ltd.	Shops 1-2 and 1-3-B, 1/F, No. 960, Jinshajiang Road, Putuo District, Shanghai	Yang Na (楊娜)
243	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road, Shanghai	Wang Yajun (王雅君)
244	Shanghai Songjiang District Renmin North Road Securities Business Department	Nos. 5, 6, 7 & 8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Song Lina (宋麗娜)
245	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Zheng Kunchang (鄭坤昌)
246	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Yao (張堯)
247	Shanghai Chongming District Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming District, Shanghai	Chen Hao (陳浩)
248	Shenzhen Bao'an Securities Business Department	1606 Tower A, Phase III, North District, Yifang Center, No. 99, Xinhua Road, N12 District, Haiwang Community, Xin'an Subdistrict, Bao'an District, Shenzhen	Yang Kenan (楊科南)
249	Shenzhen Haide Third Road Securities Business Department	Rooms 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
250	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Shen Zhijing (沈志敬)
251	Shenzhen Branch Huafu Road Securities Business Department	Room 500, Nanguang Building, No. 1004, Huafu Road, Huahang Community, Huaqiang North Road, Futian District, Shenzhen	Bao Weihua (包衛華)

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No.	Name of business department	Address	Person in charge
252	Shenzhen Branch Hongling South Road Securities Business Department	Shop B, 3/F, Podiums Nos. 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Luo Jianbin (羅建斌)
253	Shenzhen Jintian Road Securities Business Department	1603-1605, Building 1, Huanggang Business Centre/Excellence Century Centre, Southeast of the Junction of Fuhua 3rd Road and Jintian Road, Fushan Community, Futian Subdistrict, Futian District, Shenzhen	Huang Kun (黃琨)
254	Shenzhen Jingtian Road Securities Business Department	Room 201, Ruida Court, Jingtian Road, Lotus Subdistrict, Futian District, Shenzhen	Wang Lei (王磊)
255	Shenzhen Shennan Avenue Securities Business Department	Rooms 2912-2915, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉燁吉)
256	Shenzhen High-Tech Park Securities Business Department	1703, Building 1, Block 1, Dachong Business Center (Phase II), No. 9680, Shennan Avenue, Dachong Community, Yuehai Subdistrict, Nanshan District, Shenzhen	Lin Xinmeng (林新孟)
257	Shenzhen Meilin Road Securities Business Department	A1109, Zhuoyuehui, Excellence Meilin Central Plaza (South Area), No.126, Zhongkang Road, Meidu Community, Meilin Subdistrict, Futian District, Shenzhen	Nie Jing (聶靜)
258	Shenzhen Binhe Avenue Securities Business Department	1902, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen	Wang Feng (汪豐)
259	Shenzhen Longhua Securities Business Department	35#C, Zhongyang Yuanzhe Garden Cang Long Yuan, Daling Community, Minzhi Subdistrict, Longhua District, Shenzhen	Zhuang Yongxu (莊永許)
260	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu	Yang Zhou (楊洲)
261	Chengdu Jinfeng Road Securities Business Department	No. 201, 2/F, No. 1-1, Jinfeng Road, Qingyang District, Chengdu	Wang Jian (王劍)
262	Chengdu Jiaozi North Second Road Securities Business Department	1/F, No. 60, Jiaozi North 2nd Road, Hi-tech Zone, Chengdu	Lang Yanyan (郎妍妍)
263	Leshan Tongyue Road Securities Business Department	Room 1, Building 2, No. 26, Tongyue Road, Shizhong District, Leshan	Tan Yulong (譚喻隆)
264	Mianyang Changhong Avenue Securities Business Department	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	Liu Nian (劉念)
265	Zigong Dangui Street Securities Business Department	No. 407, 4/F, Taifeng Commercial Exhibition Center, No. 80, Dangui Street, Ziliujing District, Zigong, Sichuan	Chen Xuefeng (陳雪峰)

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No.	Name of business department	Address	Person in charge
266	Tianjin Shuishang Gongyuan East Road Securities Business Department	5/F, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	Li Liu (李柳)
267	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Urumqi	He Qun (何群)
268	Karamay Junggar Road Securities Business Department	No. 220, Junggar Road (Building 8, New World Commercial Street), Karamay, Xinjiang	Liu Cengceng (劉層層)
269	Shihezi Beiyi Road Securities Business Department	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Dong Weijun (董偉軍)
270	Dali Yuhua Road Securities Business Department	No. 13, Yuhua Road, Xiaguan Town, Dali, Dali Bai Autonomous Prefecture, Yunnan	Tong Wanlin (童婉琳)
271	Mile Ranweng Road Securities Business Department	Yixin Community Shop, Ranweng West Road, Mile, Honghe Prefecture, Yunnan	Chen Junjun (陳俊駿)
272	Jinghong Galan Middle Road Securities Business Department	No. 100, Galan Middle Road, Jinghong, Yunnan	Luo Yanping (羅艷萍)
273	Kunming Dongfeng West Road Securities Business Department	No. 162, Dongfeng West Road, Kunming	Zheng Li (鄭莉)
274	Kunming Hongjin Road Securities Business Department	No. 101, Unit 1, Block 26, Jiangdong Ankangyuan, Wuhua District, Kunming, Yunnan	Huang Fen (黃芬)
275	Lishui Jiefang Street Securities Business Department	No. 61, Jiefang Street, Liandu District, Lishui, Zhejiang	He Zheng (何崢)
276	Xinchang Kangfu Road Securities Business Department	Nos. 569, 571 & 573, Kangfu Road, Qixing Subdistrict, Xinchang County, Zhejiang	Zhang Minhua (張敏華)
277	Hangzhou Jiefang Road Securities Business Department	No. 138, Jiefang Road, Hangzhou, Zhejiang	Wang Zheng (汪崢)
278	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Xiacheng District, Hangzhou, Zhejiang	Qian Hang (錢杭)
279	Hangzhou Shixin North Road Securities Business Department	4/F, No. 36-7, Shixin North Road, Economic & Technological Development Area, Xiaoshan District, Hangzhou, Zhejiang	Yu Guoping (俞國平)
280	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District, Hangzhou, Zhejiang	Mu Miao (繆苗)
281	Huzhou Shaoxi West Road Securities Business Department	Nos. 277-281 (odd), Shaoxi West Road, Shaoxi Commercial & Residential Building 2, Wuxing District, Huzhou, Zhejiang	Fei Jianping (費建平)
282	Jiaxing Zhongshan West Road Securities Business Department	Nos. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
283	Ninbo Zhongshan East Road Securities Business Department	Room (2-1), No. 922, Zhongshan East Road, Yinzhou District, Ningbo, Zhejiang	Wang Yong (王甬)
284	Ningbo Jiefang North Road Securities Business Department	Nos. 136-148, Jiefang North Road, Haishu District, Ningbo	Mei Wensheng (梅文勝)
285	Cixi Bei'erhuan East Road Securities Business Department	Room 108, Nos. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Zhu Wenshuai (朱文帥)

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No.	Name of business department	Address	Person in charge
286	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Avenue, Baiguan Subdistrict, Shangyu District, Shaoxing, Zhejiang	Pan Wei (潘偉)
287	Shaoxing Laodong Road Securities Business Department	No. 158, Laodong Road, Shaoxing, Zhejiang	Xu Bin (徐斌)
288	Shengzhou Xiqian Street Securities Business Department	No. 89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
289	Wenzhou Jinxiu Road Securities Business Department	Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou	Zhu Lianyou (朱連有)
290	Yiwu Binwang Road Securities Business Department	1-3/F, No. 226, Binwang Road, Choucheng Street, Yiwu, Zhejiang	Pan Jingxia (潘靜霞)
291	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Yu Zhihao (俞智浩)
292	Zhuji Huancheng East Road Securities Business Department	No. 199, Huancheng East Road, Huandong Subdistrict, Zhuji, Zhejiang	Gao Hongming (高洪銘)
293	Jinhua Huixi Street Securities Business Department	No.196, Huixi Street, Chengbei Subdistrict, Wucheng District, Jinhua, Zhejiang	Wang Haiqin (汪海琴)
294	Taizhou Shifu Avenue Securities Business Department	Nos. 231, 233 & 235, Shifu Avenue, Taizhou, Zhejiang	Zheng Yawen (鄭雅文)
295	Hangzhou Jiefang East Road Fortune Financial Center Securities Business Department	Room 1007, Building 2, Fortune Financial Center, No. 37, Jiefang East Road, Jianggan District, Hangzhou, Zhejiang	Gao Jinxiao (高金嘯)
296	Hangzhou Jinhua South Road Securities Business Department	Room 510, Building 2, Ocean International Center, Gongshu District, Hangzhou, Zhejiang	Yang Yi (楊溢)
297	Chongqing Jinlong Road Securities Business Department	Unit 3-Business 4, Building 10, Caixin City International, No. 261-21, Jinlong Road, Longxi Street, Yubei District, Chongqing	Li Guojing (李國靜)
298	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yang Zhou (楊洲)
299	Chengdu Jinli Road Securities Business Department	No. 321, Jinli Road, Jinjiang District, Chengdu	Xu Dan (胥丹)
300	Nanchong Nanmen North Street Securities Business Department	No. 6, Nanmen North Street, Shunqing District, Nanchong, Sichuan	Zhao Lian (趙鏈)
301	Tianjin Qufu Avenue Securities Business Department	Unit 1306, 13/F, China Life Financial Centre, No. 38, Qufu Avenue, Xiaobailou Street, Heping District, Tianjin	Wang Qian (王倩)
302	Dongguan Humen Liansheng Road Securities Business Department	Room 101, No. 86, Liansheng Road, Humen Town, Dongguan, Guangdong	Chen Jinhui (陳進煒)

## Appendix III

**INFORMATION ABOUT THE ESTABLISHMENT AND DISPOSAL OF BRANCH OFFICES  
(BRANCHES AND BUSINESS DEPARTMENTS)****1. Establishment of branch offices**

<b>No.</b>	<b>Name of new branch office</b>	<b>Address of new branch office</b>	<b>Date of establishment</b>
1	Chongqing branch of Haitong Securities Co., Ltd.	4-8, 4-9, No. 2, Qingyun Road, Jiangbei District, Chongqing	12 February 2020
2	Tianjin branch of Haitong Securities Co., Ltd.	503, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	12 February 2020
3	Chengdu Jinli Road Securities Business Department of Haitong Securities Co., Ltd.	No. 321, Jinli Road, Jinjiang District, Chengdu	12 February 2020
4	Nanchong Nanmen North Street Securities Business Department of Haitong Securities Co., Ltd.	No. 6, Nanmen North Street, Shunqing District, Nanchong, Sichuan	12 February 2020
5	Tianjin Qufu Avenue Securities Business Department of Haitong Securities Co., Ltd.	Unit 1306, 13/F, China Life Financial Centre, No. 38, Qufu Avenue, Xiaobailou Street, Heping District, Tianjin	12 February 2020
6	Dongguan Humen Liansheng Road Securities Business Department of Haitong Securities Co., Ltd.	Room 101, No. 86, Liansheng Road, Humen Town, Dongguan, Guangdong	12 February 2020



## Appendix III

### 2. Information about relocation of branch offices

No.	Name of branch office before relocation	Name of branch office after relocation	New address	Date of relocation
1	Gansu branch of Haitong Securities Co., Ltd.	Gansu branch of Haitong Securities Co., Ltd.	3/F, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	19 March 2020
2	Yunnan branch of Haitong Securities Co., Ltd.	Yunnan branch of Haitong Securities Co., Ltd.	Nos. 3-4, 22/F, Spring City 66, No. 23 Dongfeng East Road, Panlong District, Kunming, Yunnan	2 April 2020
3	Shenzhen branch of Haitong Securities Co., Ltd.	Shenzhen branch of Haitong Securities Co., Ltd.	6101, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen	20 May 2020
4	Jiangxi branch of Haitong Securities Co., Ltd.	Jiangxi branch of Haitong Securities Co., Ltd.	Rooms 1803, 1804, Bojin Centre, No. 777, Jinrong Street, Honggutan New Area, Nanchang, Jiangxi	20 May 2020
5	Jiangsu branch of Haitong Securities Co., Ltd.	Jiangsu branch of Haitong Securities Co., Ltd.	Rooms 2303-2306, 2307-2308, Siya Zhidi Plaza, No. 55, Hongwu North Road, Xuanwu District, Nanjing, Jiangsu	27 September 2020
6	Xining Wusi West Road Securities Business Department of Haitong Securities Co., Ltd.	Xining Wenjing Street Securities Business Department of Haitong Securities Co., Ltd.	1/F, Building A, Qinghai Guotou Plaza, No. 32, Wenjing Street, Chengxi District, Xining, Qinghai	14 January 2020
7	Shenzhen Meilin Road Securities Business Department of Haitong Securities Co., Ltd.	Shenzhen Meilin Road Securities Business Department of Haitong Securities Co., Ltd.	A1109, Zhuoyuehui, Excellence Meilin Central Plaza (South Area), No.126, Zhongkang Road, Meidu Community, Meilin Subdistrict, Futian District, Shenzhen	19 February 2020
8	Hangzhou Wenhua Road Securities Business Department of Haitong Securities Co., Ltd.	Hangzhou Shixin North Road Securities Business Department of Haitong Securities Co., Ltd.	4/F, No. 36-7, Shixin North Road, Economic & Technological Development Area, Xiaoshan District, Hangzhou, Zhejiang	15 May 2020
9	Weifang Dongfeng West Street Securities Business Department of Haitong Securities Co., Ltd.	Weifang Yingqian Street Securities Business Department of Haitong Securities Co., Ltd.	2/F, No. 107, Jiulong Building, No. 13291 Yingqian Street, Kuiwen District, Weifang, Shandong	20 May 2020
10	Huizhou Yanda First Road Securities Business Department of Haitong Securities Co., Ltd.	Huizhou Huishadi Second Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 31 & 32, 1/F, Building 14, Yuehuhui Garden, No. 86, Huishadi Second Road, Henan Riverbank, Huicheng District, Huizhou, Guangdong	27 May 2020
11	Harbin Changjiang Road Securities Business Department of Haitong Securities Co., Ltd.	Harbin Changjiang Road Securities Business Department of Haitong Securities Co., Ltd.	1-3/F, No. 109, Changjiang Road, Nangang Jizhong District, Economic Development District, Harbin	4 June 2020
12	Qinzhou Zicai West Street Securities Business Department of Haitong Securities Co., Ltd.	Qinzhou Zicai East Street Securities Business Department of Haitong Securities Co., Ltd.	Shops 1-31-32, 1/F, Sunny Manhattan, No. 4, Zicai East Street, Qinzhou	9 July 2020

## Appendix III

No.	Name of branch office before relocation	Name of branch office after relocation	New address	Date of relocation
13	Jiaozuo Tanan Road Securities Business Department of Haitong Securities Co., Ltd.	Jiaozuo Renmin Road Securities Business Department of Haitong Securities Co., Ltd.	Shop No.8, 1/F, Commercial and Residential Building No. 1, Jiaozuo Nongxin Community, No. 889, Minzhu South Road, Jiefang District, Jiaozuo	22 July 2020
14	Suihua Anda Niu Street Securities Business Department of Haitong Securities Co., Ltd.	Suihua Anda Niu Street Securities Business Department of Haitong Securities Co., Ltd.	Business Outlet 1, East of Youdian Community West, Anda, Suihua, Heilongjiang	23 July 2020
15	Heihe Nenjiang Nenxing Road Securities Business Department of Haitong Securities Co., Ltd.	Heihe Nenjiang Nenxing Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 59 and 61, Nenxing Road, Nenjiang City, Heihe, Heilongjiang	27 July 2020
16	Daqing Jingliu Street Securities Business Department of Haitong Securities Co., Ltd.	Daqing Jianshe Road Securities Business Department of Haitong Securities Co., Ltd.	No. 51-6, Jianshe Road, Sa'ertu District, Daqing, Heilongjiang	17 August 2020
17	Zhengzhou Hanghai East Road Securities Business Department of Haitong Securities Co., Ltd.	Zhengzhou 8th Avenue Securities Business Department of Haitong Securities Co., Ltd.	No. 102-11, 8th Avenue, Zhengzhou Economic and Technological Development Zone	21 August 2020
18	Shaoyang Minzhou Road Securities Business Department of Haitong Securities Co., Ltd.	Shaoyang Xihu Road Securities Business Department of Haitong Securities Co., Ltd.	1/F & 3/F, Guotu Building, No. 474, Xihu Road, Daxiang District, Shaoyang	25 August 2020
19	Shanghai Putuo District Zaoyang Road Securities Business Department of Haitong Securities Co., Ltd.	Shanghai Putuo District Jinshajiang Road Securities Business Department of Haitong Securities Co., Ltd.	Shops 1-2 and 1-3-B, 1/F, No. 960, Jinshajiang Road, Putuo District, Shanghai	26 August 2020
20	Yichun Xinxing Middle Road Securities Business Department of Haitong Securities Co., Ltd.	Yichun Xinwei Street Securities Business Department of Haitong Securities Co., Ltd.	1-6/F, Post Construction Department, north side of ICBC Office Building, No. 256, Xinwei Street, Qianjin Office, Yichun District, Yichun, Heilongjiang	31 August 2020
21	Chuzhou Tianchang East Road Securities Business Department of Haitong Securities Co., Ltd.	Chuzhou Huifeng Road Securities Business Department of Haitong Securities Co., Ltd.	Room 103-11-14, Building 1, No.1899, Fengle Avenue (Changjiang Trade City), Chuzhou, Anhui	3 September 2020
22	Tongling Changjiang Middle Road Securities Business Department of Haitong Securities Co., Ltd.	Tongling Beijing West Road Securities Business Department of Haitong Securities Co., Ltd.	No. 6, 1/F, Building 2-B2, Beidou Star City, Tongling, Anhui	3 September 2020
23	Shenzhen Baoyuan Road Securities Business Department of Haitong Securities Co., Ltd.	Shenzhen Bao'an Securities Business Department of Haitong Securities Co., Ltd.	1606 Tower A, Phase III, North District, Yifang Center, No. 99, Xinhua Road, N12 District, Haiwang Community, Xin'an Subdistrict, Bao'an District, Shenzhen	3 September 2020
24	Taicang Renmin South Road Securities Business Department of Haitong Securities Co., Ltd.	Taicang Shanghai West Road Securities Business Department of Haitong Securities Co., Ltd.	No. 1-1, 1-2, Shanghai West Road, Chengxiang Town, Taicang	14 September 2020
25	Xinchang Qixing Road Securities Business Department of Haitong Securities Co., Ltd.	Xinchang Kangfu Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 569, 571 & 573, Kangfu Road, Qixing Subdistrict, Xinchang County, Zhejiang	17 September 2020

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No.	Name of branch office before relocation	Name of branch office after relocation	New address	Date of relocation
26	Xinchang Kangfu Road Securities Business Department of Haitong Securities Co., Ltd.	Zhuji Huancheng East Road Securities Business Department of Haitong Securities Co., Ltd.	No. 199, Huancheng East Road, Huandong Subdistrict, Zhuji, Zhejiang	17 September 2020
27	Shangqiu Minzhu Road Securities Business Department of Haitong Securities Co., Ltd.	Shangqiu Shenhua Avenue Securities Business Department of Haitong Securities Co., Ltd.	Room 53, Sheraton, west of Shenhua Avenue and north of Wenhua Road, Liangyuan District, Shangqiu	23 September 2020
28	Huizhou Huishadi Second Road Securities Business Department of Haitong Securities Co., Ltd.	Suzhou Luxiang South Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 2328, 2330 & 2332, Luxiang South Road, East Taihu Eco Tourism Resort (Taihu New Town), Wujiang District, Suzhou	27 September 2020
29	Lishui Chengdong Road Securities Business Department of Haitong Securities Co., Ltd.	Lishui Jiefang Street Securities Business Department of Haitong Securities Co., Ltd.	No. 61, Jiefang Street, Liandu District, Lishui, Zhejiang	29 September 2020
30	Sanming Liedong Street Securities Business Department of Haitong Securities Co., Ltd.	Sanming Liedong Street Securities Business Department of Haitong Securities Co., Ltd.	Shop 15 on the first floor and Shop 5 on the second floor of Building 3, Jiangbin Square, Meilie District, Sanming, Fujian	13 October 2020
31	Foshan Shunde Xinning Road Securities Business Department of Haitong Securities Co., Ltd.	Foshan Shunde Dongle Road Securities Business Department of Haitong Securities Co., Ltd.	No. 2001-1, Block 1, Wanbang Commercial Plaza, No. 266, Dongle Road, Fuyou Community, Daliang Subdistrict, Shunde District, Foshan, Guangdong	20 October 2020
32	Kunshan Tongfeng Road Securities Business Department of Haitong Securities Co., Ltd.	Kunshan Qianjin Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 53 and 55 Qianjin Road, Yushan Town, Kunshan	23 October 2020
33	Taizhou Shifu Avenue Securities Business Department of Haitong Securities Co., Ltd.	Taizhou Shifu Avenue Securities Business Department of Haitong Securities Co., Ltd.	Nos. 231, 233 & 235, Shifu Avenue, Taizhou, Zhejiang	13 November 2020
34	Anqing Huxin North Road Securities Business Department of Haitong Securities Co., Ltd.	Anqing Huxin North Road Securities Business Department of Haitong Securities Co., Ltd.	Room 1, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui	13 November 2020
35	Jingdezhen Cidu Avenue Securities Business Department of Haitong Securities Co., Ltd.	Jingdezhen Jiefang Road Securities Business Department of Haitong Securities Co., Ltd.	Shop 16A, Building 2, International Trade Plaza, Jiefang Road, Zhushan District, Jingdezhen, Jiangxi	24 November 2020
36	Yichun Yuanshan Middle Road Securities Business Department of Haitong Securities Co., Ltd.	Yichun Yuanshan East Road Securities Business Department of Haitong Securities Co., Ltd.	Nos. 1-8, -1/F, Jiachen Building 1, No. 166-8, Yuanshan East Road, Yuanzhou District, Yichun, Jiangxi	24 December 2020

## Appendix III

## CESSATION OF BRANCH OFFICES

<b>No.</b>	<b>Name of branch office closed</b>	<b>Address of branch office closed</b>	<b>Date of announcement</b>
1	Shanghai Xuanhua Road Securities Business Department of Haitong Securities Co., Ltd.	Rooms 709-711, No. 300, Xuanhua Road, Changning District, Shanghai	4 September 2020

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**Haitong Securities Co., Ltd.**  
(Incorporated in the People's Republic of China with limited liability)

### OPINION

#### What we have audited

The consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 277 to 468, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of total comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

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") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Provision of expected credit loss for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements
- Consolidation of structured entities
- Valuation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income classified as Level 3 Financial Instruments

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
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<p><b>(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements:</b></p>	
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Refer to Note 25 & 26 & 31 & 39 to the consolidated financial statements

As at 31 December 2020, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements are RMB75,153 million, RMB59,761 million, RMB49,929 million and RMB35,692 million respectively, with credit impairment loss allowance of RMB2,085 million, RMB1,795 million, RMB1,518 million, and RMB477 million provided accordingly. The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2020 is RMB3,373 million.

The credit loss allowances as at 31 December 2020 for the aforesaid financial assets represented Management's best estimates of the ECL in accordance with International Financial Reporting Standard 9: "Financial Instruments".

We obtained an understanding of Management's assessment process of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity and sensitivity to potential material misstatement caused by management bias or fraud in the estimation.

We evaluated and tested the Group's internal controls relating to the measurement of ECL for the aforesaid financial assets, which included:

- |   |  |
|---|--|
| <p>(i) Governance over ECL models, including the selection and approval of methodologies and models; and the ongoing monitoring and fine tuning of such models;</p> |  |
|---|--|

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

**(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)**

Management applied a three-stage impairment model to calculate the ECL for the aforesaid financial assets. For financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowance by estimating the future cash flows after taking into consideration forward looking factors.

Management assesses the credit allowances for the aforesaid financial assets at each reporting date. The measurement model for ECL involves significant management judgements and assumptions, primarily including:

- (i) Selection of the appropriate models and parameters;
- (ii) Determination of the criteria for significant increase in credit risk ("SICR"), credit defaults and credit impairment;
- (iii) Projection of macroeconomic variables for forward looking scenarios and probability weightings.

The Group has established governance processes and controls over the measurement of ECL.

- (ii) Review and approval of significant management judgements and assumptions, including the criteria for SICR, credit default and credit impairment; and the use of economic indicators for forward-looking measurement, and relative weighting for forward-looking scenarios;
- (iii) Internal controls over the completeness and accuracy of key data inputs used by the models.

In addition, we also performed the following procedures:

- (i) We examined the ECL modelling methodologies and assessed their reasonableness. We also evaluated whether the underlying coding for the models reflected the methodologies established by Management;
- (ii) We examined on a sample basis, the quantity, nature and fair value of the collateral under advances to customers on margin financing and financial assets held under resale agreements with further reviews on the collateral ratio and the backstop past due days defined by Management; examined on a sample basis finance lease receivables and receivables arising from sale and leaseback arrangements, with further reviews on the credit analysis performed by Management based on the operating and financial information of the debtors, type of collaterals or guarantors; evaluated the appropriateness of the determination of the criteria for the SICR, credit default and credit impairment for these financial assets;

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

**(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)**

The Group applied significant management judgements in measuring the ECL and the amounts involved were significant to the Group's financial statements. This led to this matter being identified as a key audit matter.

(iii) We examined major data inputs to the ECL models on a sample basis, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For forward-looking measurement, we used statistical methods to evaluate Management's selection of economic indicators and their correlation analysis with credit risk portfolios. We assessed the reasonableness of the predictive economic indicators and performed sensitivity analysis of economic indicators and weightings;

(iv) For credit-impaired assets under Stage 3, we examined, on a sample basis, forecasted future cash flows prepared by Management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of credit impairment loss allowance.

Based on the procedures performed, the models, key parameters, significant judgements and assumptions adopted by Management in the provision of ECL for these assets and the measurement results were considered acceptable.



## INDEPENDENT AUDITOR'S REPORT

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><b>(2) Consolidation of structured entities:</b></p> <p>Refer to Note 67 Interest in Consolidated Structured Entities to the consolidated financial statements</p> <p>The Group acted as asset manager for, or invested in, a number of structured entities.</p> <p>Management made significant judgements when concluding on whether the Group controlled, and therefore should consolidate these structured entities.</p> <p>Management has determined that the Group had control of certain structured entities based on their assessment of the Group's power over the entities, its exposure to variable returns from its involvement with those entities and its ability to use its power to affect the amount of its returns from these structured entities. The aggregated carrying value of all consolidated structured entities directly held by the Group amounted to RMB27,879 million as at 31 December 2020.</p> <p>The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of such structured entities on the consolidated statement of financial position of the Group resulted in this matter being identified as a key audit matter.</p>	<p>Our procedures in relation to the assessment of the consolidation scope of structured entities included:</p> <p>We evaluated and tested the effectiveness of key controls of Management related to the consolidation of structured entities;</p> <p>We reviewed, on a sample basis, the contracts from the Group's asset management and investment portfolio to assess the extent of power the Group had over its structured entities; the Group's exposure or rights to variable returns from its involvement with those structured entities; and the relationship between the Group's power and returns with respect to the structured entities.</p> <p>We traced, on a sample basis, the data used by Management in the quantitative assessment of the Group's variable return exposures back to the applicable contracts and other supporting financial information, and re-performed the mathematical computations to examine the accuracy of the Group's variable return exposures.</p> <p>Based on the procedures performed above, the judgements made by Management when concluding the structured entities for consolidation were considered acceptable.</p>

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

**(3) Valuation of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("debt instruments at FVTOCI") classified as Level 3 Financial Instruments:**

Refer to Note 74 Financial Risk Management to the consolidated financial statements

As at 31 December 2020, the Group's FVTPL and debt instruments at FVTOCI classified as Level 3 financial instrument in the fair value hierarchy ("Level 3 Financial Instruments"), were RMB26,159 million and RMB3,100 million, respectively. The fair value of these Level 3 Financial Instruments was measured using valuation techniques that involve significant inputs that were not based on observable market data. These unobservable inputs included liquidity discounts, risk adjusted discount rates, adjusted volatility and market multipliers, etc.

Valuation of the FVTPL and debt instruments at FVTOCI classified as Level 3 Financial Instruments was identified as a key audit matter given the size and the significant judgements required in the use of valuation models, critical assumptions and unobservable inputs in the valuation process of these Level 3 Financial Instruments.

We obtained an understanding of Management's process of valuation of Level 3 Financial Instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity involved and sensitivity to potential material misstatements caused by management bias or fraud in the estimation.

We evaluated and tested the design and the operating effectiveness of the Group's internal controls over the use, data input and ongoing fine-tuning of valuation models and critical estimates for the valuation of these Level 3 Financial Instruments.

We evaluated the appropriateness of the models used by Management for the valuation of Level 3 Financial Instruments based on our knowledge of current industry practice.

We also evaluated, on a sample basis, the reasonableness of the significant assumptions and the accuracy of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed, on a sample basis, an independent valuation of the Level 3 Financial Instruments and compared our results with the Group's valuation results.

Based on the procedures performed above, the valuation models and inputs used in the valuation of Level 3 Financial Instruments by Management were considered acceptable.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wai, Jimmy.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>			
– Commission and fee income	6	17,387,414	12,628,260
– Interest income	7	13,975,952	13,631,113
– Finance lease income	7	3,932,863	4,552,042
– Investment income and gains (net)	8	11,076,986	11,450,319
		<b>46,373,215</b>	42,261,734
Other income and gains	9	7,903,985	9,290,378
<b>Total revenue, gains and other income</b>		<b>54,277,200</b>	51,552,112
Depreciation and amortisation	10	(1,363,882)	(1,128,068)
Staff costs	11	(7,656,682)	(7,313,379)
Commission and fee expenses	12	(3,535,266)	(2,698,904)
Interest expenses	13	(13,018,271)	(14,035,306)
Impairment losses under expected credit loss model	14	(4,586,225)	(2,847,410)
Impairment losses on other assets		(10,923)	(16,447)
Other expenses	15	(8,891,658)	(9,790,321)
<b>Total expenses</b>		<b>(39,062,907)</b>	(37,829,835)
Share of results of associates and joint ventures		543,017	149,644
<b>Profit before income tax</b>		<b>15,757,310</b>	13,871,921
Income tax expense	16	(3,720,081)	(3,331,258)
<b>Profit for the year</b>		<b>12,037,229</b>	10,540,663
<b>Attributable to:</b>			
Shareholders of the Company		10,875,396	9,523,248
Non-controlling interests		1,161,833	1,017,415
		<b>12,037,229</b>	10,540,663
<b>Earnings per share (Expressed in RMB per share)</b>			
– Basic	17	0.90	0.83
– Diluted	17	0.90	0.83

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	12,037,229	10,540,663
<b>Other comprehensive income:</b>		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit obligations	(340)	(28,705)
Fair value gains on equity instruments measured at fair value through other comprehensive income	268,174	790,998
Income tax impact	(71,531)	(198,760)
Subtotal	196,303	563,533
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(652,140)	29,041
Fair value (losses)/gains on hedging instrument designated in cash flow hedges	(74,696)	2,502
Fair value (losses)/gains on hedges of net investments in foreign operations	(293,331)	94,155
Fair value (losses)/gains on debt instruments measured at fair value through other comprehensive income		
– Net fair value changes during the year	(183,103)	(566,680)
– Reclassification adjustment to profit or loss on disposal	(51,587)	(34,593)
– Reclassification adjustment to profit or loss for expected credit loss	259,494	461,704
– Income tax relating to components of other comprehensive income	(4,392)	39,391
Share of other comprehensive income of associates and joint ventures, net of related income tax	(34,727)	71,043
Subtotal	(1,034,482)	96,563
Other comprehensive income for the year (net of tax)	(838,179)	660,096
<b>Total comprehensive income for the year</b>	<b>11,199,050</b>	<b>11,200,759</b>
<b>Attributable to:</b>		
Shareholders of the Company	11,090,942	9,858,692
Non-controlling interests	108,108	1,342,067
	<b>11,199,050</b>	<b>11,200,759</b>
<b>Total comprehensive income for the period attributable to shareholders of the company arises from:</b>		
Continuing operations	11,226,584	11,218,677
Discontinued operations	(27,534)	(17,918)
	<b>11,199,050</b>	<b>11,200,759</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Non-current assets</b>			
Property and equipment	18	15,109,289	6,714,638
Right-of-use assets	19	1,811,328	1,774,060
Investment properties	20	111,592	176,839
Goodwill	21	3,884,910	4,134,434
Other intangible assets	22	551,964	546,059
Investments accounted for using equity method	24	4,428,307	4,942,938
Finance lease receivables	25	20,751,276	24,786,256
Receivables arising from sale and leaseback arrangements	26	20,132,302	13,148,660
Equity instruments at fair value through other comprehensive income	27	16,239,187	15,783,978
Debt instruments at fair value through other comprehensive income	28	11,873,648	7,551,256
Debt instruments measured at amortised cost	29	2,241,831	2,624,093
Financial assets at fair value through profit or loss	30	26,145,088	21,562,385
Financial assets held under resale agreements	31	2,195,793	17,137,937
Other loans and receivables	32	3,235,445	4,761,754
Loans and advances	33	2,775,492	2,695,362
Deferred tax assets	34	4,282,160	3,143,086
Deposits with exchanges	35	166,688	1,152,342
Restricted bank balances and cash	36	1,288,296	966,912
Other non-current assets	38	996,613	1,787,754
<b>Total non-current assets</b>		<b>138,221,209</b>	<b>135,390,743</b>
<b>Current assets</b>			
Advances to customers on margin financing	39	73,067,592	52,797,926
Accounts receivable	40	8,410,000	9,752,377
Finance lease receivables	25	27,660,127	28,155,387
Receivables arising from sale and leaseback arrangements	26	15,082,174	8,795,032
Debt instruments at fair value through other comprehensive income	28	1,234,515	3,602,965
Debt instruments measured at amortised cost	29	1,521,668	–
Financial assets at fair value through profit or loss	30	194,251,416	198,030,685
Derivative financial assets	41	1,837,912	1,516,496
Financial assets held under resale agreements	31	55,769,601	40,347,256
Other loans and receivables	32	16,884,562	20,222,329
Loans and advances	33	1,044,635	611,826
Other current assets	42	3,446,643	3,215,757
Placements to banks and other financial institutions		22,619	90,085
Deposits with exchanges	35	17,208,163	9,603,759
Clearing settlement funds	43	11,852,301	8,611,101
Deposits with central banks	44	3,716,130	4,783,145
Deposits with other banks	44	258,664	204,669
Bank balances and cash	36	122,583,420	111,062,093
<b>Total current assets</b>		<b>555,852,142</b>	<b>501,402,888</b>
<b>Total assets</b>		<b>694,073,351</b>	<b>636,793,631</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Current liabilities</b>			
Borrowings	45	59,132,650	57,040,864
Short-term financing bills payables	46	25,718,523	32,206,855
Bonds payable	47	36,233,688	43,699,917
Accounts payable to brokerage clients	48	108,167,568	87,464,142
Customer accounts	49	4,413,388	2,873,637
Contract liabilities	50	131,039	182,998
Other payables and accruals	51	21,187,155	17,748,106
Lease liabilities	19	352,544	372,395
Provisions	52	141,084	75,080
Tax liabilities		2,986,567	1,976,794
Financial liabilities at fair value through profit or loss	53	22,226,074	26,211,555
Derivative financial liabilities	41	2,672,279	2,170,599
Financial assets sold under repurchase agreements	54	60,563,433	68,877,678
Placements from banks and other financial institutions	55	12,059,685	14,421,611
Deposits from central banks		887,565	171,941
Deposits from other banks	56	63,104	3,099
<b>Total current liabilities</b>		<b>356,936,346</b>	355,497,271
<b>Net current assets</b>		<b>198,915,796</b>	145,905,617
<b>Total assets less current liabilities</b>		<b>337,137,005</b>	281,296,360
<b>Non-current liabilities</b>			
Long-term payables	61	8,005,920	8,109,336
Deferred tax liabilities	34	698,134	251,079
Long-term borrowings	45	33,597,907	31,084,259
Bonds payable	47	111,604,522	89,042,454
Other payables and accruals	51	1,382,286	996,696
Financial liabilities at fair value through profit or loss	53	10,012,227	3,874,411
Lease liabilities	19	699,869	618,479
Placements from banks and other financial institutions	55	3,009,828	6,200,903
<b>Total non-current liabilities</b>		<b>169,010,693</b>	140,177,617
<b>Total liabilities</b>		<b>525,947,039</b>	495,674,888

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Equity</b>			
Share capital	57	<b>13,064,200</b>	11,501,700
Capital reserve		<b>74,888,284</b>	56,526,247
Revaluation reserve	58	<b>282,378</b>	114,007
Translation reserve		<b>(932,948)</b>	(1,002,905)
General reserves	59	<b>24,924,156</b>	22,092,447
Retained earnings	59	<b>41,222,398</b>	36,859,497
<b>Equity attributable to shareholders the company</b>		<b>153,448,468</b>	126,090,993
Non-controlling interests		<b>14,677,844</b>	15,027,750
<b>Total equity</b>		<b>168,126,312</b>	141,118,743
<b>Total equity and liabilities</b>		<b>694,073,351</b>	636,793,631

The consolidated financial statements on pages 277 to 468 were approved and authorised for issue by the Board of Directors on 30 March 2021 and signed on its behalf by:

\_\_\_\_\_  
*Chairman of Board*

\_\_\_\_\_  
*Executive Director and  
General Manager*

\_\_\_\_\_  
*Chief Financial Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Capital Reserve	Revaluation reserves	Translation and other reserve	General reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>As at 1 January 2020</b>	11,501,700	56,526,247	114,007	(1,002,905)	22,092,447	36,859,497	126,090,993	15,027,750	141,118,743	
Profit for the year	-	-	-	-	-	10,875,396	10,875,396	1,161,833	12,037,229	
Other comprehensive income for the year	-	-	145,589	69,957	-	-	215,546	(1,053,725)	(838,179)	
<b>Total comprehensive income for the year</b>	-	-	145,589	69,957	-	10,875,396	11,090,942	108,108	11,199,050	
Shares issued by the parent company	1,562,500	18,286,436	-	-	-	-	19,848,936	-	19,848,936	
Other equity instruments issued by a subsidiary (Note 60)	-	-	-	-	-	-	-	286,500	286,500	
Appropriation to general reserve	-	-	-	-	2,831,709	(2,831,709)	-	-	-	
Cash dividend recognised as distribution (Note 65)	-	-	-	-	-	(3,657,976)	(3,657,976)	-	(3,657,976)	
Distribution to non-controlling interests and other equity instruments holders	-	74,564	-	-	-	-	74,564	(449,464)	(374,900)	
Share-based payments of a subsidiary	-	1,037	-	-	-	-	1,037	41,459	42,496	
Repurchase of shares of subsidiary	-	-	-	-	-	-	-	(210,361)	(210,361)	
Disposal of equity instruments at fair value through other comprehensive income	-	-	22,782	-	-	(22,782)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	(126,176)	(126,176)	
Others	-	-	-	-	-	(28)	(28)	28	-	
<b>As at 31 December 2020</b>	13,064,200	74,888,284	282,378	(932,948)	24,924,156	41,222,398	153,448,468	14,677,844	168,126,312	

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to shareholders of the Company								
	Share capital	Capital Reserve	Revaluation reserves	Translation and other reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2019</b>	11,501,700	56,405,921	(400,148)	(803,870)	19,819,343	31,300,206	117,823,152	12,324,468	130,147,620
Profit for the year	-	-	-	-	-	9,523,248	9,523,248	1,017,415	10,540,663
Other comprehensive income for the year	-	-	534,479	(199,035)	-	-	335,444	324,652	660,096
<b>Total comprehensive income for the year</b>	-	-	534,479	(199,035)	-	9,523,248	9,858,692	1,342,067	11,200,759
H shares issued by a subsidiary	-	(86,898)	-	-	-	-	(86,898)	2,060,672	1,973,774
Redemption of convertible bond	-	111,943	-	-	-	-	111,943	(111,943)	-
Shares issued under convertible bond and share option schemes of a subsidiary (Note 71)	-	4,131	-	-	-	-	4,131	2,119	6,250
Appropriation to general reserve	-	-	-	-	2,273,104	(2,273,104)	-	-	-
Cash dividend recognised as distribution (Note 65)	-	-	-	-	-	(1,725,255)	(1,725,255)	-	(1,725,255)
Distribution to non-controlling interests and other equity instruments holders	-	-	-	-	-	12,516	12,516	(486,557)	(474,041)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	43,887	43,887
Repurchase of shares of subsidiary	-	91,450	-	-	-	-	91,450	(162,180)	(70,730)
Disposal of equity instruments at fair value through other comprehensive income	-	-	(20,324)	-	-	20,324	-	-	-
Changes in non-controlling interests	-	(300)	-	-	-	-	(300)	16,779	16,479
Others	-	-	-	-	-	1,562	1,562	(1,562)	-
<b>As at 31 December 2019</b>	11,501,700	56,526,247	114,007	(1,002,905)	22,092,447	36,859,497	126,090,993	15,027,750	141,118,743

*Note:* Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	<b>15,757,310</b>	13,871,921
Adjustments for		
Interest expenses	<b>13,018,271</b>	14,035,306
Share of results of associates and joint ventures	<b>(543,017)</b>	(149,644)
Depreciation and amortisation	<b>1,363,882</b>	1,128,068
Impairment losses under expected credit loss model	<b>4,586,225</b>	2,847,410
Impairment losses of other assets	<b>10,923</b>	16,447
Share-based payment of a subsidiary	<b>41,459</b>	43,887
Losses on disposal of property and equipment and other intangible assets	<b>3,666</b>	4,792
Foreign exchange gains, net	<b>(211,406)</b>	(243,053)
Interest income from debt instruments at fair value through other comprehensive income	<b>(466,824)</b>	(618,077)
Interest income from debt instruments measured at amortised cost	<b>(36,900)</b>	(42,364)
Dividend income arising from equity instruments at fair value through other comprehensive income	<b>(42,927)</b>	(996,847)
Net gains arising from debt instruments at fair value through other comprehensive income	<b>(14,485)</b>	(34,593)
Net realised gains and income arising from financial assets at fair value through profit or loss	<b>(191,259)</b>	(130,604)
Fair value change of financial instruments at fair value through profit or loss	<b>(1,270,742)</b>	(2,369,068)
Others	<b>(38,131)</b>	(31,996)
<b>Operating cash flows before movements in working capital</b>	<b>31,966,045</b>	27,331,585

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Increase in finance lease receivables and receivables arising from sale and leaseback arrangements	<b>(7,663,393)</b>	(14,221,120)
Decrease/(Increase) in financial assets at fair value through profit or loss and derivative financial assets	<b>4,567,179</b>	(39,320,481)
(Increase)/Decrease in financial assets held under resale agreements	<b>(1,344,558)</b>	24,837,986
Decrease/(Increase) in other loans and receivables	<b>3,928,030</b>	(5,642,387)
(Increase)/Decrease in loans and advances	<b>(604,239)</b>	1,449,321
Increase in advances to customers on margin financing	<b>(21,246,715)</b>	(4,459,932)
Decrease/(Increase) in accounts receivables and other current assets	<b>1,962,061</b>	(2,840,571)
Decrease/(Increase) in placements to banks and other financial institutions	<b>64,490</b>	(58,772)
Increase in deposits with exchanges	<b>(6,618,751)</b>	(3,624,767)
Decrease/(Increase) in deposit with central banks	<b>17,867</b>	(4,881)
(Increase)/Decrease in restricted bank deposits	<b>(718,575)</b>	153,274
Increase in cash held on behalf of clients	<b>(17,237,839)</b>	(14,499,516)
Increase in accounts payable to brokerage clients and other payables and accruals	<b>23,316,400</b>	22,770,279
Increase in customer accounts	<b>1,539,751</b>	713,311
Decrease in contract liabilities	<b>(51,959)</b>	(101,007)
Increase/(Decrease) in provisions	<b>83,268</b>	(58,122)
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	<b>2,315,850</b>	3,833,456
(Decrease)/Increase in financial assets sold under repurchase agreements	<b>(8,907,430)</b>	12,412,951
(Decrease)/Increase in placements from banks and other financial institutions	<b>(5,553,001)</b>	5,879,580
Increase/(Decrease) in deposit from central banks	<b>715,624</b>	(298,897)
Increase in deposit from other banks	<b>60,005</b>	(16,851)
Cash from operations	<b>590,110</b>	14,234,439
Income taxes paid	<b>(3,501,661)</b>	(2,958,400)
Interest paid	<b>(3,339,751)</b>	(2,719,834)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(6,251,302)</b>	8,556,205

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>		
Dividends received from associates and other investments	<b>196,746</b>	166,889
Dividends received from equity instruments at fair value through other comprehensive income	<b>42,927</b>	996,847
Interest from the debt instruments at fair value through other comprehensive income and amortised cost	<b>508,248</b>	789,453
Purchases of property and equipment and other intangible assets	<b>(8,094,165)</b>	(2,606,058)
Acquisition of a subsidiary	<b>(1,680,869)</b>	–
Payments for rental deposits	–	(9,032)
Proceeds on disposal of property and equipment	<b>18,557</b>	45,386
Cash paid for investments accounted for using equity method	<b>(419,750)</b>	(180,000)
Proceeds from partial disposal of an associate	<b>605,400</b>	612,748
Purchases of		
Debt instruments at fair value through other comprehensive income	<b>(9,522,434)</b>	(8,835,836)
Financial assets at fair value through profit or loss	<b>(5,727,804)</b>	(7,012,548)
Equity instruments at fair value through other comprehensive income	<b>(563,438)</b>	(147,753)
Debt instruments measured at amortised cost	<b>(2,493,058)</b>	(2,424,185)
Proceeds from disposal of		
Equity instruments at fair value through other comprehensive income	<b>436,745</b>	383,064
Debt instruments at fair value through other comprehensive income	<b>7,276,001</b>	12,089,938
Debt instruments measured at amortised cost	<b>1,344,582</b>	471,264
Financial assets at fair value through profit or loss	<b>1,616,522</b>	6,711,808
<b>Net cash outflow from investing activities</b>	<b>(16,455,790)</b>	1,051,985

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(4,057,229)</b>	(2,156,371)
Proceeds from issuance of ordinary shares	<b>20,000,000</b>	–
Proceeds from issuance of subsidiaries' shares	<b>37,794</b>	14,304
Proceeds from H share issuance of a subsidiary	–	2,040,364
Payments on capital returned to non-controlling shareholders	<b>(88,370)</b>	(877)
Borrowings raised	<b>66,600,567</b>	24,082,502
Interest paid for borrowings and bonds	<b>(9,940,371)</b>	(11,793,174)
Interest paid for perpetual notes	<b>(50,211)</b>	(50,062)
Issue cost of a subsidiary listed	–	(65,866)
Issuance cost paid for short-term bonds, non-convertible bonds and others	<b>(228,716)</b>	(192,522)
Repayment of lease liabilities	<b>(518,802)</b>	(489,961)
Repayment of borrowings, short-term bonds, non-convertible bonds and others	<b>(214,257,670)</b>	(151,480,626)
Proceeds from share issued upon exercise of share options of a subsidiary	–	6,250
Proceeds from non-convertible bonds and short-term financing bills payables	<b>161,612,817</b>	133,305,458
Issuance cost paid	<b>(159,830)</b>	–
Purchase of shares held under the share award scheme	<b>(210,361)</b>	(70,730)
<b>Net cash inflow from financing activities</b>	<b>18,739,618</b>	(6,851,311)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,967,474)</b>	2,756,879
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>227,865</b>	179,324
<b>Cash and cash equivalents at the beginning of period</b>	<b>41,046,885</b>	38,110,682
<b>Cash and cash equivalents at the end of period (Note 37)</b>	<b>37,307,276</b>	41,046,885



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1. GENERAL INFORMATION OF THE GROUP

Haitong Securities Co., Ltd. (the “Company”) was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People’s Bank of China in September 1994 and changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the “CSRC”). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company’s merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year. After its listing, its name was changed to “Haitong Securities”. On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The address of the Company’s registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities brokerage; proprietary securities activities; securities underwriting and sponsorship; securities investment advisory; financial consultancy related to securities trading and investment activities; direct equity investments; securities investment fund distribution; introducing brokerage business for futures companies; margin financing and securities lending; agency sale of financial products; stock option market-making, the consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) which are relevant to the Group for the first time in the current year:

### 2.1 Application of new and amendments to IFRSs

- (a) Definition of Material – amendments to IAS 1 and IAS 8
- (b) Definition of a Business – amendments to IFRS 3
- (c) Revised Conceptual Framework for Financial Reporting
- (d) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.1 Application of new and amendments to IFRSs (continued)

#### (a) *Amendments to IAS 1 and IAS 8: The Definition of material*

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

#### (b) *Amendments to IFRS 3: The Definition of A Business*

The IASB issued amendments to the definition of a business in IFRS 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.2 New and amendments to IFRSs issued but not yet effective

			Effective for annual periods beginning on or after
(a)	IFRS 17	Insurance Contracts	1 January 2022
(b)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early adoption of the amendments continue to be permitted
(c)	Amendments to IAS 1	Classification of liabilities	1 January 2022
(d)	Amendments to IFRS 3	Business Combinations	1 January 2022
(e)	Amendments to IAS16	Property, Plant and Equipment	1 January 2022
(f)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

#### (a) *IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of this standard will not have any impact on the Group's consolidated financial statements.

#### (b) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.2 New and amendments to IFRSs issued but not yet effective (continued)

#### (c) *Amendments to IAS 1: Classification of liabilities*

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (d) *Amendments to IFRS 3: Business Combinations*

Amendments to IFRS 3: 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (e) *Amendments to IAS 16: Property, Plant and Equipment*

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (f) *Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets*

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### **Basis of consolidation (continued)**

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

#### *Changes in the Group's ownership interests in existing subsidiaries (continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholder of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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. It is assessed for impairment in accordance with IFRS 9. In contract, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

#### *Contract with multiple performance obligations (including allocation of transaction pricing)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers (continued)

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

##### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

##### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Revenue from contracts with customers (continued)

##### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (continued)*

##### *Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its business activities, e.g. sponsorship services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

#### Leases

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessee (continued)*

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Leases (continued)

#### *The Group as a lessee (continued)*

#### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Leases (continued)

#### *The Group as a lessee (continued)*

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Leases (continued)

##### *The Group as a lessor (continued)*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

##### *Sale and leaseback transactions*

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

##### **Leasehold land and building**

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### **Government grants (continued)**

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Employee benefits**

##### ***Social welfare***

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

##### ***Contributions to pension schemes and annuity plans***

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

##### ***Retirement benefit costs and termination benefits***

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Employee benefits (continued)

#### *Retirement benefit costs and termination benefits (continued)*

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Employee benefits (continued)

##### *Short-term and other long-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

#### Share-based payment transactions

##### *Share options granted to employees*

The Company's subsidiary Haitong International Securities Group Limited ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Share-based payment transactions (continued)

##### *Share options granted to employees (continued)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to capital reserve. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to capital reserve.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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 leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Property and equipment (continued)

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Land and buildings	3 – 5%	30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Transportation equipment	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	18 – 25 years
Leasehold improvements	nil	Over the lease term

#### Buildings under development for future shareholder-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### **Investment properties (continued)**

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

#### **Intangible assets**

##### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

##### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### ***Derecognition of Intangible assets***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

##### ***Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Intangible assets (continued)

#### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)*

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Intangible assets (continued)

##### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

#### *Classification and subsequent measurement of financial assets (continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at FVTOCI. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Classification and subsequent measurement of financial assets (continued)*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

The Group always recognises lifetime ECL for accounts receivable recognised in accordance with IFRS 15. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt;
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(i) Significant increase in credit risk (continued)

- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;
- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority.
- Actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitization, which may result in ability decrease of relevant subordinated interest to absorb ECL.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(i) Significant increase in credit risk (continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(iii) Credit-impaired financial assets (continued)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL (continued)

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)*

(v) Measurement and recognition of ECL (continued)

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions, and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Derecognition of financial assets (continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial liabilities and equity instruments (continued)

##### Financial liabilities at FVTPL (continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

##### Financial liabilities at amortised cost

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Derecognition/non-substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

##### *Compound financial instruments*

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

#### *Embedded Derivative*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

#### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements (continued)*

##### *(a) Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statement of financial position.

##### *(b) Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statement of financial position.

#### *Hedge accounting*

The Group designates certain derivatives and bank loans for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Hedge accounting (continued)

##### *Assessment of hedging relationship and effectiveness (continued)*

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

##### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other income and gains line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### *Hedges of net investments in foreign operations*

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 in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

##### *Discontinuation of hedge accounting*

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Hedge accounting (continued)

#### *Discontinuation of hedge accounting (continued)*

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### *Securities lending*

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as “accounts payable to brokerage clients”. For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

#### *Financial guarantee contracts*

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Measurement of ECL

The Group regularly reviews its finance leases receivable, financial assets measurement at amortised cost and debt instruments at fair value through other comprehensive income to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

#### **Measurement of ECL (continued)**

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

#### ***Significant increase of credit risk***

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, which are detailed in note 74.

#### ***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. Details are set out in note 74.

#### ***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. Details are set out in note 74.

#### ***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. Details are set out in note 74.

#### ***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. Details are set out in note 74.

#### **Fair value measurement of financial instruments**

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 23.

### Principal versus agent consideration (principal)

The Group engages in commodity trading. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk.

### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

### Determination on classification of financial assets

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayments); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

#### Consolidation of structured entities

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 sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's 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 structured entities where the Group acts as manager or invests in, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the structured entities that is of such significance that it indicates that the Group is a principal. The structured entities are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 67 and 68 to the consolidated financial statements respectively.

### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group's strategic planning and satisfy internal management in the meantime. The Group's business segments are classified in accordance with the requirements of IFRSs, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component's accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, asset management, trading and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. SEGMENT REPORTING (continued)

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

- (1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;
- (2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;
- (3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;
- (4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market-making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;
- (5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;
- (6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, etc.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2020 and 2019 is as follows:

### Operating and Reportable segment

#### For the year ended 31 December 2020

	Wealth management RMB'000	Investment banking RMB'000	Asset management RMB'000	Trading and institution RMB'000	Finance lease RMB'000	Others RMB'000	Consolidated total RMB'000
<b>Segment revenue and results</b>							
Revenue	15,752,048	6,027,749	4,099,914	14,151,968	6,273,204	68,332	46,373,215
Other income and gains	243,686	52,435	101,099	297,123	2,088,463	5,121,179	7,903,985
Segment revenue	15,995,734	6,080,184	4,201,013	14,449,091	8,361,667	5,189,511	54,277,200
Segment expenses	11,623,707	3,101,376	2,455,314	9,510,324	7,142,478	5,229,708	39,062,907
Segment results	4,372,027	2,978,808	1,745,699	4,938,767	1,219,189	(40,197)	15,214,293
Share of results of associates and joint ventures	-	-	464,398	117,035	(38,416)	-	543,017
Segment profit before income tax	4,372,027	2,978,808	2,210,097	5,055,802	1,180,773	(40,197)	15,757,310
<b>Segment assets and liabilities</b>							
Segment assets	231,235,482	22,255,417	16,646,942	304,943,619	107,122,490	3,158,934	685,362,884
Investments accounted for using equity method							4,428,307
Deferred tax assets							4,282,160
Group's total assets							694,073,351
Segment liabilities	177,785,461	21,494,501	10,855,873	212,465,257	101,198,687	1,449,126	525,248,905
Deferred tax liabilities							698,134
Group's total liabilities							525,947,039
<b>Other segment information (Amounts included in the measure of segment profit or loss)</b>							
Depreciation and amortization	307,638	191,568	164,673	244,918	422,911	32,174	1,363,882
Capital expenditure	2,371,770	1,489,630	57,821	1,400,028	2,765,741	9,175	8,094,165
Impairment losses under expected credit loss model	1,844,320	210,767	79,764	629,161	1,821,454	759	4,586,225
Impairment losses on other assets	-	-	-	-	10,050	873	10,923

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. SEGMENT REPORTING (continued)

### Operating and Reportable segment (continued)

For the year ended 31 December 2019

	Wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Asset management <i>RMB'000</i>	Trading and institution <i>RMB'000</i>	Finance lease <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated total <i>RMB'000</i>
<b>Segment revenue and results</b>							
Revenue and net investment gain	14,705,706	4,058,893	2,928,269	14,761,013	5,817,927	(10,074)	42,261,734
Other income and gains	171,548	135,552	78,610	381,382	1,757,304	6,765,982	9,290,378
Segment revenue	14,877,254	4,194,445	3,006,879	15,142,395	7,575,231	6,755,908	51,552,112
Segment expenses	10,059,301	2,685,484	1,668,325	10,461,445	6,207,289	6,747,991	37,829,835
Segment results	4,817,953	1,508,961	1,338,554	4,680,950	1,367,942	7,917	13,722,277
Share of results of associates and joint ventures	-	-	218,701	(87,148)	18,091	-	149,644
Segment Profit before income tax	4,817,953	1,508,961	1,557,255	4,593,802	1,386,033	7,917	13,871,921
<b>Segment assets and liabilities</b>							
Segment assets	181,059,877	17,138,804	12,205,777	318,605,725	98,066,304	1,631,120	628,707,607
Investments accounted for using equity method							4,942,938
Deferred tax assets							3,143,086
Group's total assets							636,793,631
Segment liabilities	144,166,325	17,339,935	10,622,245	228,971,803	93,235,194	1,088,307	495,423,809
Deferred tax liabilities							251,079
Group's total liabilities							495,674,888
Other segment information (Amounts included in the measure of segment profit or loss)							
Depreciation and amortization	285,310	160,196	131,255	238,253	311,105	1,949	1,128,068
Capital expenditure	884,450	150,773	29,521	621,611	918,147	1,556	2,606,058
Impairment losses under expected credit loss model	899,684	148,532	(3,961)	513,451	1,289,598	106	2,847,410
Impairment losses on other assets	-	-	-	-	16,447	-	16,447

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 5. SEGMENT REPORTING (continued)

#### Operating and Reportable segment (continued)

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2020 and 2019.

### 6. COMMISSION AND FEE INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Securities, futures and options dealing and broking fee income	<b>8,549,407</b>	6,171,840
Underwriting and sponsors fee	<b>4,548,113</b>	2,689,853
Asset management fee income (including fund management fee income)	<b>3,403,089</b>	2,395,113
Financial advisory and consultancy fee income	<b>738,003</b>	1,249,648
Others	<b>148,802</b>	121,806
	<b>17,387,414</b>	12,628,260

The major business types of commission and fee income from customers are as follows:

#### (1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

#### (2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 6. COMMISSION AND FEE INCOME (continued)

### (3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2020, the Group's most contracts with customers have original expected duration of less than one year.

## 7. INTEREST INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	<b>2,805,067</b>	2,740,904
Interest income from advances to customers on margin financing	<b>4,405,044</b>	3,757,414
Interest income from loans and receivable	<b>1,311,985</b>	1,773,480
Interest income from financial assets held under resale agreements	<b>2,922,487</b>	3,883,351
Interest income from debt instruments at fair value through other comprehensive income and amortised cost	<b>503,724</b>	660,441
Interest income from receivables arising from sale and leaseback arrangements	<b>2,017,118</b>	716,325
Other interest income	<b>10,527</b>	99,198
	<b>13,975,952</b>	13,631,113
Finance lease income	<b>3,932,863</b>	4,552,042

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 8. INVESTMENT INCOME AND GAINS (NET)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	9,745,821	8,048,509
Fair value change of financial instruments at fair value through profit or loss	1,270,742	2,369,068
Dividend income from equity instruments at fair value through other comprehensive income	42,927	996,847
Net gains arising from debt instruments at fair value through other comprehensive income	14,485	34,593
Others	3,011	1,302
	<b>11,076,986</b>	<b>11,450,319</b>

### 9. OTHER INCOME AND GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Income from commodity trading	5,081,587	6,755,041
Government grants	568,185	431,679
Rental income from operating lease	464,432	433,634
Foreign exchange gains	211,406	243,053
Rental income from investment properties	13,355	12,580
Service fee income from finance lease	1,148,831	1,065,371
Others	416,189	349,020
	<b>7,903,985</b>	<b>9,290,378</b>

### 10. DEPRECIATION AND AMORTISATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation of property and equipment	669,597	504,294
Depreciation for right-of-use assets	502,920	445,982
Depreciation of investment properties	5,806	7,187
Amortisation of other intangible assets	185,559	170,605
	<b>1,363,882</b>	<b>1,128,068</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 11. STAFF COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Staff costs (including directors' remuneration ( <i>Note 69</i> ))		
Salaries, bonus and allowances	<b>6,660,335</b>	6,149,541
Contributions to annuity plans and retirement schemes ( <i>i</i> )	<b>681,175</b>	834,406
Other social welfare	<b>315,172</b>	329,432
	<b>7,656,682</b>	7,313,379

- (i) The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirement plans are charged to profit or loss in the period to which they relate.

One of the Group's subsidiary in Portugal operated a defined benefit scheme. As at 31 December 2020, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR52,754 thousand equivalent to RMB423,351 thousand (31 December 2019: EUR84,044 thousand equivalent to RMB656,846 thousand) and EUR53,072 thousand equivalent to RMB425,903 thousand (31 December 2019: EUR78,792 thousand equivalent to RMB615,799 thousand), respectively.

Share option award of subsidiaries is disclosed in Note 71.

## 12. COMMISSION AND FEE EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Securities and futures dealing and broking expenses	<b>2,756,572</b>	2,146,290
Commission expenses	<b>584,737</b>	454,539
Services expenses for underwriting, financial advisory and others	<b>193,957</b>	98,075
	<b>3,535,266</b>	2,698,904



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 13. INTEREST EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses for:		
– Borrowings and overdrafts	<b>3,300,189</b>	3,480,724
– Deposit taken from banks and other financial institutes	<b>260,525</b>	339,786
– Financial assets sold under repurchase agreements	<b>1,762,502</b>	1,937,066
– Accounts payable to brokerage clients	<b>422,174</b>	358,773
– Advances from China Securities Finance Corporation Ltd. (“CSFC”)	<b>244,409</b>	69,286
– Bonds payables and short-term financing bills payable	<b>6,337,819</b>	7,318,553
– Lease liabilities	<b>40,512</b>	37,857
– Others	<b>650,141</b>	493,261
	<b>13,018,271</b>	14,035,306

### 14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
ECL in respect of:		
– Finance lease receivables	<b>1,266,219</b>	739,086
– Receivables arising from sale and leaseback arrangements	<b>231,697</b>	249,411
– Advances to customers on margin financing	<b>1,024,424</b>	510,966
– Financial assets held under resale agreements	<b>851,067</b>	355,599
– Other loans and receivables	<b>846,237</b>	346,998
– Debt instruments at amortised cost	<b>18,732</b>	64,932
– Debt instruments at fair value through other comprehensive income	<b>259,494</b>	461,704
– Loans and advances	<b>16,410</b>	16,237
– Other financial assets and other items	<b>71,945</b>	102,477
	<b>4,586,225</b>	2,847,410

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 15. OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of commodity trading	5,040,194	6,692,525
Taxes and surcharges	181,777	162,294
Others	3,669,687	2,935,502
	<b>8,891,658</b>	9,790,321

### 16. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax	4,511,434	3,399,857
Deferred tax	(791,353)	(68,599)
	<b>3,720,081</b>	3,331,258

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017, which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 16. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before income tax	<b>15,757,310</b>	13,871,921
Tax at the statutory tax rate of 25%	<b>3,939,327</b>	3,467,980
Effect of share of results of associates and joint ventures	<b>(106,658)</b>	(37,411)
Tax effect of expenses not deductible for tax purpose	<b>915,173</b>	871,830
Tax effect of income not taxable for tax purpose	<b>(658,647)</b>	(652,732)
(Over)/Under provision in prior years	<b>(49,169)</b>	86,797
Utilisation of tax losses previously not recognised	<b>(565,362)</b>	(431,526)
Tax effect of tax losses and deductible temporary differences not recognised	<b>463,472</b>	169,378
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(218,055)</b>	(143,058)
Tax charge	<b>3,720,081</b>	3,331,258

### 17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to shareholders of the Company	<b>10,875,396</b>	9,523,248
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share ( <i>Notes i, ii</i> )	<b>(3,975)</b>	(13,236)
Earnings for the purpose of diluted earnings per share	<b>10,871,421</b>	9,510,012
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	<b>12,022,533</b>	11,501,700
Basic earnings per share (expressed in RMB per share)	<b>0.90</b>	0.83
Diluted earnings per share (expressed in RMB per share)	<b>0.90</b>	0.83

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 17. EARNINGS PER SHARE (continued)

- (i) As disclosed in Note 47, a subsidiary of the Company issued convertible bonds. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary, assuming outstanding convertible bonds were fully converted to ordinary shares of that subsidiary on the first day of the year.
- (ii) Subsidiaries of the Company operated various share option or share awards schemes. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of these subsidiaries when additional shares have to be issued to relevant employees.

## 18. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Electronic equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>							
As at 1 January 2020	2,004,137	1,035,566	1,347,599	4,857,700	263,246	251,199	9,759,447
Additions during the year	6,949,494	85,838	222,706	1,808,480	28,152	243,944	9,338,614
Disposals during the year	(7,651)	(383,743)	(87,338)	(8,682)	(20,600)	-	(508,014)
Transfer in from investment properties	103,011	-	-	-	-	-	103,011
Transfer during the year	38,179	95,374	298	-	3,712	(137,563)	-
Exchange difference	(16,702)	(14,214)	(8,590)	(285,699)	(4,848)	-	(330,053)
As at 31 December 2020	9,070,468	818,821	1,474,675	6,371,799	269,662	357,580	18,363,005
<b>Accumulated depreciation</b>							
As at 1 January 2020	534,480	877,588	1,010,278	385,891	206,190	-	3,014,427
Provided for the year	148,098	88,007	160,849	254,218	18,425	-	669,597
Eliminated on disposals	-	(371,333)	(82,546)	(8,316)	(15,902)	-	(478,097)
Transfer in from investment properties	6,925	-	-	-	-	-	6,925
Exchange difference	135	(6,697)	(6,997)	27,183	(3,142)	-	10,482
As at 31 December 2020	689,638	587,565	1,081,584	658,976	205,571	-	3,223,334
<b>Allowance for impairment losses</b>							
As at 1 January 2020 and 31 December 2020	30,382	-	-	-	-	-	30,382
<b>Carrying amount</b>							
As at 31 December 2020	8,350,448	231,256	393,091	5,712,823	64,091	357,580	15,109,289
As at 31 December 2019	1,439,275	157,978	337,321	4,471,809	57,056	251,199	6,714,638

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 18. PROPERTY AND EQUIPMENT (continued)

Transportation equipment of the Group includes aircraft held for operating lease businesses, as at 31 December 2020, the cost of aircraft amounts to RMB6,209,362 thousand (2019: RMB4,690,429 thousand), accumulated depreciation amounts to RMB525,016 thousand (2019: RMB254,259 thousand), and the carrying amounts of aircraft amounts to RMB5,684,346 thousand (2019: RMB4,436,170 thousand).

As at 31 December 2020 and 31 December 2019, were yet to be obtained for the buildings amount of RMB30,661 thousand and RMB32,061 thousand respectively relevant land and building certificates.

### 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### Right-of-use assets

	Leasehold land and buildings <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
As at 1 January 2020	2,600,358	757	8,902	2,129	2,612,146
Additions during the year	585,509	79	865	194	586,647
Decreases during the year	(235,892)	(97)	(4,544)	(18)	(240,551)
Exchange difference	(22,304)	20	80	3	(22,201)
As at 31 December 2020	2,927,671	759	5,303	2,308	2,936,041
<b>Accumulated amortisation</b>					
As at 1 January 2020	833,196	361	3,845	684	838,086
Provided for the year	500,068	296	2,062	494	502,920
Decreases during the year	(211,405)	(97)	(2,803)	(18)	(214,323)
Exchange difference	(1,917)	8	(65)	4	(1,970)
As at 31 December 2020	1,119,942	568	3,039	1,164	1,124,713
<b>Carrying amount</b>					
As at 31 December 2020	1,807,729	191	2,264	1,144	1,811,328
As at 31 December 2019	1,767,162	396	5,057	1,445	1,774,060

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

### Lease liabilities

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Within 1 year	<b>352,544</b>	372,395
1 to 2 years	<b>254,445</b>	267,434
2 to 5 years	<b>223,004</b>	327,269
More than 5 years	<b>222,420</b>	23,776
	<b>1,052,413</b>	990,874
Less: Amount due for settlement with 12 months shown under current liabilities	<b>352,544</b>	372,395
Amount due for settlement after 12 months shown under non-current liabilities	<b>699,869</b>	618,479

The Group leases various land and buildings, electronic equipment, transportation equipment and others for its operations. Most lease contracts are entered into for terms from 1 year to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2020, total cash outflow for leases amounts to RMB578,361 thousand (31 December 2019, RMB561,633 thousand).

For the year ended 31 December 2020, interest expenses for lease liabilities amounts to RMB40,512 thousand (For the year ended 31 December 2019, RMB37,857 thousand).

As at 31 December 2020 and 31 December 2019, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2020 and 31 December 2019, the Group did not enter into any significant lease that is not yet commenced.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 20. INVESTMENT PROPERTIES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
<b>Cost</b>		
At beginning of the year	210,023	240,485
Addition during the year	46,649	–
Transfer to property and equipment	(103,011)	(34,996)
Exchange difference	(10,420)	4,534
At end of the year	143,241	210,023
<b>Accumulated depreciation</b>		
At beginning of the year	33,184	27,056
Provided for the year	5,806	7,187
Transfer to property and equipment	(6,925)	(1,078)
Exchange difference	(416)	19
At end of the year	31,649	33,184
<b>Carrying amount</b>		
At end of the year	111,592	176,839

The fair values of the Group's investment properties as at 31 December 2020 and 31 December 2019, were RMB254,884 thousand and RMB318,820 thousand respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.

### 21. GOODWILL

#### Cost and carrying values

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
At beginning of the year	4,134,434	4,046,190
Exchange adjustments	(249,524)	88,244
At end of the year	3,884,910	4,134,434

Particulars regarding impairment testing on goodwill are disclosed in Note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 22. OTHER INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
As at 1 January 2020	223,740	1,442,703	114,583	22,635	1,803,661
Additions during the year	843	196,217	1,525	6,685	205,270
Disposals during the year	–	(2,896)	(4,681)	–	(7,577)
Transfer during the year	–	2,165	75	(2,240)	–
Exchange difference	(357)	(23,393)	(2,575)	74	(26,251)
As at 31 December 2020	224,226	1,614,796	108,927	27,154	1,975,103
<b>Accumulated amortisation</b>					
As at 1 January 2020	116,601	1,071,634	69,367	–	1,257,602
Provided for the year	–	178,561	6,998	–	185,559
Eliminated on disposals	–	(2,681)	(181)	–	(2,862)
Exchange difference	–	(16,012)	(1,148)	–	(17,160)
As at 31 December 2020	116,601	1,231,502	75,036	–	1,423,139
<b>Carrying amount</b>					
As at 31 December 2020	107,625	383,294	33,891	27,154	551,964



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 22. OTHER INTANGIBLE ASSETS (continued)

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
As at 1 January 2019	224,211	1,285,884	115,138	10,148	1,635,381
Additions during the year	–	225,735	582	18,917	245,234
Disposals during the year	(600)	(73,180)	(1,948)	(735)	(76,463)
Transfer during the year	–	5,360	–	(5,360)	–
Exchange difference	129	(1,096)	811	(335)	(491)
As at 31 December 2019	223,740	1,442,703	114,583	22,635	1,803,661
<b>Accumulated amortisation</b>					
As at 1 January 2019	117,201	936,008	64,377	–	1,117,586
Provided for the year	–	163,942	6,663	–	170,605
Eliminated on disposals	(600)	(31,975)	(1,850)	–	(34,425)
Exchange difference	–	3,659	177	–	3,836
As at 31 December 2019	116,601	1,071,634	69,367	–	1,257,602
<b>Carrying amount</b>					
As at 31 December 2019	107,139	371,069	45,216	22,635	546,059

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives. Details regarding impairment testing on trading right are disclosed in Note 23.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 23. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

#### Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 21 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A"), one subsidiary in Hong Kong ("Unit B"), one subsidiary with headquarters in Hong Kong and operation mainly in Shanghai ("Unit C"), one subsidiary with headquarters in Portugal ("Unit D"), one subsidiary with headquarters in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2020 and 31 December 2019 allocated to these units are as follows:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	660,671	703,170
Unit C – Haitong UT Capital Group Co., Limited	2,107,617	2,243,193
Unit D – Haitong Bank S.A.	981,646	1,044,792
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	124,431	132,435
Unit F – Haitong International Financial Services (Singapore) Pte. Ltd.	4,649	4,948
	<b>3,884,910</b>	<b>4,134,434</b>

During the year ended 31 December 2020 and 2019, management of the Group determined that there were no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 3.025% to 16.50% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2020. The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development. The growth rates for the forecast period ranged from -0.97% to 31.09%. The terminal growth rates ranged from 1.5% to 3%.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit D, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 23. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

#### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2020 and 2019.

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2020/12/31 RMB'000	2019/12/31 RMB'000
Cost of unlisted investments in associates and joint ventures	3,384,351	4,178,002
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,043,956	764,936
<b>Total</b>	<b>4,428,307</b>	<b>4,942,938</b>

Details of investments accounted for using equity method:

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2020/12/31	2019/12/31
上海彤關投資管理合夥企業 (有限合夥) Shanghai Tong Guan Investment Management Limited Partnership*	PRC	Equity investment; Investment management services	50.00%	50.00%
遼寧中德產業股權投資基金合夥 企業(有限合夥) Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)* (Note iv)	PRC	Equity investment	20.00%	20.00%
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Fund management and fund trading distribution services	27.78%	27.78%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2020/12/31	2019/12/31
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Equity investment	<b>35.71%</b>	35.71%
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Equity investment	<b>37.06%</b>	37.06%
上海文化產業股權投資基金合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Equity investment	<b>45.49%</b>	45.49%
上海並購股權投資基金合夥企業(有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	Equity investment	<b>35.33%</b>	35.33%
海通(吉林)現代服務業創業投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Equity investment	<b>35.37%</b>	35.37%
海通興泰(安徽)新興產業投資基金(有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	Equity investment	<b>28.63%</b>	27.58%
海通齊東(威海)股權投資基金合夥企業(有限合夥) Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership*	PRC	Equity investment	<b>34.95%</b>	34.95%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2020/12/31	2019/12/31
廣東南方媒體融合發展投資基金 (有限合夥) Guangdong South Media Integration Fund Limited Partnership*	PRC	Equity investment	<b>28.18%</b>	28.18%
海通(吉林)股權投資基金合夥企業 (有限合夥) Haitong (Jilin) Equity Investment Fund Limited Partnership*	PRC	Private equity funds investment	<b>22.46%</b>	28.00%
西安軍融電子衛星基金投資 有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd*	PRC	Investment management	<b>24.24%</b>	35.71%
嘉興海通旭初股權投資基金合夥 企業(有限合夥) Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership*	PRC	Equity investment; Investment management services	<b>19.39%</b>	19.39%
上海並購股權投資基金二期合夥 企業(有限合夥) Shanghai Equity Investment Fund II Limited Partnership*	PRC	Equity investment	<b>20.00%</b>	20.00%
Fundo Espírito Santo IBERIA	Portugal	Venture capital fund	<b>45.93%</b>	45.93%
遼寧海通新動能股權投資基金合夥 企業(有限合夥) Liaoning Haitong New Drivers Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	<b>20.00%</b>	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2020/12/31	2019/12/31
許昌海通創新股權投資基金合夥企業(有限合夥) Xuchang Haitong Innovation Equity Investment Fund Limited Partnership*	PRC	Equity investment	20.00%	—
湖州贊通股權投資合夥企業(有限合夥) Huzhou Yuntong Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	21.34%	21.34%
吉林海通創新衛星投資中心(有限合夥) Jilin Haitong Innovation Satellite Investment Center Limited Partnership*	PRC	Equity investment	20.00%	—
合肥市海通徽銀股權投資合夥企業(有限合夥) Hefei Haitong Huiyin equity investment partnership (limited partnership)*	PRC	Equity investment	20.00%	—
貴安恆信融資租賃(上海)有限公司 Gui'an UT Financial Leasing (Shanghai) Co., Ltd* (附註iv)	PRC	Financial Leasing	85.00%	34.00%

*Notes:*

- (i) \*The English translated name is for identification only.
- (ii) All of these associates and joint ventures are unlisted entities without quoted market price available.
- (iii) All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.
- (iv) In September 2020, the Group entered into agreements with Guizhou Gui'an Financial Investment Co., Ltd. to further acquire 60% shares of Gui'an UT Leasing (Shanghai) ("Gui'an UT") and "Gui'an UT became a subsidiary of Haitong UT Capital Group Co., Limited subsequently.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The financial information of Fullgoal Fund Management Co., Ltd which is an individually significant associate to the Group, is set out below:

#### Fullgoal Fund Management Co., Ltd.

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Total assets	<b>8,745,650</b>	5,655,704
Total liabilities	<b>3,530,641</b>	1,711,019
Net assets	<b>5,215,009</b>	3,944,685
Revenue for the year	<b>5,317,245</b>	2,854,916
Profit for the year	<b>1,651,623</b>	791,356
Total comprehensive income	<b>1,639,184</b>	811,705

Aggregate information of associates and joint ventures that are not individually material:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The Group's share of gain/(loss)	<b>79,008</b>	(70,621)
The Group's share of other comprehensive (expense)/income	<b>(23,353)</b>	65,392
The Group's share of total comprehensive income/(expense)	<b>55,655</b>	(5,229)
Aggregate carrying amount of the Group's interests in these associates and joint ventures	<b>2,979,838</b>	3,846,836

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 25. FINANCE LEASE RECEIVABLES

	<b>2020/12/31</b>	2019/12/31
	<i>RMB'000</i>	<i>RMB'000</i>
Minimum finance lease receivables		
– Within one year	<b>31,181,156</b>	31,614,990
– In the second year	<b>16,998,643</b>	18,316,347
– In the third year	<b>5,451,619</b>	7,717,572
– In the fourth year	<b>480,912</b>	1,102,009
– In the fifth year	<b>295,766</b>	196,705
– After five years	<b>501,855</b>	401,150
Gross amount of finance lease receivables	<b>54,909,951</b>	59,348,773
Less: Unearned finance lease income	<b>(4,980,779)</b>	(4,984,413)
Present value of minimum finance lease receivables	<b>49,929,172</b>	54,364,360
Less: Allowance for ECL	<b>(1,517,769)</b>	(1,422,717)
Carrying amount of finance lease receivables	<b>48,411,403</b>	52,941,643
Present value of minimum finance lease receivables		
– Within one year	<b>28,544,638</b>	28,957,576
– In the second year	<b>15,457,681</b>	16,798,678
– In the third year	<b>4,861,631</b>	7,064,671
– In the fourth year	<b>397,837</b>	1,017,695
– In the fifth year	<b>249,560</b>	186,959
– After five years	<b>417,825</b>	338,781
Total	<b>49,929,172</b>	54,364,360
Analysed as:		
Current assets	<b>27,660,127</b>	28,155,387
Non-current assets	<b>20,751,276</b>	24,786,256
Total	<b>48,411,403</b>	52,941,643



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25. FINANCE LEASE RECEIVABLES (continued)

The Group entered into finance lease arrangements with leased assets being machinery equipment for infrastructure, transportation and logistics, etc. Substantially all finance lease of the Group are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at 31 December 2020, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB3,588,312 thousand (as at 31 December 2019: RMB8,832,561 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the market. The floating interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rate of the market.

#### Movement of allowance for ECL

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at 1 January 2020</b>	<b>809,239</b>	<b>427,389</b>	<b>186,089</b>	<b>1,422,717</b>
Changes in the loss allowance:				
– Recovery of finance lease receivables previously written off	–	–	72,971	72,971
– Write-offs	–	–	(499,948)	(499,948)
– Transfer between stages	(79,697)	(218,288)	297,985	–
– Other derecognition	–	–	(744,190)	(744,190)
– ECL (reversed)/recognised	(22,429)	220,206	1,068,442	1,266,219
<b>As at 31 December 2020</b>	<b>707,113</b>	<b>429,307</b>	<b>381,349</b>	<b>1,517,769</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25. FINANCE LEASE RECEIVABLES (continued)

#### Movement of allowance for ECL (continued)

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	995,408	365,353	344,207	1,704,968
Changes in the loss allowance:				
– Recovery of finance lease receivables previously written off	–	–	57,029	57,029
– Write-offs	–	–	(649,755)	(649,755)
– Transfer between stages	(40,034)	(10,780)	50,814	–
– Other derecognition	–	–	(428,611)	(428,611)
– ECL (reversed)/recognised	(146,135)	72,816	812,405	739,086
<b>As at 31 December 2019</b>	809,239	427,389	186,089	1,422,717

The table below details the credit risk exposures of the Group's finance lease receivables, which are subject to ECL assessment:

#### Analysis of present value of minimum finance lease receivables

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>46,916,654</b>	<b>2,177,676</b>	<b>834,842</b>	<b>49,929,172</b>
<b>As at 31 December 2019</b>	52,243,091	1,675,580	445,689	54,364,360

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 26. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
– Within one year	16,834,046	9,922,821
– In the second year	11,662,335	7,783,770
– In the third year	6,632,982	3,995,867
– In the fourth year	3,127,211	1,851,864
– In the fifth year	1,009,281	1,203,216
– Over fifth year	43,031	–
Gross amount of receivables arising from sale and leaseback arrangements	39,308,886	24,757,538
Less: Interest adjustment	(3,617,226)	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	35,691,660	22,193,103
Less: Allowance for ECL	(477,184)	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Present value of receivables arising from sale and leaseback arrangements:		
– Within one year	15,285,831	8,894,996
– In the second year	10,589,223	6,977,512
– In the third year	6,022,041	3,581,967
– In the fourth year	2,839,184	1,660,044
– In the fifth year	916,313	1,078,584
– Over fifth year	39,068	–
Total	35,691,660	22,193,103
Analysed as:		
Current assets	15,082,174	8,795,032
Non-current assets	20,132,302	13,148,660
Total	35,214,476	21,943,692

As at 31 December 2020, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB9,757,835 thousand (31 December 2019: RMB4,977,336 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 26. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (continued)

#### Movement of allowance for ECL

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit – impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	<b>240,109</b>	<b>8,252</b>	<b>1,050</b>	<b>249,411</b>
Changes in the loss allowance:				
– Write-offs	–	–	(3,924)	(3,924)
– Transfer between stages	(2,458)	683	1,775	–
– ECL recognised	217,916	2,193	11,588	231,697
<b>As at 31 December 2020</b>	<b>455,567</b>	<b>11,128</b>	<b>10,489</b>	<b>477,184</b>

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	–	–	–	–
Changes in the loss allowance:				
– ECL recognised	240,109	8,252	1,050	249,411
<b>As at 31 December 2019</b>	<b>240,109</b>	<b>8,252</b>	<b>1,050</b>	<b>249,411</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 26. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (continued)

Analysis of present value of receivables arising from sale and leaseback arrangements

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>35,612,607</b>	<b>57,604</b>	<b>21,449</b>	<b>35,691,660</b>
<b>As at 31 December 2019</b>	22,156,131	34,461	2,511	22,193,103

### 27. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
China Securities Finance Corporation Limited ("CSFCL") (Note i)	<b>15,732,412</b>	15,382,009
Other equity investments (Note ii)	<b>506,775</b>	401,969
	<b>16,239,187</b>	15,783,978
Analysed as:		
– Listed	<b>239,733</b>	191,989
– Unlisted	<b>15,999,454</b>	15,591,989
	<b>16,239,187</b>	15,783,978

Notes:

- (i) This is the investment into a fund managed by CSFCL. CSFCL executes unified operation and investment management, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions.
- (ii) As the equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at FVTOCI. As a result of the change of investment strategies, the Group disposed certain equity instrument at FVTOCI, and the corresponding losses of RMB22,782 thousand was reclassified from revaluation reserve to retained earnings.

The dividend income from equity instrument at FVTOCI was disclosed in Note 8.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Unlisted bond investment	7,903,687	9,606,469
Listed bond investment	5,204,476	1,547,752
	<b>13,108,163</b>	11,154,221
Analysed for reporting purpose as:		
Current assets	1,234,515	3,602,965
Non-current assets	11,873,648	7,551,256
	<b>13,108,163</b>	11,154,221
ECL	<b>747,756</b>	486,886

As at 31 December 2020, debt instruments at fair value through other comprehensive income of RMB 5,670 million (31 December 2019: RMB 872 million) were collateralized for repurchase agreements and securities lending.

#### Movement of allowance for ECL

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>				
Changes in the loss allowance:	9,053	444	477,389	486,886
– Transfer between stages	407	(407)	–	–
– Exchange difference and others	(4,867)	–	6,243	1,376
– ECL recognised	40,830	99,404	119,260	259,494
<b>As at 31 December 2020</b>	<b>45,423</b>	<b>99,441</b>	<b>602,892</b>	<b>747,756</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

#### Movement of allowance for ECL (continued)

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	16,127	621	3,631	20,379
Changes in the loss allowance:				
– Write-offs	–	–	(2,665)	(2,665)
– Transfer between stages	(1,058)	–	1,058	–
– Exchange difference and others	(192)	–	7,660	7,468
– ECL (reversed)/recognised	(5,824)	(177)	467,705	461,704
<b>As at 31 December 2019</b>	9,053	444	477,389	486,886

#### Gross carrying amount:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>10,194,330</b>	<b>2,048,499</b>	<b>1,713,812</b>	<b>13,956,641</b>
<b>As at 31 December 2019</b>	9,910,579	201,809	1,680,485	11,792,873

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Analysed by type:		
Debt securities	3,852,566	2,692,075
Less: Allowance for ECL	(89,067)	(67,982)
	<b>3,763,499</b>	2,624,093
Analysed for reporting purpose as:		
Current assets	1,521,668	–
Non-current assets	2,241,831	2,624,093
	<b>3,763,499</b>	2,624,093

### Movement of allowance for ECL

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	4,536	–	63,446	67,982
Changes in the loss allowance:				
– Exchange difference	33	–	2,320	2,353
– ECL recognised	6,445	–	12,287	18,732
<b>As at 31 December 2020</b>	<b>11,014</b>	–	<b>78,053</b>	<b>89,067</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 29. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (continued)

#### Movement of allowance for ECL (continued)

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	3,512	–	–	3,512
Changes in the loss allowance:				
– Write-offs	–	–	(444)	(444)
– Transfer between stages	(2,069)	–	2,069	–
– Exchange difference	(1)	–	(17)	(18)
– ECL recognised	3,094	–	61,838	64,932
<b>As at 31 December 2019</b>	4,536	–	63,446	67,982

#### Gross carrying amount:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>3,633,747</b>	–	<b>218,819</b>	<b>3,852,566</b>
<b>As at 31 December 2019</b>	2,480,584	–	211,491	2,692,075

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2020/12/31</b>	2019/12/31
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities	<b>110,363,693</b>	122,793,884
Equity securities	<b>31,241,195</b>	23,930,196
Funds	<b>53,200,173</b>	41,094,235
Others	<b>25,591,443</b>	31,774,755
	<b>220,396,504</b>	219,593,070
Analysed for reporting purpose as:		
Current assets	<b>194,251,416</b>	198,030,685
Non-current assets	<b>26,145,088</b>	21,562,385
	<b>220,396,504</b>	219,593,070

*Notes:*

- (i) As at 31 December 2020, financial assets at fair value through profit or loss of RMB58,298 million (31 December 2019: RMB75,859 million) were collateralized for repurchase arrangements and securities lending.
- (ii) The restricted financial assets at fair value through profit or loss with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately RMB4,453 million as at 31 December 2020 (31 December 2019: RMB896 million). The fair value of these financial assets has considered the relevant features such because selling restrictions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock ( <i>Note</i> )	<b>34,486,174</b>	42,674,467
Bonds	<b>25,274,706</b>	14,910,448
Finance lease receivables	–	831,406
Less: Allowance for ECL	<b>(1,795,486)</b>	(931,128)
	<b>57,965,394</b>	57,485,193
Analysed by market:		
Stock Exchange	<b>42,053,943</b>	47,447,813
Inter-bank market	<b>17,706,937</b>	9,922,288
Over the counter (“OTC”)	–	1,046,220
Less: Allowance for ECL	<b>(1,795,486)</b>	(931,128)
	<b>57,965,394</b>	57,485,193
Analysed for reporting purpose as:		
Current assets	<b>55,769,601</b>	40,347,256
Non-current assets	<b>2,195,793</b>	17,137,937
	<b>57,965,394</b>	57,485,193

*Note:* The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at 31 December 2020, for the Group, the carrying amount of these agreements within one year was RMB32,287,677 thousand (31 December 2019: RMB40,057,643 thousand), the carrying amount of these agreements over one year was RMB2,198,497 thousand (31 December 2019: RMB2,616,824 thousand);

As at 31 December 2020, the fair value of the collateral was RMB132,197,247 thousand (31 December 2019: RMB144,570,672 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

#### Movement of allowance for ECL

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at 1 January 2020</b>	<b>36,085</b>	<b>50,526</b>	<b>844,517</b>	<b>931,128</b>
Changes in the loss allowance:				
– ECL (reversed)/recognised	(44,894)	(6,549)	902,510	851,067
– Transfer between stages	18,689	(36,096)	17,407	–
– Exchange difference and others	(187)	–	13,478	13,291
<b>As at 31 December 2020</b>	<b>9,693</b>	<b>7,881</b>	<b>1,777,912</b>	<b>1,795,486</b>

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at 1 January 2019</b>	46,530	108,902	578,920	734,352
Changes in the loss allowance:				
– ECL (reversed)/recognised	(59,202)	(1,284)	416,085	355,599
– Written-off	–	–	(158,837)	(158,837)
– Transfer between stages	48,743	(57,092)	8,349	–
– Exchange difference and others	14	–	–	14
<b>As at 31 December 2019</b>	<b>36,085</b>	<b>50,526</b>	<b>844,517</b>	<b>931,128</b>

#### Gross carrying amount

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit- impaired) Stage 2 RMB'000	Lifetime ECL (credit- impaired) Stage 3 RMB'000	Total RMB'000
<b>As at 31 December 2020</b>	<b>51,446,027</b>	<b>1,801,368</b>	<b>6,513,485</b>	<b>59,760,880</b>
<b>As at 31 December 2019</b>	<b>49,498,055</b>	<b>4,315,605</b>	<b>4,602,661</b>	<b>58,416,321</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 32. OTHER LOANS AND RECEIVABLES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Factoring receivable	7,480,392	7,675,555
Entrusted loans and others	798,422	1,191,095
Other loans and receivables	12,720,031	16,962,128
Gross carrying amount	20,998,845	25,828,778
Less: Allowance for ECL	(878,838)	(844,695)
	<b>20,120,007</b>	24,984,083
Analysed for reporting purpose as:		
Current assets	16,884,562	20,222,329
Non-current assets	3,235,445	4,761,754
	<b>20,120,007</b>	24,984,083

#### Movement of allowance for ECL

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	207,531	423,588	213,576	844,695
Changes in the loss allowance:				
– ECL recognised	23,823	100,462	721,952	846,237
– Written-off	–	–	(375,192)	(375,192)
– Other derecognition	–	–	(527,489)	(527,489)
– Transfer between stages	(32,535)	(129,387)	161,922	–
– Exchange difference	(37,700)	–	128,287	90,587
<b>As at 31 December 2020</b>	161,119	394,663	323,056	878,838

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### 32. OTHER LOANS AND RECEIVABLES (continued)

#### Movement of allowance for ECL (continued)

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	228,025	334,523	92,606	655,154
Changes in the loss allowance:				
– ECL (reversed)/recognised	(7,958)	186,928	168,028	346,998
– Written-off	–	–	(160,299)	(160,299)
– Transfer between stages	(48,734)	(97,882)	146,616	–
– Exchange difference	36,198	19	(33,375)	2,842
<b>As at 31 December 2019</b>	207,531	423,588	213,576	844,695

#### Gross carrying amount:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>19,002,876</b>	<b>1,296,918</b>	<b>699,051</b>	<b>20,998,845</b>
<b>As at 31 December 2019</b>	23,560,019	1,539,777	728,982	25,828,778

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 33. LOANS AND ADVANCES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Customer loans and advances	3,927,571	3,411,962
Less: Allowance for ECL	(107,444)	(104,774)
	<b>3,820,127</b>	3,307,188
Analysed for reporting purpose as:		
Current assets	1,044,635	611,826
Non-current assets	2,775,492	2,695,362
	<b>3,820,127</b>	3,307,188

Movement of ECL for loans and advances:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	21,748	46,258	36,768	104,774
Changes in the loss allowance:				
– ECL recognised/(reversed)	4,967	12,348	(905)	16,410
– Written-off	–	–	(1,795)	(1,795)
– Transfer between stages	(10,687)	10,687	–	–
– Exchange difference	(1,140)	(9,826)	(979)	(11,945)
<b>As at 31 December 2020</b>	<b>14,888</b>	<b>59,467</b>	<b>33,089</b>	<b>107,444</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 33. LOANS AND ADVANCES (continued)

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	21,923	34,407	552,438	608,768
Changes in the loss allowance:				
– ECL (reversed)/recognised	(5,142)	17,652	3,727	16,237
– Written-off	–	–	(515,504)	(515,504)
– Transfer between stages	5,085	(5,085)	–	–
– Exchange difference	(118)	(716)	(3,893)	(4,727)
<b>As at 31 December 2019</b>	21,748	46,258	36,768	104,774

#### Gross carrying amount:

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>2,599,476</b>	<b>1,164,584</b>	<b>163,511</b>	<b>3,927,571</b>
<b>As at 31 December 2019</b>	2,586,109	721,709	104,144	3,411,962

### 34. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Deferred tax assets	4,282,160	3,143,086
Deferred tax liabilities	(698,134)	(251,079)
	<b>3,584,026</b>	2,892,007



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 34. DEFERRED TAXATION (continued)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss		Accelerated depreciation		Derivative financial instruments		Accrued but not paid expenses		Debt instrument at fair value through other comprehensive income		Equity instrument at fair value through other comprehensive income		Impairment losses		Tax losses and others		Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
<b>As at 1 January 2019</b>	(25,317)	(50,955)	58,485	877,445	(12,213)	110,095	1,561,450	515,502	3,034,492									
(Charge)/credit to profit or loss	(539,146)	(14,422)	(30,183)	257,887	104,808	-	183,990	105,665	68,599									
Credit/(charge) to other comprehensive income	-	-	394	-	39,391	(199,430)	-	-	(159,645)									
Effects of exchange rate	301	1,516	(2,378)	(913)	182	-	(38,569)	(11,578)	(51,439)									
<b>As at 31 December 2019</b>	(564,162)	(63,861)	26,318	1,134,419	132,168	(89,335)	1,706,871	609,589	2,892,007									
(Charge)/credit to profit or loss	(295,298)	(16,171)	27,664	193,107	-	-	838,117	(21,104)	726,315									
(Charge)/credit to other comprehensive income	-	-	(198)	-	60,646	(71,531)	-	-	(11,083)									
Effects of exchange rate and other change	-	(1,576)	447	(2,588)	(5,788)	(19,840)	58,880	(52,748)	(23,213)									
<b>As at 31 December 2020</b>	(859,460)	(81,608)	54,231	1,324,938	187,026	(180,706)	2,603,868	535,737	3,584,026									

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 35. DEPOSITS WITH EXCHANGES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	917,712	987,263
– Shenzhen Stock Exchange	233,073	248,363
– National Equities Exchange and Quotations	2,371	869
– Stock Exchange of Hong Kong Limited	1,840	1,344
<b>Subtotal</b>	<b>1,154,996</b>	1,237,839
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	2,609,817	2,410,146
– Dalian Commodity Exchange	1,664,494	892,588
– Zhengzhou Commodity Exchange	639,046	414,314
– China Financial Futures Exchange	8,744,857	3,922,378
– Shanghai Gold Exchange	11,968	3,007
– HKFE Clearing Corporation Limited	25,186	36,655
– The Chinese Gold & Silver Exchange Society	409	615
– Collateral deposits placed with overseas stock exchange and brokers	1,073,338	1,115,303
<b>Subtotal</b>	<b>14,769,115</b>	8,795,006
Trading rights and other deposits		
– Guarantee fund paid to Shanghai Stock Exchange	29,497	16,326
– Guarantee fund paid to Shenzhen Stock Exchange	36,137	19,720
– Deposit with CSFC	1,142,874	528,592
– Deposit with Shanghai Clearing House	83,472	76,841
– Guarantee fund paid to the Stock Exchange of Hong Kong Options Clearing House Ltd.	3,679	9,505
– Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	145,128	65,020
– Guarantee fund paid to Securities and Futures Commission	168	179
– Others	9,785	7,073
<b>Subtotal</b>	<b>1,450,740</b>	723,256
<b>Total</b>	<b>17,374,851</b>	10,756,101
Analysed for reporting purpose as:		
Current assets	17,208,163	9,603,759
Non-current assets	166,688	1,152,342
	<b>17,374,851</b>	10,756,101

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 36. BANK BALANCES AND CASH

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
General accounts	<b>32,182,212</b>	35,852,218
Cash held on behalf of clients ( <i>Note i</i> )	<b>91,691,751</b>	76,178,521
Less: allowance for impairment losses	<b>(2,247)</b>	(1,734)
	<b>123,871,716</b>	112,029,005
Less: non-current restricted bank deposits ( <i>Note ii</i> )	<b>(1,288,296)</b>	(966,912)
	<b>122,583,420</b>	111,062,093

Bank balances and cash comprise of cash on hand and deposits which bear interest at the prevailing market rates.

*Notes:*

- (i) The Group received and held cash deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 48). The Group did not have a legally enforceable right to offset these payables and clients' deposits.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposit and margin deposits over one year.

### 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Bank balances and cash – general account (excluding accrued interest)	<b>32,147,773</b>	35,730,492
Less: Restricted bank deposits (i)	<b>(2,199,408)</b>	(1,480,833)
Deposits with other banks (excluding accrued interest)	<b>258,634</b>	204,638
Deposits with central banks other than legal reserve	<b>3,687,476</b>	4,736,623
Clearing settlement funds – House accounts	<b>3,412,801</b>	1,855,965
	<b>37,307,276</b>	41,046,885

- (i) The restrictive deposits are margin deposits of notes receivable, margin deposits of borrowings and other pledge of bank deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 38. OTHER NON-CURRENT ASSETS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Long-term receivables from government cooperation projects	<b>458,507</b>	74,499
Foreclosed assets	<b>82,915</b>	59,099
Repossession of finance lease assets	<b>179,686</b>	105,740
Others	<b>275,505</b>	1,548,416
	<b>996,613</b>	1,787,754

### 39. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Loans to margin clients ( <i>Note</i> )	<b>75,152,605</b>	53,905,940
Less: Allowance for ECL	<b>(2,085,013)</b>	(1,108,014)
	<b>73,067,592</b>	52,797,926
Analysed for reporting purpose as:		
Current assets	<b>73,067,592</b>	52,797,926

*Note:*

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2020 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB255,840,832 thousand (31 December 2019: RMB172,183,182 thousand).

As at 31 December 2020, cash collateral received from clients for securities lending and margin financing arrangement, included in the Group's accounts payable to brokerage clients amounted to approximately RMB8,634,304 thousand (31 December 2019: RMB5,921,917 thousand).

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 39. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

Movements of ECL for advances to customers on margin financing.

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	<b>35,652</b>	<b>45,852</b>	<b>1,026,510</b>	<b>1,108,014</b>
Changes in the loss allowance:				
– ECL (reversed)/recognised	(25,909)	6	1,050,327	1,024,424
– Write-offs	–	–	(49)	(49)
– Transfer between stages	24,670	(38,179)	13,509	–
– Exchange difference	(1,653)	(1,841)	(43,882)	(47,376)
<b>As at 31 December 2020</b>	<b>32,760</b>	<b>5,838</b>	<b>2,046,415</b>	<b>2,085,013</b>

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2019</b>	<b>30,270</b>	<b>48,962</b>	<b>716,008</b>	<b>795,240</b>
Changes in the loss allowance:				
– ECL recognised	4,349	18,368	488,249	510,966
– Write-offs	–	–	(210,241)	(210,241)
– Transfer between stages	475	(22,097)	21,622	–
– Exchange difference	558	619	10,872	12,049
<b>As at 31 December 2019</b>	<b>35,652</b>	<b>45,852</b>	<b>1,026,510</b>	<b>1,108,014</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 39. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

#### Gross carrying amount

	12m ECL Stage 1 <i>RMB'000</i>	Lifetime ECL (not credit- impaired) Stage 2 <i>RMB'000</i>	Lifetime ECL (credit- impaired) Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>	<b>69,521,902</b>	<b>2,188,383</b>	<b>3,442,320</b>	<b>75,152,605</b>
<b>As at 31 December 2019</b>	49,241,708	1,824,130	2,840,102	53,905,940

In 2020, the gross carrying amount of the Group's margin accounts receivable in stage 1 and stage 3 increased, and the amount of ECL of these stages increased as well.

### 40. ACCOUNTS RECEIVABLE

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Accounts receivable from:		
– Cash clients	<b>1,099,949</b>	831,413
– Brokers, dealers and clearing house	<b>5,440,065</b>	7,880,432
– Advisory and financial planning	<b>25,801</b>	18,600
– Asset and fund management	<b>781,110</b>	756,470
– Clients for subscription of new shares in IPO	<b>473,605</b>	5,026
– Others	<b>765,955</b>	456,972
	<b>8,586,485</b>	9,948,913
Less: Allowance for ECL	<b>(176,485)</b>	(196,536)
	<b>8,410,000</b>	9,752,377

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 40. ACCOUNTS RECEIVABLE (continued)

Aging analysis of accounts receivable from the trade date is as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Less than 3 months	7,311,229	8,897,795
4 to 6 months	335,424	262,738
7 to 12 months	345,184	345,738
More than 1 year	418,163	246,106
	<b>8,410,000</b>	<b>9,752,377</b>

### 41. DERIVATIVE INSTRUMENTS

	2020/12/31		
	Contractual value RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives designated in hedge accounting:			
Interest rate swaps	3,625,570	–	160,674
Currency forwards	1,945,083	1,209	85,526
Cross currency interest rate swaps	1,335,021	–	113,710
Foreign exchange risk Forward	–	–	–
Derivatives held for trading:			
Stock index futures contracts (Note i)	10,780,440	–	–
Treasury futures Contracts (Note ii)	9,242,088	–	–
Commodity futures Contracts (Note iii)	9,199,719	–	–
Interest rate swap Contracts (Note iv)	42,049,068	763,615	747,396
Commodity swap	589,920	269,595	275,920
Equity swap	2,726,885	45,153	65,740
Forward contracts	4,675,365	122,212	170,320
Options (Note v)	159,871,789	381,718	859,541
Embedded equity instruments	2,433,998	3,991	175,865
Foreign exchange swap	2,958,985	240,930	13,364
Credit default swap	459,935	–	4,223
Foreign exchange futures	943,686	9,489	–
Total		<b>1,837,912</b>	<b>2,672,279</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 41. DERIVATIVE INSTRUMENTS (continued)

	2019/12/31		
	Contractual	Assets	Liabilities
	value RMB'000	RMB'000	RMB'000
Derivatives designated in hedge accounting:			
Interest rate swaps	4,162,610	–	98,805
Currency forwards	2,274,294	42,339	–
Cross currency interest rate swaps	956,573	7,280	–
Foreign exchange risk Forward	816,283	–	2,341
Derivatives held for trading:			
Stock index futures contracts (Note i)	2,272,336	–	–
Treasury futures Contracts (Note ii)	8,627,546	–	–
Commodity futures Contracts (Note iii)	3,734,216	–	–
Interest rate swap Contracts (Note iv)	44,827,632	1,014,960	1,014,474
Commodity swap	1,064,497	107,486	104,746
Equity swap	1,969,078	2,261	11,125
Forward contracts	2,674,795	68,562	10,086
Options (Note v)	43,239,634	253,444	624,072
Embedded equity instruments	3,526,470	7,285	194,676
Foreign exchange swap	9,395,677	7,345	86,142
Credit default swap	754,167	5,534	24,132
<b>Total</b>		<b>1,516,496</b>	<b>2,170,599</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 41. DERIVATIVE INSTRUMENTS (continued)

Notes:

#### (i) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2020 and 31 December 2019. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2020, the contractual value of the open SIF contracts that the Group held for non-hedging purpose amounted to RMB10,780,440 thousand (31 December 2019: RMB2,272,336 thousand), recognising net derivative assets of RMB109,789 thousand (31 December 2019: net derivative liabilities of RMB13,384 thousand) before settlement.

#### (ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2020 and 31 December 2019. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

	2020/12/31	
	Contractual value RMB'000	Fair value RMB'000
T2103	6,708,643	(48,860)
TF2103	2,487,265	(12,763)
TS2103	46,180	(1)
<b>Total</b>	<b>9,242,088</b>	<b>(61,624)</b>
Plus: settlements		61,624
<b>Net position of TF contracts</b>		<b>-</b>

	2019/12/31	
	Contractual value RMB'000	Fair value RMB'000
T2003	3,288,193	(20,505)
T2003	1,768,753	1,986
TF2003	2,817,450	(17,152)
TS2003	753,150	(590)
<b>Total</b>	<b>8,627,546</b>	<b>(36,261)</b>
Plus: settlements		36,261
<b>Net position of TF contracts</b>		<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 41. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (iii) Commodity futures contracts

Under the daily mark-to-market contracts and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2020, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2019: nil).

	2020/12/31		2019/12/31	
	Contractual value RMB'000	Fair value RMB'000	Contractual value RMB'000	Fair value RMB'000
Total	9,199,719	3,779	3,734,216	137,359
Plus: settlement		(3,779)		(137,359)
Net position		–		–

### (iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in interest rate swap ("IRS") contracts were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2020. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period.

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

	2020/12/31		
	Contractual value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	30,320,000	38,863	–
IRS – non-centralised settlement	11,729,068	763,615	747,396
Total	42,049,068	802,478	747,396
Plus: settlements		(38,863)	–
Net position of IRS contracts		763,615	747,396

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 41. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

#### (iv) Interest rate swap contracts (continued)

	2019/12/31		
	Contractual value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	23,320,000	–	(8,260)
IRS – non-centralised settlement	21,507,632	1,014,960	(1,014,474)
<b>Total</b>	<b>44,827,632</b>	<b>1,014,960</b>	<b>(1,022,734)</b>
Plus: settlements		–	8,260
<b>Net position of IRS contracts</b>		<b>1,014,960</b>	<b>(1,014,474)</b>

#### (v) Options

As at 31 December 2020, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB140,600,349 thousand (31 December 2019: RMB31,810,114 thousand). The notional principal amounts of the Group's options purchased or written overseas were approximately RMB19,271,440 thousand (31 December 2019: RMB11,429,520 thousand).

### 42. OTHER CURRENT ASSETS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Prepayments	1,206,333	1,151,969
Dividend receivable	2,543	116
Inventories	268,965	323,017
Other receivables (Note i)	2,450,997	2,225,912
	<b>3,928,838</b>	3,701,014
Less: Allowance for ECL (Note ii)	(482,195)	(485,257)
	<b>3,446,643</b>	3,215,757

Notes:

- (i) The other receivables and prepayments include short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.
- (ii) Included in the impairment losses of the Group mainly represents a gross receivable of RMB440,894 thousand from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 43. CLEARING SETTLEMENT FUNDS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Clearing settlement funds held with clearing houses for:		
House accounts	3,412,801	1,855,965
Customers	8,439,500	6,755,136
	<b>11,852,301</b>	8,611,101

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

### 44. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Deposits with central banks other than legal reserve	3,687,476	4,736,623
Legal reserve	28,654	46,522
Total	<b>3,716,130</b>	4,783,145
Deposits with other banks	258,666	204,672
Less: Allowance for ECL	(2)	(3)
Total	<b>258,664</b>	204,669
	<b>3,974,794</b>	4,987,814

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interest bearing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 45. BORROWINGS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Short-term borrowings:		
Secured borrowings ( <i>Note</i> )	5,722,206	4,383,774
Unsecured borrowings	37,645,348	37,408,231
	<b>43,367,554</b>	41,792,005
Long-term borrowing:		
Secured borrowings ( <i>Note</i> )	20,053,005	17,773,149
Unsecured borrowings	29,309,998	28,559,969
	<b>49,363,003</b>	46,333,118
<b>Total</b>	<b>92,730,557</b>	88,125,123
Current liabilities:		
Short-term borrowings	43,367,554	41,792,005
Long-term borrowings due within one year	15,765,096	15,248,859
	<b>59,132,650</b>	57,040,864
Non-current liabilities:		
Long-term borrowings	33,597,907	31,084,259
	<b>92,730,557</b>	88,125,123
	<b>2020/12/31 <i>RMB'000</i></b>	<b>2019/12/31 <i>RMB'000</i></b>
Analysis by maturity:		
Less than 1 year	59,132,650	57,040,864
1 to 2 years	16,957,781	11,908,979
2 to 5 years	16,050,367	16,965,033
More than 5 years	589,759	2,210,247
	<b>92,730,557</b>	88,125,123

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 45. BORROWINGS (continued)

Note:

As at 31 December 2020, borrowings of RMB1,343,000 thousand are secured by the Building B2 of Greenland Center, No.858, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2020, borrowings of RMB769,000 thousand are secured by the Building B3 of Greenland Center, No.888, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2020, borrowings of RMB2,525,000 thousand are secured by DaCheng-Haitong China Bond fund No.1 owned by the group. The fair value of the secured assets is RMB3,615,000 thousand.

As at 31 December 2020, borrowings of RMB5,647,000 thousand (31 December 2019: RMB5,914,000 thousand) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Group.

As at 31 December 2020, bank loans of HKD949,000 thousand (RMB799,000 thousand) were secured by the listed shares (held by the Group as security for other loans and receivables with the customers' consent) of HKD4,934,000 thousand (RMB4,153,000 thousand) at fair value held by the Group.

As at 31 December 2020, borrowings of RMB14,687,000 thousand (31 December 2019: RMB12,463,000 thousand) are secured by finance leases receivables, receivables arising from sale and leaseback arrangements, the shares of subsidiaries, private housing and aircraft for leasing. As at 31 December 2020, the book value of secured finance lease receivable is RMB3,588,000 thousand (31 December 2019: RMB 8,833,000 thousand), the book value of secured receivables arising from sale and leaseback arrangements is RMB9,758,000 thousand (31 December 2019: RMB 4,977,000 thousand), the book value of secured private housing is RMB1,271,000 thousand (31 December 2019: None), the book value of secured aircraft is RMB5,429,000 thousand (31 December 2019: RMB 4,255,000 thousand).

## 46. SHORT-TERM FINANCING BILLS

	2020/12/31	2019/12/31
	<i>RMB'000</i>	<i>RMB'000</i>
Ultra-short-term bonds	<b>5,026,428</b>	4,522,865
Medium-term notes	<b>5,235,973</b>	6,696,159
Short-term income certification	<b>8,911,524</b>	9,940,351
Short-term bonds	<b>5,531,940</b>	11,047,480
Short-term corporate bonds	<b>1,012,658</b>	–
	<b>25,718,523</b>	32,206,855

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 46. SHORT-TERM FINANCING BILLS (continued)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Ending Balance RMB'000
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019-10-21	2020-01-17	2.88%	5,028,406	6,217	5,034,623	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2019-12-13	2020-03-11	3.00%	5,007,808	28,667	5,036,475	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-01-15	2020-04-14	2.67%	-	5,032,828	5,032,828	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-03-06	2020-06-04	2.34%	-	5,028,849	5,028,849	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-04-09	2020-07-08	1.45%	-	5,017,877	5,017,877	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-05-14	2020-08-12	1.55%	-	5,019,110	5,019,110	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-06-12	2020-09-10	2.20%	-	5,027,123	5,027,123	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-07-21	2020-10-16	2.55%	-	4,024,312	4,024,312	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-09-09	2020-12-08	2.75%	-	5,033,904	5,033,904	-
Haitong Securities Co., Ltd	Short-term bonds	RMB	2020-10-15	2021-01-13	2.88%	-	5,030,773	-	5,030,773
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	2020-06-05	2021-03-02	2.20%	-	1,012,658	-	1,012,658
Haitong Securities Co., Ltd	Short-term income certification	RMB	2020-01-06	2022-01-03	2.10%-8.18%	9,940,350	34,879,275	35,908,101	8,911,524
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-08-13	2020-05-09	3.45%	506,290	6,062	512,352	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-09-11	2020-06-07	2.90%	1,008,105	12,495	1,020,600	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-11-29	2020-02-27	2.30%	500,848	1,788	502,636	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-12-10	2020-03-09	2.30%	500,405	2,135	502,540	-
Haitong Unitrust International Financial Leasing Co., Ltd	Short-term bonds	RMB	2019-08-19	2020-08-19	3.37%	1,011,267	21,236	1,032,503	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-10-24	2020-07-20	2.90%	1,004,516	15,911	1,020,427	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2019-11-14	2020-08-10	2.90%	1,002,701	17,580	1,020,281	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-02-25	2020-05-25	2.25%	-	502,766	502,766	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 46. SHORT-TERM FINANCING BILLS (continued)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening		Ending	
						Balance RMB'000	Increase RMB'000	Balance RMB'000	Decrease RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-03-04	2020-08-31	2.42%	-	505,967	505,967	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-04-29	2020-09-25	1.45%	-	502,960	502,960	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-05-21	2020-10-28	1.90%	-	504,164	504,164	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-06-04	2020-12-01	1.70%	-	1,008,384	1,008,384	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-07-16	2021-01-15	1.73%	-	1,007,865	-	1,007,865
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-08-06	2021-01-29	1.85%	-	1,007,362	-	1,007,362
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-08-14	2020-11-02	1.70%	-	1,003,726	1,003,726	-
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-08-27	2021-01-22	1.85%	-	503,141	-	503,141
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-09-18	2021-05-26	2.40%	-	503,145	-	503,145
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-10-29	2021-02-05	1.95%	-	1,003,163	-	1,003,163
Haitong Unitrust International Financial Leasing Co., Ltd	Short-term bonds	RMB	2020-11-27	2021-11-27	4.17%	-	501,167	-	501,167
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	2020-12-03	2021-04-17	3.05%	-	1,001,752	-	1,001,752
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-01-18	2020-01-17	2.80%	229,819	-	229,819	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-01-29	2020-01-31	HIBOR + 1.05%	356,268	-	356,268	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-02-20	2020-02-19	3.00%	183,683	-	183,683	-
Haitong International Securities Group Ltd	Medium-term notes	RMB	2019-03-13	2020-03-11	3.95%	154,804	-	154,804	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-04-10	2020-04-08	2.80%	540,676	-	540,676	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 46. SHORT-TERM FINANCING BILLS (continued)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Ending Balance RMB'000
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-04-11	2020-04-09	2.65%	638,508	-	638,508	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-04-18	2020-04-16	2.75%	456,304	-	456,304	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-14	2020-05-12	3.40%	177,988	-	177,988	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-15	2020-05-13	3.50%	448,751	-	448,751	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-16	2020-05-14	3.30%	355,410	-	355,410	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-05-21	2020-05-19	2.60%	481,536	-	481,536	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-23	2020-05-21	3.30%	692,572	-	692,572	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-29	2020-05-27	3.50%	272,446	-	272,446	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-05-30	2020-05-28	3.50%	355,625	-	355,625	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2019-07-26	2020-07-24	2.70%	226,340	-	226,340	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2019-09-10	2020-09-08	2.88%	1,125,429	-	1,125,429	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-02-18	2021-02-16	LIBOR + 0.85%	-	195,970	-	195,970
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-02-24	2021-02-22	LIBOR + 0.85%	-	202,476	-	202,476
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-03-03	2021-03-02	LIBOR + 0.85%	-	293,822	-	293,822
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-03-03	2020-11-27	2.43%	-	664,295	664,295	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-04-15	2020-12-23	2.83%	-	798,447	798,447	-
Haitong International Securities Group Ltd	Medium-term notes	HKD	2020-04-23	2021-04-21	2.50%	-	320,780	-	320,780
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-04-29	2021-04-28	2.75%	-	332,177	-	332,177
Haitong International Securities Group Ltd	Medium-term notes	HKD	2020-05-26	2021-05-25	2.40%	-	468,936	-	468,936
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-05-28	2021-05-27	2.30%	-	971,048	-	971,048
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-08-07	2021-02-05	1.16%	-	424,296	-	424,296
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-08-10	2021-08-09	1.45%	-	245,662	-	245,662
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-09-08	2021-09-07	0.00%	-	322,908	-	322,908
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-09-17	2021-09-16	1.18%	-	653,673	-	653,673
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-10-07	2020-12-21	0.95%	-	196,117	196,117	-
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-11-09	2021-08-09	0.00%	-	608,191	-	608,191
Haitong International Securities Group Ltd	Medium-term notes	USD	2020-11-09	2021-02-09	1.10%	-	196,034	-	196,034
Total						32,206,855	91,669,194	98,157,526	25,718,526

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 47. BONDS PAYABLE

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,390,000	2013-11-25	2023-11-25	6.18%	2,397,747	149,558	147,702	2,399,603
Haitong Securities Co., Ltd	Corporate bonds	RMB	800,000	2014-7-14	2024-7-14	5.85%	821,925	46,800	46,800	821,925
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2016-5-18	2021-5-18	3.80%	5,118,685	190,000	190,000	5,118,685
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2017-8-11	2020-8-11	4.63%	5,088,671	142,829	5,231,500	-
Haitong Securities Co., Ltd	Corporate bonds	RMB	1,000,000	2017-8-11	2022-8-11	4.80%	1,017,764	48,384	48,000	1,018,148
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,500,000	2017-9-22	2027-9-22	4.99%	5,567,492	275,370	274,450	5,568,412
Haitong Securities Co., Ltd	Corporate bonds	RMB	500,000	2017-10-25	2020-10-25	4.77%	504,173	19,677	523,850	-
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	2018-3-8	2021-3-8	5.15%	3,126,563	154,500	154,500	3,126,563
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	2018-3-22	2021-3-22	5.14%	3,120,403	154,200	154,200	3,120,403
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	2018-5-10	2021-5-10	4.70%	3,091,167	141,000	141,000	3,091,167
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	2018-8-6	2021-8-6	3.98%	3,048,414	119,400	119,400	3,048,414
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	2018-11-22	2021-11-22	3.88%	3,012,756	116,400	116,400	3,012,756
Haitong Securities Co., Ltd	Corporate bonds	USD	300,000	2018-12-13	2023-12-13	4.50%	2,088,998	196,491	329,672	1,955,817
Haitong Securities Co., Ltd	Corporate bonds	EUR	230,000	2018-12-13	2023-12-13	Euribor+165bps	1,798,759	248,169	200,100	1,846,828
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2019-4-11	2022-4-11	3.75%	5,136,130	187,500	187,500	5,136,130
Haitong Securities Co., Ltd	Corporate bonds	RMB	4,500,000	2019-11-15	2022-11-15	3.52%	4,520,397	158,400	158,400	4,520,397
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2020-2-27	2023-2-27	3.01%	-	5,127,061	-	5,127,061
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,500,000	2020-3-19	2023-3-19	2.99%	-	3,582,573	-	3,582,573
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,600,000	2020-4-30	2023-4-30	2.38%	-	5,689,827	-	5,689,827
Haitong Securities Co., Ltd	Corporate bonds	RMB	700,000	2020-4-30	2025-4-30	2.88%	-	713,587	-	713,587
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,700,000	2020-5-25	2023-5-25	2.70%	-	6,809,531	-	6,809,531
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,000,000	2020-8-11	2023-8-11	3.53%	-	6,082,979	-	6,082,979
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2020-10-21	2021-10-23	3.50%	-	5,034,521	-	5,034,521
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2020-10-21	2022-10-21	3.82%	-	5,037,677	-	5,037,677
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	2020-11-19	2022-1-13	3.70%	-	5,021,795	-	5,021,795
Haitong Securities Co., Ltd	Subordinated notes	RMB	2,000,000	2016-11-17	2021-11-17	3.40%	2,008,384	68,000	68,000	2,008,384
Haitong Securities Co., Ltd	Subordinated notes	RMB	4,500,000	2017-3-16	2020-3-16	4.80%	4,672,208	43,792	4,716,000	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening		Closing	
							Balance RMB'000	Balance RMB'000	Increase RMB'000	Decrease RMB'000
Haitong Securities Co., Ltd	Subordinated notes	RMB	3,300,000	2019-2-28	2022-2-28	4.09%	3,413,523	135,029	134,970	3,413,582
Haitong Securities Co., Ltd	Long-term income certificates	RMB	479,385	2019-1-4 to 2020-12-31	2021-1-3 to 2023-1-1	0.00%-4.40%	3,713,203	656,287	3,887,091	482,399
Haitong Securities Co., Ltd	Financial bond	RMB	7,000,000	2019-8-29	2022-8-29	3.39%	7,081,267	237,300	237,300	7,081,267
Haitong Securities Co., Ltd	Asset-based securities	RMB	475,000	2018-9-11	2020-9-11	4.55%	475,948	15,040	490,988	-
Haitong Securities Co., Ltd	Asset-based securities	RMB	4,750,000	2019-4-23	2020-4-23	3.40%	4,757,083	49,993	4,807,076	-
Haitong Securities Co., Ltd	Asset-based securities	RMB	4,275,000	2019-5-15	2020-5-15	3.37%	4,281,314	53,288	4,334,602	-
Shanghai Haitong Securities Asset management Co., Ltd	Corporate bonds	RMB	1,000,000	2020-11-4	2025-11-4	3.85%	-	1,006,012	-	1,006,012
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	2015-11-9	2020-11-9	5.50%	856,792	47,014	903,806	-
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	2018-4-4	2023-4-4	6.05%	1,045,085	60,500	60,500	1,045,085
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	2018-10-31	2023-10-31	5.34%	1,009,071	53,400	53,400	1,009,071
Haitong International Holding Co. Ltd	Corporate bonds	USD	670,000	2020-3-12	2025-3-11	2.11%	-	4,479,551	90,279	4,389,272
Haitong International Holding Co. Ltd	Corporate bonds	EUR	220,000	2016-05-18 & 2016-5-26	2021-05-17 & 2021-5-26	1.60%	1,734,141	266,330	218,129	1,782,342
Haitong International Holding Co. Ltd	Guaranteed bonds	USD	670,000	2015-4-21	2020-4-20	3.50%	4,704,599	52,396	4,756,995	-
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	600,000	2016-6-7	2021-6-7	4.07%	188,925	7,529	7,285	189,169

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening		Closing	
							Balance RMB'000	Increase RMB'000	Balance RMB'000	Decrease RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	600,000	2016-7-15	2021-7-15	4.10%	294,420	12,398	11,515	295,303
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	2017-7-21	2020-7-21	4.70%	1,020,012	25,882	1,045,894	-
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	800,000	2017-11-14	2020-11-14	5.80%	804,968	40,299	845,267	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	1,360,000	2017-11-27	2020-9-19	5.80%	1,357,349	802,475	2,159,824	-
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	600,000	2018-2-12	2021-2-12	6.35%	632,664	38,204	37,202	633,666
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	2018-3-23	2021-3-23	5.77%	1,042,937	58,041	56,146	1,044,832
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	800,000	2018-4-27	2021-4-27	5.23%	826,911	41,840	40,627	828,124
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	960,000	2018-4-27	2020-6-18	5.1%-6.1%	60,066	1,105	61,171	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,425,000	2018-6-15	2020-12-18	5.49%-5.84%	104,581	3,571	108,152	-
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	500,000	2018-6-19	2021-6-19	6.50%	516,327	32,500	31,759	517,068
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	2018-7-31	2020-4-19	4.9%-6.2%	45,670	310	45,980	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	980,000	2018-8-21	2020-11-19	4.5%-5.83%	256,892	5,891	262,783	-
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	2018-9-21	2021-9-21	5.05%	808,134	40,400	38,645	809,889

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	400,000	2018-10-26	2021-10-26	4.85%	402,324	19,400	18,746	402,978
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,370,000	2018-11-23	2020-11-19	4.66%-5.80%	456,470	9,916	466,386	-
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	800,000	2018-11-30	2021-11-30	5.20%	801,218	41,714	40,400	802,532
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	600,000	2018-12-12	2020-12-12	5.13%	600,731	29,093	629,824	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	2018-12-26	2021-8-19	5.90%	447,711	14,110	379,246	82,575
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,440,000	2019-2-27	2021-11-18	5.00%	803,780	22,360	651,369	174,771
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	2019-2-28	2022-2-28	5.20%	519,554	26,071	24,975	520,650
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2019-3-19	2020-10-20	4.00%-4.70%	439,807	6,224	446,031	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,490,000	2019-4-16	2021-9-20	4.40%	796,834	21,095	661,881	156,048
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	300,000	2019-4-23	2022-4-23	4.65%	308,540	13,950	13,399	309,091
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	2019-5-31	2022-5-31	4.70%	1,023,999	47,000	45,485	1,025,514
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2019-5-31	2021-1-19	4.34%	622,611	12,266	568,167	66,710
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,440,000	2019-6-14	2022-2-24	4.30%-4.50%	847,576	184,153	684,135	347,594

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	2019-7-24	2022-7-24	4.83%	508,287	24,150	23,215	509,222
Haitong Unitrust International Financial Leasing Co., Ltd	Overseas private placement bond	USD	150,000	2019-7-31	2022-7-31	3.80%	1,057,179	32,862	99,359	990,682
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2019-8-8	2021-4-20	4.80%	730,837	17,016	604,890	142,963
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,390,000	2019-8-27	2022-3-26	4.40%-4.45%	1,008,127	32,821	695,653	345,295
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2019-10-31	2022-5-26	4.20%-4.60%	797,776	22,438	568,032	252,182
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	2019-11-11	2022-3-19	4.10%-4.57%	631,669	18,599	476,083	174,185
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,400,000	2019-12-4	2022-12-4	4.50%	1,398,215	63,173	60,798	1,400,590
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	926,000	2019-12-24	2022-8-26	4.35%-4.60%	853,905	70,253	540,647	383,511
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2019-12-26	2021-7-26	4.60%	943,184	24,863	723,990	244,057
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,500,000	2017-6-21	2020-6-21	4.95%	1,537,747	34,786	1,572,533	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2018-12-27	2020-5-20	5%-5.5%	215,608	2,364	217,972	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,567,500	2017-8-4	2020-6-12	5.40%	1,568,022	956,132	2,524,154	-
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-3-24	2021-11-26	3.60%-3.65%	-	968,258	574,017	394,241
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	2020-3-25	2022-11-19	3.10%-4.10%	-	965,420	487,902	477,518

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening		Closing	
							Balance RMB'000	Increase RMB'000	Balance RMB'000	Decrease RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-4-15	2023-2-27	2.95%-3.40%	-	961,870	446,785	515,085
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	2020-5-11	2023-5-11	3.50%	-	1,018,243	-	1,018,243
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	880,000	2020-5-28	2022-7-26	2.43%-3.4%	-	888,242	322,987	565,255
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-6-17	2023-2-27	3.25%-3.7%	-	960,051	292,402	667,649
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	700,000	2020-6-19	2022-6-19	3.95%	-	711,483	-	711,483
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-6-19	2022-1-26	3.14%-3.8%	-	961,946	366,172	595,774
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	190,000	2020-4-7	2023-2-13	5.00%	-	195,504	5,700	189,804
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-7-28	2023-5-26	3.50%-4.10%	-	958,035	234,591	723,444
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,200,000	2020-7-28	2023-7-28	4.00%	-	1,214,347	-	1,214,347
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-8-14	2022-4-26	3.49%-3.99%	-	957,269	244,333	712,936
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	500,000	2020-8-31	2023-8-31	4.20%	-	504,822	-	504,822
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-9-9	2023-4-26	3.45%-4.20%	-	952,532	163,838	788,694
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	2020-9-10	2022-9-10	4.40%	-	1,008,260	-	1,008,260
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	2020-9-17	2023-9-17	4.20%	-	1,006,516	-	1,006,516

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 47. BONDS PAYABLE (continued)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-10-22	2023-6-26	3.69%-4.3%	-	948,865	180,354	768,511
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	2020-10-30	2023-10-30	4.15%	-	801,295	-	801,295
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	2020-11-06	2022-11-06	3.97%	-	1,002,953	-	1,002,953
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-11-24	2022-7-26	3.98%-4.30%	-	947,872	-	947,872
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	2020-12-9	2023-7-26	4.17%-4.30%	-	942,576	-	942,576
Haitong International Securities Group Ltd	Convertible bonds	HKD	3,880,000	2016-10-25	2021-10-25	0.00%	110,422	1,781	6,674	105,529
Haitong International Securities Group Ltd	Guaranteed bonds	USD	700,000	2015-1-29	2020-7-29	4.20%	4,957,182	120,546	5,077,728	-
Haitong International Securities Group Ltd	Corporate bonds	USD	700,000	2019-7-19	2024-7-19	3.38%	4,929,513	160,351	472,260	4,617,604
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	2019-11-18	2025-5-18	3.13%	2,774,996	86,227	260,671	2,600,552
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	2020-7-2	2023-7-2	2.13%	-	2,626,435	-	2,626,435
Haitong Capital Investment Co. Ltd.	Corporate bonds	RMB	1,400,000	2015-12-03	2020-12-3	4.25%	1,401,776	62,752	1,464,528	-
Haitong Bank, S.A.	Financial bond	BRL	1,322,028	2017-2-2 to 2020-12-28	2020-1-13 to 2023-5-22	0.00%-7.04%	1,540,528	302,952	1,322,964	520,516
Haitong Bank, S.A.	Medium-term notes	EUR	73,599	2011-12-20 to 2018-8-30	2020-1-18 to 2026-1-23	0.00%-4.15%	533,725	3	474,846	58,882
Total							132,742,371	77,766,821	62,670,982	147,838,210



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 47. BONDS PAYABLE (continued)

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Analysed for reporting purpose as:		
Current liabilities	<b>36,233,688</b>	43,699,917
Non-current liabilities	<b>111,604,522</b>	89,042,454
	<b>147,838,210</b>	132,742,371

As at 31 December 2020, the balance of the unexpired long-term income certificated issued by the Company are RMB482,399 thousand. The annual coupon rate ranges from 0.00% to 4.40% (31 December 2019: RMB3,713,203 thousand, the annual coupon rate range is 0% to 5.25%).

As at 31 December 2020, bonds payable increased RMB15,095,839 thousand, with a percentage of 11.37%, mainly due to the increase in the issuance of long-term debt instruments of the Group.

### 48. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable mainly include cash held on behalf of clients at the banks and at the clearing houses by the Group.

As at 31 December 2020, the cash received from clients for securities lending and margin financing arrangement as collaterals, included in the Group's accounts payable to brokerage clients amounted to were approximately RMB8,634,304 thousand (31 December 2019: RMB5,921,917 thousand).

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 49. CUSTOMER ACCOUNTS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Demand deposits – corporate	229,122	379,485
Time deposits – corporate	4,157,749	2,464,127
Demand deposits – individual	16,913	501
Time deposits – individual	9,604	29,524
	<b>4,413,388</b>	<b>2,873,637</b>
Analysed for reporting purpose as:		
Current liabilities	<b>4,413,388</b>	<b>2,873,637</b>
	<b>4,413,388</b>	<b>2,873,637</b>

## 50. CONTRACT LIABILITIES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Asset and fund management services	499	1,998
Sales of commodity	130,540	181,000
	<b>131,039</b>	<b>182,998</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 51. OTHER PAYABLES AND ACCRUALS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Payable to employees ( <i>Note i</i> )	<b>6,478,181</b>	5,699,702
Other tax payable	<b>580,016</b>	598,558
Dividends payable	<b>7,536</b>	52,431
Risk reserve	<b>544,016</b>	436,387
Client settlement payables	<b>2,732,401</b>	2,473,668
Pending payable to clearing house	<b>979,097</b>	365,151
Commission and fee payables	<b>19,857</b>	23,609
Amounts due to brokers	<b>1,017,337</b>	1,329,198
Notes payable	<b>2,030,280</b>	930,867
Short term finance lease guarantee deposits	<b>3,677,978</b>	2,630,716
Others ( <i>Note ii</i> )	<b>4,502,742</b>	4,204,515
	<b>22,569,441</b>	18,744,802
Analysed for reporting purpose as:		
Current liabilities	<b>21,187,155</b>	17,748,106
Non-current liabilities ( <i>Note i</i> )	<b>1,382,286</b>	996,696
	<b>22,569,441</b>	18,744,802

*Notes:*

- (i) The Group set up a detailed plan for the payment of accrued employees' bonuses. According to the plan, a balance of RMB407,102 thousand is expected to be settled after one year (31 December 2019: RMB462,582 thousand) and therefore classified as non-current liabilities.
- (ii) Others mainly represent payables received in advance of the Group which are non-interest bearing and are settled within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 52. PROVISIONS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Contingencies (Note)	130,302	66,017
ECL for loan commitments, financial guarantee and letters of credit	10,782	9,063
	<b>141,084</b>	75,080

Note:

These provisions are intended to cover certain contingencies related to the Group's activities, including contingencies related to ongoing litigation.

### 53. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial liabilities held for trading	4,412,068	3,326,891
Liabilities arising from consolidation of structured entities Designated as financial liabilities at fair value through profit or loss (FVTPL) (Note i)	<b>6,002,904</b>	3,762,236
– Structured products (Note ii)	16,857,901	17,064,332
– Gold option (Note iii)	203,317	5,660,657
– Income certificates (Note iv)	4,762,111	271,850
	<b>32,238,301</b>	30,085,966
Analysed for reporting purpose as:		
Current liabilities	22,226,074	26,211,555
Non-current liabilities	10,012,227	3,874,411
	<b>32,238,301</b>	30,085,966

Notes:

- (i) As at 31 December 2020 and 2019, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual payables at maturity is not significant. The amounts of changes in the fair value that are attributable to changes in the Group's own credit risk are not significant during the years ended 31 December 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 53. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

- (ii) As at 31 December 2020 and 2019, included in the Group's financial liabilities designated at FVTPL are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates of which pay-outs are linked to the values/returns of certain underlying investments related to listed equity investments in active markets, listed/unlisted debt instruments, listed/unlisted investment funds, unlisted financial products and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily mitigated using financial assets at FVTPL as detailed in Note 30(iii). These structured products are designated as FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

- (iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combination intend to enable the Group to pay a fixed flow despite the volatilities of fair value of gold bullions. These contracts were designated at FVTPL.
- (iv) The Group issued some income certificates which were hybrid contracts containing embedded derivatives such as securities index. The entire hybrid contracts were designated as at FVTPL upon initial recognition.

### 54. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock	4,028,550	1,421,462
Bonds	45,162,927	61,117,485
Gold	11,371,956	6,338,731
	<b>60,563,433</b>	<b>68,877,678</b>
Analysed by market:		
Stock exchanges	14,111,154	12,147,846
Inter-bank market	35,080,323	48,969,639
OTC	11,371,956	7,760,193
	<b>60,563,433</b>	<b>68,877,678</b>
Analysed for reporting purpose as:		
Current liabilities	<b>60,563,433</b>	<b>68,877,678</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 54. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities.

The following tables provide a summary of carrying amounts or fair values related to transferred financial assets of the Group and the associated liabilities:

#### As at 31 December 2020

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Debt instruments at fair value through other comprehensive income <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	43,594,171	2,813,871	542,833	26,211,417	73,162,292
Carrying amount of associated liabilities	37,242,967	2,140,514	474,107	20,705,845	60,563,433
Net position	6,351,204	673,357	68,726	5,505,572	12,598,859

#### As at 31 December 2019

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Debt instruments at fair value through other comprehensive income <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	68,526,053	473,014	161,179	18,196,030	87,356,276
Carrying amount of associated liabilities	51,856,963	419,788	137,901	16,463,026	68,877,678
Net position	16,669,090	53,226	23,278	1,733,004	18,478,598

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 55. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Placements from banks	<b>14,069,197</b>	13,603,465
Placements from CSFC	<b>1,000,316</b>	7,019,049
	<b>15,069,513</b>	20,622,514
Analysed for reporting purpose as:		
Current liabilities	<b>12,059,685</b>	14,421,611
Non-current liabilities	<b>3,009,828</b>	6,200,903
	<b>15,069,513</b>	20,622,514

### 56. DEPOSITS FROM OTHER BANKS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Deposits from other banks	<b>63,104</b>	3,099

### 57. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount <i>RMB'000</i>	Number of shares '000	Amount <i>RMB'000</i>	Number of shares '000	Amount <i>RMB'000</i>
Registered, issued and fully paid at RMB1.0 per share:						
As at 1 January 2020	<b>8,092,131</b>	<b>8,092,131</b>	<b>3,409,569</b>	<b>3,409,569</b>	<b>11,501,700</b>	<b>11,501,700</b>
As at 31 December 2020	<b>9,654,631</b>	<b>9,654,631</b>	<b>3,409,569</b>	<b>3,409,569</b>	<b>13,064,200</b>	<b>13,064,200</b>

As at December 31, 2020, the total share capital of the company is 13,064,200 thousand shares, of which 1,562,500 thousand shares are subject to circulation restrictions (as at December 31, 2019: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 58. REVALUATION RESERVE

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
As at 1 January 2020	<b>114,007</b>	(400,148)
Debt instrument measured at fair value through other comprehensive income		
– Net fair value changes during the year	<b>(171,676)</b>	(562,817)
– Reclassification adjustment to profit or loss on disposal	<b>(47,510)</b>	(34,593)
– Reclassification adjustment to profit or loss for ECL	<b>259,494</b>	461,704
– Income tax impact	<b>(8,368)</b>	32,454
Equity instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period	<b>286,814</b>	795,267
– Transfer to retained earnings	<b>30,376</b>	(20,324)
– Income tax impact	<b>(82,201)</b>	(199,464)
Share of other comprehensive income of associates and joint ventures	<b>(34,727)</b>	68,727
Actuarial losses on defined benefit obligations	<b>(340)</b>	(28,705)
Fair value losses on hedging instrument designated in cash flow hedges	<b>(63,491)</b>	1,385
Others	–	521
As at 31 December 2020	<b>282,378</b>	114,007

## 59. RESERVES AND RETAINED EARNINGS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserve

The balance of capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value attributable to shareholders of the Company and other capital reserve arising from equity transactions.

### (b) Revaluation reserve

It mainly represents the fair value changes of debt instruments measured at FVTOCI and equity instruments measured at FVTOCI.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 59. RESERVES AND RETAINED EARNINGS (continued)

#### (c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained earnings.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained earnings and cannot be distributed or transferred to share capital.

For the year ended 31 December 2020, the Company transferred approximately RMB2,182,380 thousand to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2019: RMB2,023,482 thousand).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB7,663,172 thousand as at 31 December 2020 (31 December 2019: RMB6,935,712 thousand).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves and transaction risk reserve appropriated from the subsidiaries as at 31 December 2020 is RMB1,563,024 thousand and RMB371,616 thousand (31 December 2019: RMB1,285,311 thousand and nil).

#### (d) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained earnings determined in accordance with PRC GAAP and (ii) the retained earnings determined in accordance with IFRSs.

### 60. PERPETUAL NOTES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Perpetual notes issued by UniTrust ( <i>Note</i> )	1,523,756	1,237,212
Perpetual notes issued by Haitong Bank	29,160	29,160
	<b>1,552,916</b>	<b>1,266,372</b>

*Note:* On 11 March, 2016, UniTrust issued a perpetual medium-term note with principal amount of RMB1,200,000 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 60. PERPETUAL NOTES (continued)

The above financial instrument has no fixed maturity date and is redeemable at the option of UniTrust on or after the fifth interest payment date, based on principal amount with any accrued, unpaid or deferred interest payments.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date with no limitation on the number of deferrals, and such deferrals does not constitute the issuers breach of the contract.

UniTrust could not defer current interests and all deferred interests within 12 months before the interest payment date when the compulsory interest payment events below occur:

- to declare and pay dividend to ordinary shareholders; or
- to decrease registered capital

As at 14 December 2020, the Company issued a renewable trust loan with principal amount of RMB286,500 thousand.

The above financial instrument has no fixed maturity date and the Company may choose to defer the principal in accordance with the contractual terms or expire when the issuer is redeemed in accordance with the contractual terms.

The Company has the right to redeem at par value plus interest payable.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without time limit of deferrals, which is not considered as a breach of the contract for the issuer.

The Company could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 12 months before the interest payment date:

- to declare and pay dividend to ordinary shareholders
- to decrease registered capital
- to redeem or pay interest to other equity instrument which the payment sequence is inferior to this renewable trust loan.

Based on the terms and conditions mentioned above, the directors of the Company are of the view that the Group has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above perpetual note is measured as other equity instrument under IAS 32 *Financial Instruments: Presentation*.

For the year ended 31 December 2020, profit attributable to the holders of the perpetual notes of the Group amounted to RMB50,211 thousand (2019: RMB50,148 thousand), which are determined with reference to the distribution rates specified in the terms and conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 61. LONG-TERM PAYABLES

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Finance lease guarantee deposits	<b>6,912,745</b>	7,116,287
Deferred income	<b>592,924</b>	666,492
Others	<b>500,251</b>	326,557
	<b>8,005,920</b>	8,109,336

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business. These amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

### 62. CREDIT COMMITMENTS

As at 31 December 2020 and 2019, off-balance credit commitments can be analysed as follows:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Guarantees and standby letters of credit income	<b>1,145,716</b>	1,017,789
Irrevocable credit commitments	<b>510,162</b>	94,427

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these financial guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 63. OPERATING LEASE ARRANGEMENTS

#### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Within one year	<b>683,013</b>	470,356
In the second year	<b>605,225</b>	497,927
In the third year	<b>586,742</b>	476,574
In the fourth year	<b>520,438</b>	464,488
In the fifth year	<b>476,662</b>	392,985
Over five years	<b>981,461</b>	789,639
	<b>3,853,541</b>	3,091,969

### 64. CAPITAL COMMITMENTS

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	<b>3,685,924</b>	9,627,922

### 65. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognised as distribution	<b>3,657,976</b>	1,725,255

According to the 2020 Haitong Securities second extraordinary general meeting of shareholders on 20 October, 2020, the general meeting of shareholders reviewed and approved the declaration of a 2020 interim dividend of RMB2.8 per 10 shares (including tax) to all shareholders, with a total declared amount of RMB3.658 billion including tax, paid in cash.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 66. INVESTMENT IN SUBSIDIARIES

### Company

	2020/12/31 RMB'000	2019/12/31 RMB'000
Unlisted shares, At cost	<b>33,697,561</b>	28,629,222

### Principal subsidiaries acquired through establishment or investment

#### Details of the principal subsidiaries:

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
			As at 31 December 2020	As at 31 December 2019		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.*	有限責任公司(中外合資) Limited liability company (equity joint venture)	PRC	51%	51%	RMB300,000,000	Fund management
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.*	有限責任公司(中外合資) Limited liability company (equity joint venture)	PRC	67%	67%	RMB100,000,000	Fund management
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* ("HCICL")*	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB10,650,000,000	Private Equity investment management
海通國際控股有限公司 Haitong International Holdings Limited ("HTIH")*	N/A	Hong Kong	100%	100%	HKD11,179,726,140	Investment holding
海通期貨股份有限公司 Haitong Futures Co., Ltd.*	股份有限公司(新三板掛牌) Company limited by shares (listed on NEEQ)	PRC	67%	67%	RMB1,301,500,000	Futures brokerage
海通國際證券集團有限公司 Haitong International Securities Group Limited ("HISGL")*	N/A	Bermuda	65%	64%	HKD603,603,509	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 66. INVESTMENT IN SUBSIDIARIES (continued)

### Principal subsidiaries acquired through establishment or investment (continued)

#### Details of the principal subsidiaries: (continued)

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
			As at 31 December 2020	As at 31 December 2019		
海通創新證券投資有限公司 (Note ii) Haitong Innovation Securities Investment Co. Ltd*	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB8,300,000,000	Financial products investment, equity investment and securities investment
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited*	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB2,200,000,000	Securities asset management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited	N/A	Hong Kong	100%	100%	HKD4,146,162,881	Investment holding
海通恒信國際融資租賃股份有限公司 Haitong UniTrust International Financial Leasing Co., Ltd.	股份有限公司(上市) Company limited by shares (listed)	PRC	85%	85%	RMB8,235,300,000	Leasing
海通銀行 Haitong Bank S.A. ("Haitong Bank")	N/A	Portugal	100%	100%	EUR 844,769,000	Banking
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd.	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB10,000,000	Real estate development, property management and catering management
上海澤春投資發展有限公司 Shanghai Zechun Investment & Development Co. Ltd. ("Shanghai Zechun")	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	-	RMB100,000,000	Real estate development, industrial investment and Investment management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 66. INVESTMENT IN SUBSIDIARIES (continued)

#### Principal subsidiaries acquired through establishment or investment (continued)

##### Details of the principal subsidiaries: (continued)

- (i) English translated name is for identification only.
- (ii) The share capital of Haitong Innovation Securities Investment Co., Ltd. changed to RMB8,300 million after the capital injection in December 2020.
- (iii) In the opinion of directors of the Company, further disclosure of information for the indirectly held subsidiaries through HISGL and UniTrust in these financial statements would not add value to the shareholders as the related information is already being included in the annual report of HISGL and UniTrust for year ended 31 December 2020 currently being available to public.
- (iv) The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.
- (v) Some subsidiaries had issued debt securities at the end of the year, details are disclosed in Note 46 and Note 47.

##### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ordinary shares and voting rights held by non-controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
				RMB'000	RMB'000	RMB'000	RMB'000
HISGL	Bermuda	35.09%	35.60%	571,817	502,690	8,200,216	8,552,768
UniTrust	PRC	15.00%	15.00%	160,267	164,345	2,193,486	3,359,268

Summarised financial information in respect of HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Current assets	104,379,783	118,731,644
Non-current assets	18,872,096	21,255,930
Current liabilities	88,808,764	106,115,482
Non-current liabilities	10,610,253	9,658,638
Total equity	23,832,862	24,213,454

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 66. INVESTMENT IN SUBSIDIARIES (continued)

### Principal subsidiaries acquired through establishment or investment (continued)

#### Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total income	<b>6,928,747</b>	7,350,023
Profit for the year	<b>1,626,787</b>	1,389,228
Other comprehensive income	<b>(94,644)</b>	(34,957)
Total comprehensive income for the year	<b>1,532,143</b>	1,354,271
Net cash inflow/(outflow) from operating activities	<b>2,722,936</b>	(1,532,297)
Net cash outflow from investing activities	<b>(73,149)</b>	(124,342)
Net cash outflow from financing activities	<b>(2,594,813)</b>	(868,762)
Net cash inflow/(outflow)	<b>54,974</b>	(2,525,401)

Summarised financial information in respect of UniTrust is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Current assets	<b>55,862,275</b>	51,149,472
Non-current assets	<b>52,279,196</b>	47,897,803
Current liabilities	<b>48,362,558</b>	46,183,686
Non-current liabilities	<b>43,925,114</b>	37,573,802
Total equity	<b>15,853,799</b>	15,289,787

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total income	<b>8,545,062</b>	7,448,981
Profit for the year	<b>1,115,984</b>	1,354,912
Other comprehensive income	<b>(147,562)</b>	30,394
Total comprehensive income for the year	<b>968,422</b>	1,385,306



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 66. INVESTMENT IN SUBSIDIARIES (continued)

#### Principal subsidiaries acquired through establishment or investment (continued)

#### *Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net cash outflow from operating activities	<b>(3,401,895)</b>	(9,366,233)
Net cash outflow from investing activities	<b>(3,007,953)</b>	(1,025,480)
Net cash inflow from financing activities	<b>5,928,053</b>	11,760,495
Net cash (outflow)/inflow	<b>(481,795)</b>	1,368,782

#### Acquisition of a subsidiary

In September 2020, UniTrust entered into agreements to acquire the 60% equity interest of Gui'an UT from Guizhou Gui'an for a cash consideration of RMB950 million. The acquisition has been accounted for as acquisition of business using the acquisition method and Gui'an UT became a subsidiary of the Company subsequently. Gui'an UT is principally engaged in finance lease business.

No material acquisition-related costs have been recognised as an expense in the current year.

#### Assets acquired and liabilities assumed at the date of acquisition

	<b>Fair Value</b> <i>RMB'000</i>
Bank balances and cash	137,398
Finance lease receivables	2,362,338
Receivables arising from sale and leaseback arrangements	212,729
Property and equipment	1,087
Intangible assets	725
Right-of-use assets	7,026
Deferred tax assets	81,978
Other assets	82,601
Borrowings	(537,308)
Financial assets sold under repurchase agreements	(579,000)
Accrued staff costs	(5,105)
Income tax payable	(16,735)
Other liabilities	(165,045)
<b>Net assets</b>	<b>1,582,689</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 66. INVESTMENT IN SUBSIDIARIES (continued)

### Assets acquired and liabilities assumed at the date of acquisition (continued)

The finance lease receivables acquired with a fair value of RMB2,362,338 thousand at the date of acquisition had present value of RMB2,686,489 thousand. The best estimate of the contractual cash flows at acquisition date are not expected to be collected amounted to RMB324,151 thousand.

The receivables arising from sale and leaseback arrangements acquired with a fair value of RMB212,729 thousand at the date of acquisition had present value of RMB216,490 thousand. The best estimate of the contractual cash flows at acquisition date are not expected to be collected amounted to RMB3,761 thousand.

The consideration transferred approximated to the recognised amounts of net assets acquired at the date of acquisition, the difference was recognised in profit or loss and no goodwill arised on this acquisition.

### The acquisition's purchase price was paid in cash

	<b>Amount</b>
	<i>RMB'000</i>
Fair value of net assets	1,582,689
Less: Cash consideration paid	(950,000)
Fair value of the Group's interests in a joint venture before the acquisition	(633,076)
Difference recognized in profit or loss	(387)

### Net cash outflow on acquisition of a subsidiary

	<b>Amount</b>
	<i>RMB'000</i>
Cash consideration paid	950,000
Less: Bank balances and cash acquired	(137,398)
	812,602

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 66. INVESTMENT IN SUBSIDIARIES (continued)

#### Acquisition of assets through the purchase of subsidiaries

During the year end 31 December 2020, the Group completed the acquisition of the entire equity interest of Shanghai Zechun Investment and Development Co., Ltd for a cash consideration of RMB1,095,521 thousand (the "Zechun"). This transaction does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of property and equipment in the ordinary course of the Group.

#### Assets acquired and liabilities assumed at the date of acquisition

	<b>Amount</b> <i>RMB'000</i>
Bank balances and cash	5,543
Accounts receivable	94,471
Property and equipment	1,027,658
Other current assets	31,457
Income tax liabilities	(5,472)
Other payables and accruals-noncurrent	(58,136)
Shareholder's loan	(227,182)
	868,339
Assignment of shareholder's loan	227,182
Total consideration satisfied by:	
– Cash paid	1,095,521

#### Net cash outflow on acquisition of assets through the purchase of subsidiaries

	<b>Amount</b> <i>RMB'000</i>
Cash consideration paid on acquisition of equity	868,338
Less: Bank balances and cash acquired	(5,543)
	862,795

#### Non-cash financing activities

The Group had no significant non-cash financing activities during the year ended 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 67. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager or invested in, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2020 and 2019, and the results and cash flows for the years ended 31 December 2020 and 2019, though consolidated, are not individually significant to the Group. Therefore, the financial information of these consolidated structured entities is not disclosed individually.

Fair value of interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB27,879,408 thousand and RMB17,770,241 thousand as at 31 December 2020 and 2019, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2020 and 2019, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB296,544 thousand and RMB581,151 thousand respectively.

Interests held by other investor are included in financial liabilities at FVTPL in the consolidated statement of financial position and the corresponding changes are presented as changes in net investment gains or losses in the consolidated statement of profit or loss.

## 68. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

Except for the structured entities the Group has consolidated as detailed in Note 67, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant or does not have power over them. Therefore, the Group did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB18,234,797 thousand and RMB19,924,704 thousand as at 31 December 2020 and 2019, respectively. Total management income from all structured entities in which the Group acted as investment manager is RMB3,013,553 thousand and RMB1,903,041 thousand respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products and trust products approximate to their respective carrying amounts as disclosed in Note 30.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2020 and 2019 are set out below:

#### For the year ended 31 December 2020

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses <sup>(a)</sup> RMB'000	Employer's contribution to pension schemes annuity plans	Total <sup>(b)</sup> RMB'000
				RMB'000	
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	456	754	–	1,210
Qu Qiuping <sup>2</sup>	–	920	1,490	–	2,410
Ren Peng <sup>3</sup>	–	828	1,341	–	2,169
<i>Independent Non- executive Directors:</i>					
Zhang Ming <sup>4</sup>	280	–	–	–	280
Lin Jiali <sup>5</sup>	200	–	–	–	200
Zhu Hongchao <sup>6</sup>	250	–	–	–	250
Zhou Yu <sup>7</sup>	260	–	–	–	260
<i>Non-executive Directors and Supervisors:</i>					
Tu Xuanxuan <sup>8</sup>	–	–	–	–	–
Zhou Donghui <sup>9</sup>	–	–	–	–	–
Yu Liping <sup>10</sup>	–	–	–	–	–
Xu Jianguo <sup>11</sup>	–	–	–	–	–
Chen Bin <sup>12</sup>	–	–	–	–	–
Wu Hongwei <sup>13</sup>	–	411	624	–	1,035
Shi Xu <sup>14</sup>	–	658	1,618	–	2,276
Wu Xiangyang <sup>15</sup>	–	408	1,077	–	1,485
Ruan Feng <sup>16</sup>	–	–	–	–	–
Li Zhenghao <sup>17</sup>	–	–	–	–	–
Cao Yijian <sup>18</sup>	–	–	–	–	–
Dong Xiaochun <sup>19</sup>	–	–	–	–	–
Dai Li <sup>20</sup>	–	–	–	–	–
Xu Renzhong <sup>21</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>22</sup>	–	–	–	–	–
Feng Huang <sup>23</sup>	–	–	–	–	–
	<b>990</b>	<b>3,681</b>	<b>6,904</b>	<b>–</b>	<b>11,575</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2019

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses <sup>(a)</sup> RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>(b)</sup> RMB'000
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	456	754	–	1,210
Qu Qiuping <sup>2</sup>	–	920	570	–	1,490
Ren Peng <sup>3</sup>	–	828	513	–	1,341
<i>Independent Non- executive Directors:</i>					
Liu Zhimin	260	–	–	–	260
Xiao Suining	330	–	–	–	330
Feng Lun	200	–	–	–	200
Zhang Ming <sup>4</sup>	310	–	–	–	310
Lin Jiali <sup>5</sup>	240	–	–	–	240
Zhu Hongchao <sup>6</sup>	27	–	–	–	27
Zhou Yu <sup>7</sup>	27	–	–	–	27
<i>Non-executive Directors and Supervisors:</i>					
Yu Liping <sup>10</sup>	–	–	–	–	–
Chen Bin <sup>12</sup>	–	–	–	–	–
Xu Jianguo <sup>11</sup>	–	–	–	–	–
Wu Yuezhou <sup>27</sup>	–	–	–	–	–
Shen Tiedong <sup>28</sup>	–	–	–	–	–
Zhang Xinmei <sup>29</sup>	–	–	–	–	–
Tu Xuanxuan <sup>8</sup>	–	–	–	–	–
Wu Hongwei <sup>13</sup>	–	411	624	–	1,035
Wang Meijuan <sup>30</sup>	–	559	1,009	–	1,568
Hu Hairong <sup>31</sup>	–	549	1,009	–	1,558
Song Shihao <sup>32</sup>	–	495	974	–	1,469
Rui Zhengxian <sup>33</sup>	–	342	652	–	994
Shi Xu <sup>14</sup>	–	221	421	–	642
Wu Xiangyang <sup>15</sup>	–	183	314	–	497
Xu Renzhong <sup>21</sup>	–	–	–	–	–
Cao Yijian <sup>18</sup>	–	–	–	–	–
Dai Li <sup>20</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>22</sup>	–	–	–	–	–
Feng Huang <sup>23</sup>	–	–	–	–	–
Li Lin <sup>34</sup>	–	–	–	–	–
Cheng Feng <sup>35</sup>	–	–	–	–	–
Chen Huifeng <sup>36</sup>	–	–	–	–	–
Song Chunfeng <sup>37</sup>	–	–	–	–	–
	1,394	4,964	6,840	–	13,198

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
  - (b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 71.
- 1 Mr. Zhou Jie was appointed as Chairman, and Executive Director in October 2016. Mr. Zhou Jie whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 2 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 3 Mr. Ren Peng was appointed as the executive Director of the Company in June 2019 and was appointed as the Vice General Manager of the Company in November 1997. Mr. Ren Peng whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 4 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June 2016.
  - 5 Mr. Lin Jiali was appointed as the Independent Non-executive Director of the Company in April 2017.
  - 6 Mr. Zhu Hongchao was appointed as the Independent Non-executive Director of the Company in June 2019.
  - 7 Mr. Zhou Yu was appointed as the Independent Non-executive Director of the Company in June 2019.
  - 8 Mr. Tu Xuanxuan was appointed as the Non-executive Director of the Company in June 2019.
  - 9 Mr. Zhou Donghui was appointed as the Non-executive Director of the Company in June 2020.
  - 10 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June 2015.
  - 11 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October 2016.
  - 12 Mr. Chen Bin was appointed as the Non-executive Director of the Company in December 2014. Mr. Chen Bin resigned from the position of the Non-executive Director of the Company in March 2020.
  - 13 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board, Deputy Secretary of CPC Party Committee in December 2017.
  - 14 Mr. Shi Xu was appointed as the Supervisor of the Company in June 2019.
  - 15 Mr. Wu Xiangyang was appointed as the Supervisor of the Company in June 2019.
  - 16 Mr. Ruan Feng was appointed as the Supervisor of the Company in October 2020.
  - 17 Mr. Li Zhenghao was appointed as the Supervisor of the Company in June 2020.
  - 18 Mr. Cao Yijian was appointed as the Supervisor of the Company in June 2019.
  - 19 Mr. Dong Xiaochun was appointed as the Supervisor of the Company in October 2020.
  - 20 Ms. Dai Li was appointed as the Supervisor of the Company in June 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- 21 Mr. Xu Renzhong was appointed as the Supervisor of the Company in June 2019. Mr. Xu Renzhong resigned from the position of the Supervisor of the Company in March 2020.
- 22 Ms. Zheng Xiaoyun was appointed as the Supervisor of the Company in September 2015. Mrs. Zheng Xiaoyun resigned from the position of the Supervisor of the Company in August 2020.
- 23 Mr. Feng Huang was appointed as the Supervisor of the Company in December 2014. Mr. Feng Huang resigned from the position of the Supervisor of the Company in September 2020.
- 24 Mr. Liu Zhimin was appointed as the Independent Non-executive Director of the Company in November 2011. Mr Liu Zhimin resigned from the position of the Independent Non-executive Director of the Company in June 2019.
- 25 Mr. Xiao Suining was appointed as the Independent Non-executive Director of the Company in May 2013. Mr Xiao Suining resigned from the position of the Independent Non-executive Director of the Company in June 2019.
- 26 Mr. Feng Lun was appointed as the Independent Non-executive Director of the Company in December 2014. Mr Feng Lun resigned from the position of the Independent Non-executive Director of the Company in June 2019.
- 27 Mr. Wu Yuezhou was appointed as the Non-executive Director of the Company in August 2017. Mr. Wu Yuezhou resigned from the position of the Non-executive Director of the Company in June 2019.
- 28 Mr. Shen Tiedong was appointed as the Non-executive Director of the Company in June 2015. Mr. Shen Tiedong resigned from the position of the Non-executive Director of the Company in June 2019.
- 29 Ms. Zhang Xinmei was appointed as the Non-executive Director of the Company in December 2014. Mrs. Zhang Xinmei resigned from the position of the Non-executive Director of the Company in June 2019.
- 30 Ms. Wang Meijuan was appointed as the Supervisor of the Company in December 2014. Mrs. Wang Meijuan resigned from the position of the Supervisor of the Company in June 2019.
- 31 Ms. Hu Hairong was appointed as the Supervisor of the Company in December 2014. Mrs. Hu Hairong resigned from the position of the Supervisor of the Company in June 2019.
- 32 Mr. Song Shihao was appointed as the Supervisor of the Company in July 2015. Mr. Song Shihao resigned from the position of the Supervisor of the Company in June 2019.
- 33 Mr. Rui Zhengxian was appointed as the Supervisor of the Company in December 2017. Mr. Rui Zhengxian resigned from the position of the Supervisor of the Company in June 2019.
- 34 Mr. Li Lin was appointed as the Supervisor of the Company in May 2013. Mr. Li Lin resigned from the position of the Supervisor of the Company in June 2019.
- 35 Mr. Cheng Feng was appointed as the Supervisor of the Company in December 2014. Mr. Cheng Feng resigned from the position of the Supervisor of the Company in June 2019.
- 36 Mr. Chen Huifeng was appointed as the Supervisor of the Company in December 2014. Mr. Chen Huifeng resigned from the position of the Supervisor of the Company in June 2019.
- 37 Mr. Song Chunfeng was appointed as the Supervisor of the Company in July 2016. Mr. Song Chunfeng resigned from the position of the Supervisor of the Company in June 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 69. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services and their employments as supervisors of the Company.

For the years ended 31 December 2020 and 2019, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for redundancy.

### 70. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2020 and 2019 are as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Salary and commission	<b>10,789</b>	10,841
Bonuses	<b>57,172</b>	65,754
Employer's contribution to pension schemes/annuity plans	<b>296</b>	450
	<b>68,257</b>	77,045

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 70. HIGHEST PAID INDIVIDUALS (continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2020 Number of employees	2019 Number of employees
Emolument bands		
– RMB12,000,001 to RMB12,500,000	2	–
– RMB12,500,001 to RMB13,000,000	1	1
– RMB13,500,001 to RMB14,000,000	–	1
– RMB14,000,001 to RMB14,500,000	–	1
– RMB15,000,001 to RMB15,500,000	1	–
– RMB15,500,001 to RMB16,000,000	1	1
– RMB19,500,001 to RMB20,000,000	–	1
	<b>5</b>	<b>5</b>

## 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES

### 2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the “2015 Share Option Scheme”) on 8 June 2015 (the “Adoption Date”). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to HISGL or the Group.

The maximum number of shares of HISGL (the “Shares”) which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of HISGL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors of HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 31 May 2019, HISGL granted 10,645,000 share options at the exercise price of HKD2.56 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The option period of the share options is from 27 December 2019 to 30 May 2024. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the HISGL's shares on the date of grant was HK\$2.33 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 31 May 2019 is approximately HKD5.7 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2019
Weighted average share price at the date of grant	HK\$2.33
Initial exercise price	HK\$2.56
Expected volatility	49.574%
Expected option life	5 years
Risk-free rate	1.463%
Expected dividend yield	7.82%
Early exercise multiples – directors of HISGL	1.69
– employees	1.94

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

On 29 May 2020, HISGL granted 10,645,000 share options at the exercise price of HK\$1.727 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The exercise period of the share options is from 25 December 2020 to 28 May 2025. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of Haitong International Securities' shares on the date of grant was HK\$1.57 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 29 May 2020 is approximately HKD3.2 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	<b>2020</b>
Weighted average share price at the date of grant	<b>HK\$1.57</b>
Initial exercise price	<b>HK\$1.727</b>
Expected volatility	<b>49.389%</b>
Expected option life	<b>5 years</b>
Risk-free rate	<b>0.52%</b>
Expected dividend yield	<b>11.439%</b>
Early exercise multiples – directors of HISGL	<b>1.69</b>
– employees	<b>1.94</b>

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

For the year ended 31 December 2020, the Group has recognised an equity-settled share-based payment of HKD3,222 thousand equivalent to RMB2,712 thousand (2019: HKD15,449 thousand, equivalent to RMB13,839 thousand) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The following table discloses movements of share options granted to the directors and employees of the Group.

	2020		2019	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At beginning of the year	3.728	54,106	4.031	46,717
Granted and accepted during the year	1.727	10,645	2.560	10,645
Adjusted during the year (note)	3.717	95	3.737	28
Forfeited during the year	3.95	(2,744)	4.238	(3,284)
At end of the year	3.369	62,102	3.728	54,106

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2020 Number of options '000	Exercise price HKD per share (note)	Exercise period
12,611	4.643	8 December 2016 – 11 May 2021
11,078	5.002	7 June 2018 – 9 November 2022
17,610	2.898	28 May 2019 – 31 October 2023
10,158	2.554	27 December 2019 – 30 May 2024
10,645	1.727	25 December 2020 – 28 May 2025
62,102		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

31 December 2019 Number of options '000	Exercise price HKD per share (note)	Exercise period
13,545	4.643	8 December 2016 – 11 May 2021
11,712	5.011	7 June 2018 – 9 November 2022
18,249	2.903	28 May 2019 – 31 October 2023
10,600	2.559	27 December 2019 – 30 May 2024
<u>54,106</u>		

*Note:* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

As at 31 December 2020, HISGL had 62,102,499 (31 December 2019: 54,106,262) share options outstanding under the 2015 Share Option Scheme, which represented approximately 1.03% (31 December 2019: 0.91%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 62,102,499 (2019: 54,106,262) additional ordinary shares of HISGL and additional share capital of HKD6,210 thousand equivalent to RMB5,227 thousand (2019: HKD5,411 thousand, equivalent to RMB4,847 thousand) and share premium of HKD203,016 thousand equivalent to RMB170,866 thousand (2019: HKD196,270 thousand, equivalent to RMB175,815 thousand) (before issue expenses).

#### Share award scheme of HISGL

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HKD0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

The Board has delegated the power and authority to the Administration Committee to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by the Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the consolidated statement of changes in equity.

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

#### Share award scheme of HISGL (continued)

Details of the awarded shares granted and unvested as at 31 December 2020 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed (note (g))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date HKD
11 March 2016	7,865,506	6,843,197	1,022,309	–	note (a)	31,383,000
10 March 2017	4,246,234	3,725,644	520,590	–	note (b)	19,320,000
28 May 2018	7,010,493	4,171,458	979,004	1,860,031	note (c)	32,108,000
11 January 2019	134,000	134,000	–	–	note (d)	351,000
25 March 2019	6,848,366	2,123,722	735,870	3,988,774	note (e)	21,024,000
29 October 2019	8,175,000	2,615,000	800,000	4,760,000	note (f)	18,557,000
25 March 2020	<b>14,294,205</b>	–	<b>830,982</b>	<b>13,463,223</b>	note (g)	<b>28,731,000</b>
8 May 2020	<b>78,000</b>	<b>78,000</b>	–	–	note (h)	<b>138,000</b>
3 July 2020	<b>7,700,000</b>	<b>7,700,000</b>	–	–	note (i)	<b>16,016,000</b>

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the year ended 31 December 2020, the Group has recognised an equity settled share-based payment of RMB37,689 thousand (31 December 2019: RMB30,048 thousand) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2020 and 31 December 2019, the HISGL did not have any awarded shares granted on 11 March 2016 which were outstanding under the Scheme. During the year ended 31 December 2019, 29,820 and 2,133,343 awarded shares granted on 11 March 2016 were lapsed and vested respectively.

As at 31 December 2020, the HISGL did not have any awarded shares granted on 10 March 2017 which were outstanding under the Scheme (2019: 1,155,351 awarded shares). During the current year, 7,485 (2019: 134,573) and 1,147,866 (2019: 1,259,541) awarded shares granted on 10 March 2017 were lapsed and vested respectively.

As at 31 December 2020, the HISGL had 1,860,031 (2019: 4,053,475) awarded shares granted on 11 May 2018 which were outstanding under the Scheme. During the current year, 221,869 (2019: 585,522) and 1,971,575 (2019: 2,199,883) awarded shares granted on 11 May 2018 were lapsed and vested respectively.

As at 31 December 2020 and 31 December 2019, the HISGL did not have any awarded shares granted on 11 January 2019 which were outstanding under the Scheme. All 134,000 awarded shares granted on 11 January 2019 were vested in the prior year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

As at 31 December 2020, the HISGL had 3,988,774 (2019: 6,371,215) awarded shares granted on 25 March 2019 which were outstanding under the Scheme. During the current year, 258,719 (2019: 477,151) and 2,123,722 awarded shares granted on 25 March 2019 were lapsed and vested respectively.

As at 31 December 2020, the HISGL had 4,760,000 (2019: 7,845,000) awarded shares granted on 29 October 2019 which were outstanding under the Scheme. During the current year, 470,000 (2019: 330,000) and 2,615,000 awarded shares granted on 29 October 2019 were lapsed and vested respectively.

As at 31 December 2020, the HISGL had 13,463,223 awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 830,982 awarded shares granted on 25 March 2020 were lapsed.

As at 31 December 2020, the HISGL had no awarded shares granted on 8 May 2020 which were outstanding under the Scheme. During the current year, all 78,000 awarded shares granted on 8 May 2020 were vested.

As at 31 December 2020, the HISGL had no awarded shares granted on 3 July 2020 which were outstanding under the Scheme. During the current year, all 7,700,000 awarded shares granted on 3 July 2020 were vested.

#### Notes:

- (a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 11 March 2016 is on 15 March 2017 while the vesting date of another one-third of award shares granted on 11 March 2016 would be on 15 March 2018 and the vesting date for the remaining would be on 15 March 2019.
- (b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 10 March 2017 is on 19 March 2018 while the vesting date of another one-third of award shares granted on 10 March 2017 would be on 19 March 2019 and the vesting date for the remaining would be on 19 March 2020.
- (c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 11 May 2018 is on 13 May 2019 while the vesting date of another one-third of award shares granted on 11 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.
- (d) Pursuant to the agreed terms, the vesting date of all the award shares granted on 11 January 2019 is on 18 January 2019.
- (e) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 is on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.
- (f) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 is on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 71. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (continued)

#### Share award scheme of HISGL (continued)

- (g) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 is on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.
- (h) Pursuant to the agreed terms, the vesting date of all the award shares granted on 8 May 2020 is on 25 May 2020.
- (i) Pursuant to the agreed terms, the vesting date of all the award shares granted on 3 July 2020 is on 15 July 2020.
- (j) Awarded shares would lapse prior to their vesting date as a result of staff resignations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

Movements of shares held under the Scheme during the year are as follows:

	2020		2019	
	HKD'000	Number of shares	HKD'000	Number of shares
As at 1 January	207,210	62,273,142	155,372	33,370,909
Purchased during the year	230,980	126,069,010	78,958	34,629,000
Vested and transferred out during the year	(48,204)	(15,636,163)	(27,120)	(5,726,767)
As at 31 December	389,986	172,705,979	207,210	62,273,142

#### Others

A subsidiary of the Group may become, or has become, a subject of litigation or arbitration in relation to its normal course of business. Any situation will be reviewed in conjunction with the subsidiary's legal advisors. The Group considers that the eventual impact to the consolidated financial statements in terms of possible outflow of economic benefits will not be significant.

### 72. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 24 above, the name and the relationship of other related parties are set out as below:

Name of the related party	Relationship of the related party
Shanghai Guosheng(Group) Co., Ltd.	Shareholders with shareholdings of 5% or above in the company
Bright Foods(Group) Co., Ltd.	Significant influence

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 72. RELATED PARTY TRANSACTIONS (continued)

The Group's major transactions with related parties are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Commission and fee income from:		
– Fullgoal Fund Management Co., Ltd.	<b>104,038</b>	40,891
– Shanghai Equity Investment Fund (Limited Partnership)	<b>32,987</b>	55,701
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	<b>28,749</b>	26,456
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	<b>25,558</b>	18,345
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	<b>23,440</b>	20,879
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	<b>17,000</b>	–
– Liaoning energy investment (Group) Co. Ltd	<b>15,886</b>	–
– Shanghai Equity Investment Fund II (Limited Partnership)	<b>15,191</b>	–
– Xi'an Aerospace and New Energy Industry Fund	<b>14,642</b>	18,887
– Guangdong South Media Integration Fund (Limited Partnership)	<b>4,835</b>	13,918
– Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)	<b>4,813</b>	13,626
– Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd	<b>4,028</b>	4,028
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	<b>3,037</b>	5,030
– Haitong (Jilin) Equity Investment Fund (Limited Partnership)	<b>2,579</b>	2,264
– Shanghai Guosheng (Group) Co., Ltd	<b>2,353</b>	–
– Bright Food (Group) Co., Ltd	<b>1,797</b>	–
– Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership	<b>1,221</b>	–
– Gui'an UniTrust Finance Leasing Co., Ltd	<b>11</b>	–
Commission and fee expenses to		
– Shanghai Equity Investment Fund (Limited Partnership)	<b>23,030</b>	–
Interest Income from		
– Gui'an UniTrust Finance Leasing Co., Ltd	<b>42,146</b>	74,451

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 72. RELATED PARTY TRANSACTIONS (continued)

	2020/12/31 RMB'000	2019/12/31 RMB'000
Investment income from		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	13,206	–
– Shanghai Equity Investment Fund II (Limited Partnership)	28	–
Accounts receivables from:		
– Shanghai Guosheng (Group) Co., Ltd	810	–
– Liaoning energy investment (Group) Co. Ltd	20	–
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	20	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	2,250
Other receivables from		
– Shanghai Equity Investment Fund (Limited Partnership)	–	1,003
Accounts payable to brokerage clients		
– Fullgoal Fund Management Co., Ltd.	(36,240)	(13)
– Xi'an Aerospace and New Energy Industry Fund	(1,690)	(1,722)
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	(842)	(171)
– Shanghai Tong Guan Investment Management (Limited Partnership)	–	(3,622)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	–	(3,217)
Contract Liability to		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	–	(690)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Non-current assets		
Property and equipment	<b>6,398,287</b>	1,618,263
Right-of-use assets	<b>513,406</b>	359,991
Investment properties	<b>13,279</b>	14,474
Other intangible assets	<b>300,063</b>	260,558
Investments in subsidiaries	<b>33,697,561</b>	28,629,222
Investments accounted for using equity method	<b>1,448,469</b>	1,096,102
Equity instruments at fair value through other comprehensive income	<b>15,984,456</b>	15,633,109
Debt instruments at fair value through other comprehensive income	<b>10,573,687</b>	7,496,173
Debt instruments measured at amortised cost	–	151,095
Financial assets at fair value through profit or loss	<b>293,195</b>	5,223,160
Financial assets held under resale agreements	<b>2,198,497</b>	17,137,937
Deferred tax assets	<b>1,654,578</b>	916,554
Other non-current assets	–	947,752
<b>Total non-current assets</b>	<b>73,075,478</b>	79,484,390
Current assets		
Advances to customers on margin financing	<b>62,585,416</b>	41,347,920
Accounts receivable	<b>1,458,059</b>	1,042,901
Debt instruments at fair value through other comprehensive income	<b>1,194,036</b>	1,579,858
Financial assets at fair value through profit or loss	<b>118,661,405</b>	103,339,670
Derivative financial assets	<b>109,961</b>	2,529
Financial assets held under resale agreements	<b>43,845,060</b>	30,537,667
Other receivables and prepayments	<b>1,190,035</b>	644,313
Amount due from subsidiaries	<b>6,718,097</b>	4,156,001
Deposits with exchanges	<b>2,791,802</b>	1,718,061
Clearing settlement funds	<b>12,053,285</b>	8,779,148
Bank balances and cash	<b>74,010,192</b>	69,306,390
<b>Total current assets</b>	<b>324,617,348</b>	262,454,458
<b>Total assets</b>	<b>397,692,826</b>	341,938,848

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	2020/12/31 RMB'000	2019/12/31 RMB'000
Current liabilities		
Borrowings	2,296	386,611
Short-term financing bills payables	14,954,953	19,976,563
Bonds Payable	33,643,872	19,781,693
Accounts payable to brokerage clients	67,034,114	56,335,795
Other payables and accruals	7,031,235	5,859,302
Amount due to subsidiaries	355,854	108,107
Lease liabilities	144,514	157,049
Tax liabilities	1,447,659	643,691
Financial liabilities at fair value through profit or loss	1,257,043	6,282,013
Derivative financial liabilities	543,532	419,090
Financial assets sold under repurchase agreements	48,997,606	42,998,819
Placements from other financial institutions	8,801,862	14,421,611
<b>Total current liabilities</b>	<b>184,214,540</b>	167,370,344
<b>Net current assets</b>	<b>140,402,808</b>	95,084,114
<b>Total assets less current liabilities</b>	<b>213,478,286</b>	174,568,504
Equity		
Share capital	13,064,200	11,501,700
Capital reserve	74,772,635	56,486,199
Revaluation reserve	499,138	183,999
General reserves	22,989,516	20,807,136
Retained earnings	26,119,699	24,708,237
<b>Total equity</b>	<b>137,445,188</b>	113,687,271
Non-current liabilities		
Long-term borrowings	2,112,000	45,150
Bonds payables	66,226,560	60,081,280
Other payables and accruals	287,209	376,905
Financial liabilities at fair value through profit or loss	7,062,075	197,179
Lease liabilities	345,254	180,719
<b>Total non-current liabilities</b>	<b>76,033,098</b>	60,881,233
<b>Total equity and non-current liabilities</b>	<b>213,478,286</b>	174,568,504

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 73. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	Share Capital RMB'000	Capital Reserve RMB'000	Revaluation reserve RMB'000	General Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000
	<i>(Note)</i>					
As at 1 January 2020	11,501,700	56,486,199	183,999	20,807,136	24,708,237	113,687,271
Profit for the year	-	-	-	-	7,274,600	7,274,600
Other comprehensive income for the year	-	-	292,357	-	-	292,357
Total comprehensive income for the year	-	-	292,357	-	7,274,600	7,566,957
Shares issued by the company	1,562,500	18,286,436	-	-	-	19,848,936
Appropriation to general reserves	-	-	-	2,182,380	(2,182,380)	-
Cash dividends recognised as distribution	-	-	-	-	(3,657,976)	(3,657,976)
Disposal of equity instruments at fair value through other comprehensive income	-	-	22,782	-	(22,782)	-
As at 31 December 2020	13,064,200	74,772,635	499,138	22,989,516	26,119,699	137,445,188
As at 31 December 2018	11,501,700	56,486,199	(295,705)	18,783,654	21,718,982	108,194,830
Adjustment	-	-	-	-	(27,272)	(27,272)
As at 1 January 2019	11,501,700	56,486,199	(295,705)	18,783,654	21,691,710	108,167,558
Profit for the year	-	-	-	-	6,744,940	6,744,940
Other comprehensive income for the year	-	-	500,028	-	-	500,028
Total comprehensive income for the year	-	-	500,028	-	6,744,940	7,244,968
Appropriation to general reserves	-	-	-	2,023,482	(2,023,482)	-
Cash dividends recognised as distribution	-	-	-	-	(1,725,255)	(1,725,255)
Disposal of equity instruments at fair value through other comprehensive income	-	-	(20,324)	-	20,324	-
As at 31 December 2019	11,501,700	56,486,199	183,999	20,807,136	24,708,237	113,687,271

*Note:* Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT

### **Risk Management Policy and Organizational Structure**

#### ***Risk Management Policy***

The Company pays great attention on risk prevention and control with the principles of “pragmatic, pioneering, steady and excellent” operation and “being prudent and even conservative” risk management, giving priorities for compliance and risk management in terms of company operation. The Company has established a sound and effective risk management framework in accordance with relevant regulations, laws and regulatory requirements strictly. Engraved with the bottom line of compliance, the Company prevents the compliance risk, money laundering risk and terrorist financing risk through all kinds of compliance management instruments and compliance monitoring approaches, and the Company also allocates asset steadily, standardizes business processes and comprehensively strengthens prevention, monitoring and post-control for various risks by measuring risks through approaches such as credit investigation and extension, duration analysis, foreign exchange exposure analysis, value at risk analysis, the minimum survival period calculation of the cash flow, gap analysis, sensitivity analysis and stress test, also by establishing a monitoring system for risk control indicators such as net capital. Meanwhile, the Company has integrated the risk management of subsidiaries at home and abroad into a unified system to implement vertical risk management, introduced consolidated management of risk control indicators, improved the frequency and quality of risk data reporting of the subsidiaries, as well as promoted the full coverage of conglomerate risk management.

The Company has formulated policies and procedures to identify and evaluate major risks such as credit risk, market risk and liquidity risk occurred in using financial instruments. The Company has strictly carried out risk limits management and internal control processes, scientifically used quantitative model for measurement, as well as carefully considered relevant limitations to perfect various professional information systems and data management to support risk management.

#### ***Organizational Structure of Risk Management***

The Company makes standardized operations according to the Company Law, the Securities Law, the Guidelines for Internal Control of Investment Banking Business of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies and the Articles of Association. Considering the needs of business development and risk management, the Company has built multi-level organizational structure of risk management and determined specific responsibilities in risk management for the board of directors, the board of supervisors, the management, the Chief Risk Officer (“CRO”), the risk management department, the business and administration department, branches and subsidiaries.

The board of directors make and approve the strategic objectives of risk management. Its responsibilities include the review and approval for the Company’s overall risk management objectives, fundamental policies and major system, overall risk appetite and risk tolerance, as well as solutions of significant risks; regular risk evaluation and reporting, supervision for the implementation of risk management policies; appointment and assessment of the CRO; establishing the mechanism for direct communication with the CRO, and other responsibilities stipulated in the Articles of Association. The board of directors have set up the Compliance and Risk Management Committee to perform risk management functions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Risk Management Policy and Organizational Structure (continued)

#### *Organizational Structure of Risk Management (continued)*

The board of supervisors supervise the Company's risk management and internal control system. Its responsibilities include supervisions on the risk management and internal control established and implemented by the board of directors and managers, as well as other responsibilities stipulated in the Articles of Association.

Based on the approval of the board of directors, the management is required to set up an organizational structure with clear responsibilities and processes, make risk management policies, rules and system, carry out overall risk appetite and risk tolerance policies, identify and evaluate all kinds of risks, effectively leverage the sound risk management system and mechanism, timely respond to defects and issues, deliberate significant risk accidents, establish an overall performance evaluation system covering risk management effectiveness, build a perfect IT system and data quality control mechanism, as well as perform other risk management functions given by the board of directors.

The CRO recommended and appointed by the chairman of directors is the senior management who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and system determined by the board of directors, arrange supervisions, reviews and evaluations for risk management system established and perfected by the Company, arrange supervisions and inspections for the implementation of risk management policies and procedures, make suggestions and supervisions for improvements on current problems, significant risks and potential risks and timely report them to relevant offices, departments or subsidiaries of the Company, introduce instruments and approaches that evaluate and improve risk management, regularly organize evaluations for operations and the level of major risks, file the evaluation report to the management, the board of directors and regulatory department, as well as organize the recommendation and assessment for the person in charge of risk management in subsidiaries.

The risk management department led by the CRO performs risk management functions, which is required to draft risk management policies, rules and system, supervise and guide other departments to make the business risk management system and procedures, identify and evaluate major risks of the Company's businesses, organize supervisions and inspections for the implementation of the risk management system of different businesses, regularly evaluate and report overall risk level and risk management, as well as timely report significant potential risks or risk issues and give suggestions accordingly. In addition, the compliance and legal department is responsible for the management of compliance risk, money laundering risk and terrorist financing risk, the funds management head office is responsible for the liquidity risk, the general manager office is responsible for the reputational risk, and the IT management department is responsible for the IT risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### **Risk Management Policy and Organizational Structure (continued)**

#### ***Organizational Structure of Risk Management (continued)***

The Company's departments, branches and subsidiaries are responsible for the risk management within the scope of their operation and management, establishing the sound risk management system and procedures, accordingly, implementing risk management policies and completing related risk management duties. The heads of the above departments, branches and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries appoint personnel to perform risk management functions in respective unit, including the supervision, inspection and reporting for the implementation of risk management policies and system, as well front-line management responsibilities.

The Company's audit department carries out regular inspections for risk management and regular evaluations for the effectiveness of the risk management system, and make suggestions for improvement based on the evaluation result.

In addition, in the risk management of subsidiaries, the Company requires all subsidiaries to operate in a standardized way and in accordance with the law, and integrate the risk management of subsidiaries into the Company's overall risk management system through various mechanisms. At the same time, the Company continues to strengthen the vertical risk management of subsidiaries by the consolidated management of risk control indicators and group RDM. During the Reporting Period, the Company has revised the Measures for Comprehensive Risk Management of Subsidiaries of Haitong Securities Co., Ltd. and further refined subsidiaries' risk management requirements. Meanwhile, the Company has further implemented the vertical risk management for subsidiaries in terms of nomination of subsidiaries' risk management principal, limit and report, consolidated management of risk control indicators, approval of subsidiaries' major issues, data docking, daily contact, risk research and inspection, risk management assessment, etc.

#### **Credit risk management**

Credit risk refers to the risk that may cause losses for the Company's operation due to the inability of the debtor, counterparty or debt issuer to fulfil its agreed financial obligations or the deterioration of its credit quality.

The Company's currency funds are primarily deposited in state-owned commercial banks or joint-stock commercial banks with good reputation. The clearing settlement funds are deposited in CSDC. The credit risk of cash and cash equivalents is relatively low. The economic matter adopts full margin settlement to avoid relevant credit risks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

In terms of financial assets held under resale agreements and advances to customers on margin financing, the Company mainly controls the credit risk through formulating and implementing various strict systems and measures, including due diligence, internal rating, project review and approval, credit line management, daily mark-to-market, post-loan management, supplemental credit enhancement, mandatory liquidation, judicial recourse, provision and accrual. In credit bond trading and investment business, the Company focuses on controlling concentration risk through diversified investment, and the selection of investment targets mainly focuses on high credit rating assets.

As for bond pledge repurchase agreement, in credit risk management, the Company closely tracks the operation of debt issuers and changes in credit ratings, adjusts internal ratings and credit risk limits of given debt issuers timely.

As for the OTC derivatives business, the Company establishes a sound policy and practical procedures in counterparty admittance and credit line management, underlying assets management, risk response and disposal, etc., conducts daily mark-to-market of transactions, and manages counterparty credit risk through strict risk mitigation measures such as netting and credit support. The Company has established internal credit rating and asset risk classification systems and implemented credit risk management measures such as client admittance and credit line management, credit limit management and risk provision based on quantitative risk measurement and analysis. In order to further improve the effectiveness and efficiency of credit risk management, the Company has continued to strengthen data governance and information management system, and constantly improved the system integration of internal credit rating, credit line management, risk measurement, risk monitoring, risk pre-warning, risk reporting and other risk management procedures. In credit risk management, the Company has also paid attention to the correlation and transmission mechanism between credit risk and market risk. When market fluctuates, the scale of credit risk exposure of certain financial products due to holding or trading would change accordingly. In response, the Company has taken necessary risk monitoring and countermeasures to market volatility to achieve a comprehensively effective credit risk management.

In addition to the above-mentioned risk factors, the Group's subsidiaries also face credit risk in the process of conducting securities financing, loans and quasi, debt asset investment, financial leasing, and money market financing. According to the Group credit risk management, the Company has comprehensively sorted out and integrated the Group credit risk policy, formulated Group credit risk indicators, established and improved Group credit risk measurement and concentration risk management framework, gradually improved the Group's internal credit rating and integrated credit line management structure, and continuously strengthen the monitoring, reporting and response to the credit risk of subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Measurement of ECL model (continued)*

The Company divides the impairment into stages based on individual financial instrument or financial instrument portfolio so as to effectively monitor the credit risks of the assets and makes adjustments on regular basis. For different types of businesses, the Company establishes distinct criteria for each stage, including but not limited to factors such as the obligor's financial and operating situations, changes in credit rating, collaterals and guarantees, significant negative public sentiment, judicial litigation and overdue information etc., so as to comprehensively reveal business risk degree and dynamically reflect reliability of the obligor's performance, providing basis for division of impairment stages. The Company categorizes the impairment of financial instruments into three stages:

(1) Stage I

The first stage includes financial instruments with low credit risk on the reporting date or without significant increase in credit risk since initial recognition. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the next 12 months (if the expected lifetime is less than 12 months, it shall be within the lifetime).

(2) Stage II

The second stage includes financial instruments with significant increase in credit risk since initial recognition but without credit impairment, i.e. there is no objective evidence indicating that the financial instrument has become credit-impaired. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration.

(3) Stage III

The third stage includes financial instruments that are credit impaired, the Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration. Evidences that the financial instruments have become credit-impaired include but not limited to the following observable events:

- Significant financial difficulty of the obligor;
- A breach of contract by the obligor, such as a default or overdue in interest or principal payments over 90 (inclusive) calendar Day;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganizations;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### Measurement of ECL model (continued)

##### (3) Stage III (continued)

- The disappearance of an active market for given financial assets because of financial difficulties of the obligor;
- The obligor is obviously lack of or has lost solvency, being assigned with a manager by the court or has started relevant legal proceedings;
- The creditor, for economic or contractual reasons relating to the obligor's financial difficulty, granting a concession to the obligor that would not otherwise grant, including but not limited to debt reduction and exemption, paying-a-debt-in-kind and debt-to-equity swap;
- The obligor has ceased operating activities, with business license cancelled or revoked by the competent authority;
- The obligor legally declared bankruptcy, shutdown, dismissal and termination of legal person qualification.

Credit impairment of the financial instruments may arise from combined effect of several events, and may not necessary be arising from an individually identifiable event.

#### Criteria for judging a significant increase in credit risk

At the end of each reporting period, the Company assesses the financial instruments other than accounts receivable regarding whether their credit risks have increased significantly since initial recognition. The Company comprehensively assesses and considers credit risks based on nature of the financial instruments and risk factors of the debtor. When assessing whether there has been a significant increase in credit risk, the Company thinks it is necessary to consider the factors that include but are not limited to:

- The practical or anticipated significant downgrading of the internal credit risk rating of the obligor since initial recognition, or significant decrease in the internal behavior score used for assessing credit risk;
- Upon initial recognition, downgrading of the obligor's entity or debt rating above AA level (inclusive) granted by the rating institution in mainland China, and the downgraded level is below AA (exclusive); downgrading the obligor's entity or debt rating above BBB-/Baa3 level (inclusive) granted by the major three international rating institutions, and the downgraded level is below BBB-/Baa3 (exclusive);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Criteria for judging a significant increase in credit risk (continued)*

- Upon initial recognition, downgrading of the obligor's entity or debt rating below AA level granted by the rating institution in mainland China; downgrading the obligor's entity or debt rating below BBB-/Baa3 level granted by the major three international rating institutions;
- Obligor fails to make repayments as scheduled, including both failure to repay the principal and the failure to repay the interest and debts under other items specified in the agreement in full amount, and such situation has lasted for more than 30 (inclusive) calendar days;
- Significant changes in the value of collateral or the guarantee provided by a third party, which may weaken the debtor's economic motive to repay within the prescribed period, or influence the probability of default; for example, the decrease in value of pledged securities weakens the obligor's performance guarantee, to the extent that the obligor is unable to supplement collateral within a reasonable period as agreed in the contract or the obligor has a stronger motivation to default;
- Anticipated significant changes with an adverse effect on the operation, finance or macroeconomic condition that will cause significant changes to the obligor's economic motive or ability to fulfil obligations as stipulated in the contract;
- Significant changes in the external market indicators for credit risk of specific financial instruments or similar financial instruments with the same expected maturity; for example, the obligor's credit spread, credit default swap or other relevant market information;
- The practical or anticipated significant changes in the quality of credit support provided by the guarantor, which may weaken the obligor's economic motive to repay within the prescribed period; for example, if the guarantor stops providing financial support to obligor, the latter will face bankruptcy or bankruptcy management, or make limited payment necessary for operation (such as salary and payment to key suppliers) while giving a low priority to paying financial liabilities, leading to increase in probability of default;
- As for securitization, the practical or anticipated significant changes in their credit enhancement or support quality may lead to decline in ability to absorb expected credit loss by the relevant subordinated interest;
- Other relative changes that can indicate the default risk of financial instruments before expected maturity, instead of absolute changes in relation to default risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Criteria for judging a significant increase in credit risk (continued)*

The Company finally concludes division of impairment stages of securities margin and stock pledged repo business in accordance with collateral maintenance ratio of financing entity or contract and complexity of disposing guarantee securities, and comprehensively considering factors such as operating situations, repayment ability, litigation and overdue information of the financing entity at the end of reporting period. For collateral maintenance ratio, the Company sets up different preliminary margin call thresholds and forced liquidation thresholds for different financing entities or contracts in line with credit status of the financing entities at transactions, module to which the guarantee securities belong, liquidity and trade restriction. The preliminary margin call threshold ranges from 150% to 170% and the forced liquidation threshold ranges from 130% to 150%. At the stage of impairment assessment, for purpose of prudently assessing risks of disposing collateralized securities, the Company determines over loss alert threshold for different financing entities or contracts according to the complexity of disposing guarantee securities. The over loss alert threshold ranges from 110% to the forced liquidation threshold.

- That the collateral maintenance ratio is above or equal to the preliminary margin call threshold is classified into “Stage I”;
- That the collateral maintenance ratio is between the preliminary margin call threshold and the over loss alert threshold, or satisfying conditions of “significant increase in credit risk” is classified into “Stage II”;
- That the collateral maintenance ratio is below the over loss alert threshold, or that evidence of “credit-impaired” is existed is classified into “Stage III”.

#### *Parameters and valuation technique of ECL measurement*

The key inputs used by the Company to measure expected credit loss are listed as follows:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

As mentioned above, key parameters usually come from the Company’s internally developed risk measurement model and other historical data, and adjustments are made to reflect the forward-looking information of probability weights.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk management (continued)

##### *Parameters and valuation technique of ECL measurement (continued)*

PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point. LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Company's expected amount received, with the consideration of collateral's expected future cash flows receivable. EAD refers to estimated value of risk exposure at the date of default in the future, with the consideration of anticipated changes in risk exposure after the reporting date, such as repayment of principal and interest, and anticipated loans withdrawn from financing agreements.

The Company uses the ECL model based on three key risk indicators (PD, LGD and EAD) to measure impairment provision for financial instruments at Stage I and Stage II. The product of these three indicators is the ECL of the financial instrument. PD is measured by internal or external credit ratings or at the migration rate or rolling rate calculated based on historical internal data after adjusting forward-looking information. When assessing LGD, the Company calculates the recoverable cash flows of guarantee securities after taking into account of the expected disposal cycle of collateralized securities and impact of value fluctuation within the expected disposal cycle (including factors such as disposable amount of collateralized securities, daily average trading volume, restrictions against circulation, rules for shareholding reduction and historical volatility) as well as relevant taxes. EAD reflects unpaid amount when presuming a default of various financial instruments during corresponding measurement period.

For the financial instruments at Stage III, the Company assesses the ECL using individually impairment assessment method. Specifically, the Company reasonably assesses cash realizable value of disposing collateralized securities based on specific risks of individual item and adequate considerations about financial status and operating as a going concern of the obligor and the underlying listed company of collateralized securities, judicial litigation, restrictions against shareholding reduction, significant negative public sentiment and delisting risk. Meanwhile, the Company comprehensively judges the obligor's expected recoverable cash flow in line with valuation of other supplemental credit enhancement assets provided by the obligor, the portion that cannot cover its risk exposure after discounting would be included in impairment provision.

##### *Forward-looking Information*

##### *The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information*

For debt securities investments, the Company has qualitatively selected key economic indicators as forward-looking factors and has identified the key economic variables impacting credit risk and ECL including the growth rate of M2. For credit financial assets, the Company has calculated the forward-looking factors by regression and established the correlation model between the probability of default and the macroeconomic factors to infer the change of the probability of default in the future. Key economic variables mainly include but not limit to the growth rate of Domestic GDP, the growth rate of M2 and the fixed asset investment growth. The Company makes forward looking adjustments to the ECL of credit financial assets by analysing the impacts of these economic variables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### *Forward-looking Information (continued)*

*The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information (continued)*

In addition to the base economic scenario, the Company has also provided other possible scenarios along with scenario weightings. Different scenarios are set based on an analysis of major business and product type to ensure that the change of the probability of default in these scenarios will be properly assessed. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 31 December 2020, the Company concluded that three scenarios appropriately reflect total amount captured the non-linearities of key economic variables for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes each scenario is representative of.

The weight of the base economic scenario is more than the total amount of weights of other economic scenarios employed by the Company.

The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

#### *Sensitivity analysis*

The allowance for credit losses could be sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the assessment of significant increase in credit risk and the measurement of ECLs. The Company regularly rechecks the model annually and makes appropriate amendments to the assumptions and parameters used in the models according to the specific situation. The adjustment of the model and parameters this year has no significant impact on ECL.

A sensitivity analysis is performed on key economic indicators. When the assigned weightings of optimistic scenario and pessimistic scenario change by 10%, the impact on ECL recognized is not significant.

Meanwhile, the Company also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of the financial assets on ECL. As at 31 December 2020, assuming there was no significant increase in credit risk since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL recognized in financial statements is not significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk management (continued)

##### *Collateral and other credit enhancements*

The Company employs a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of method is accepting collateral through funds advanced or guarantees. The Company determines the type and amount of collaterals according to the credit risk evaluation of counterparties. The collateral under Financing Assets are primarily stocks, debt securities, funds etc. Management tests the market value of collateral periodically, and makes margin calls according to related agreements. It also monitors the market value fluctuation of collateral when reviewing the measurement of the loss allowance.

##### *Management of Impairment of Financial Instruments*

To ensure the validity of preparing for impairment of financial instruments, the Company has established a range of policies and processes that are in line with credit risk management objectives for financial instruments. The Company has established a counterbalanced and collaborative working mechanism among business departments, risk management departments and finance departments, and has clarified department responsibilities, so as to measure credit risk of financial instruments and prepare for credit impairment in a prompt, accurate and reasonable manner. The Company's management and authorized agency manage its impairment of financial instruments through the following measures:

- Establish a credit risk management framework with clarified rights and liabilities and a complete system based on corporate strategy and risk appetite, and make adjustments promptly;
- Organize and improve assessment on impairment of financial instruments at the balance sheet date, and ensure that the validation, development and maintenance of the impairment model is effectively guaranteed;
- Assess impairment of the Company's financial instruments and potential financial impact, and report to the Board of Directors promptly;
- Review the Company's decisions on major impairment events;
- Establish integrated information system and data quality control mechanism for impairment of financial instruments;
- Other credit risk management responsibilities promised by the Board of Directors.

Since 2020, based on the accumulated management experience, the Company has revised the *Policy for the Management of Impairment of Financial Instruments of Haitong Securities Co., Ltd.*, and the current expected credit loss model used for the measurement of credit impairment reserves operates stably and responds sensitively to the change of credit risk. The measurement of the expected credit loss can dynamically describe the change of the obligor's credit qualification, the fluctuation of market conditions, the impact of macro-economic changes and other factors. The implementation of relevant policies and processes for the management of impairment of financial instruments, which provides a guarantee for the reasonableness and timeliness of the Company's provision for credit impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk management (continued)

#### Management of Impairment of Financial Instruments (continued)

Without considering the available collateral or other credit enhancement, the amount of maximum risk exposure on behalf of the Group at the balance sheet date is as follows:

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Advances to customers on margin financing	73,067,592	52,797,926
Accounts receivable	8,410,000	9,752,377
Other receivables	3,054,694	3,840,492
Other loan and receivables	20,120,007	24,984,083
Debt instruments measured at amortised cost	3,763,499	2,624,093
Finance lease receivables	48,411,403	52,941,643
Receivables arising from sale and lease back arrangements	35,214,476	21,943,692
Debt instruments at fair value through other comprehensive income	13,108,163	11,154,221
Financial assets held under resale agreements	57,965,394	57,485,193
Placements to banks and other financial institutions	22,619	90,085
Financial assets at fair value through profit or loss	110,363,693	122,793,884
Deposits with exchanges	17,374,851	10,756,101
Clearing settlement funds	11,852,301	8,611,101
Bank balances and cash	122,583,420	111,062,093
Restricted bank deposits	1,288,296	966,912
Deposits with central banks	3,716,130	4,783,145
Deposits with other banks	258,664	204,669
Loans and advances	3,820,127	3,307,188
Derivative financial assets	1,837,912	1,516,496
<b>Maximum credit exposure</b>	<b>536,233,241</b>	<b>501,615,394</b>
Off balance sheet items credit exposure		
Guarantee granted	1,145,716	1,017,789
Irrevocable commitments	510,162	94,427
<b>Maximum off balance sheet items credit exposure</b>	<b>1,655,878</b>	<b>1,112,216</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Market risk management

Market risk mainly refers to the risk of loss of the Company's own capital investment related business due to adverse changes in market price (stock price, interest rate, exchange rate, etc.) in the company's business activities.

The Group uses the value at risk (VaR) method to assess and analyse the market risk of various investment financial instruments and positions. The measurement standard includes the parent company, Haitong bank, Haitong international and other major subsidiaries. The VAR model used by the Group has a 95% confidence level and the target period is the next trading day. The details are as follows:

Item	VaR 95% in 2020			
	Value at risk of the Company (RMB'000)	Value at risk of the Group (RMB'000)	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	172,799	294,799	0.13%	0.17%
Minimum month-end value in the Reporting Period	95,095	171,380	0.08%	0.12%
Average month-end value in the Reporting Period	137,732	232,752	0.11%	0.15%
Year-end value in 2020	150,877	259,324	0.11%	0.15%

Item	VaR 95% in 2019			
	Value at risk of the Company (RMB'000)	Value at risk of the Group (RMB'000)	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	129,344	233,417	0.12%	0.17%
Minimum month-end value in the Reporting Period	76,145	155,591	0.07%	0.12%
Average month-end value in the Reporting Period	115,950	197,126	0.10%	0.14%
Year-end value in 2019	121,569	223,623	0.11%	0.16%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

During the Reporting Period, the ratio of the Company's risk value to the Company's net assets at the end of each month and the ratio of the parent company and the Group's main subsidiaries' risk value to the Group's net assets were always within 0.2%, and the market risk was controllable and bearable.

### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as FVTPL and designated as FVTOCI. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

The Group has utilised the effect of stock price variation on net profit or loss and investment revaluation reserve within the period to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and revaluation reserve are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>		
Increase by 10%	<b>1,770,497</b>	1,582,367
Decrease by 10%	<b>(1,770,497)</b>	(1,582,367)
<b>Revaluation reserve</b>		
Increase by 10%	<b>17,980</b>	11,345
Decrease by 10%	<b>(17,980)</b>	(11,345)

In the management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to bank balances and cash, clearing settlement funds, advances to customers on margin financing, derivative financial assets/liabilities, financial assets held under resale agreements, accounts receivable, deposits with exchanges, other current assets, other non-current assets, borrowings, short-term financing bills payables, placements from banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, other current liabilities, bonds payable, other non-current liabilities, financial assets/liabilities at FVTPL, and debt instruments at fair value FVTOCI that are interest-bearing.

The Group uses the sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year-end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at FVTPL and debt instruments at FVTOCI, due to certain changes in interest rates.

Assuming that other relevant variables remain unchanged, the impact of a 25 basis point increase or decrease in market interest rates on the Group's profit after income tax and other comprehensive income is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit after income tax for the year</b>		
Increase by 25bps	<b>(578,873)</b>	(167,732)
Decrease by 25bps	<b>639,750</b>	172,893
<b>Other comprehensive income after income tax</b>		
Increase by 25bps	<b>(52,564)</b>	(32,623)
Decrease by 25bps	<b>53,345</b>	32,986

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Market risk management (continued)

#### *Exchange-rate risks*

Exchange rate risk refers to the possibility of loss of the Group's assets or liabilities due to exchange rate changes.

With the implementation of international strategic objectives and the further opening of national financial policies, the Group's overseas business, leasing business and other projects involving foreign currency assets or liabilities gradually increase, so the possibility of facing exchange rate risk has increased. When the Group requires all subsidiaries and business departments to carry out business related to foreign exchange, they shall pay attention to foreign exchange risk, so as to identify risk, manage risk and avoid risk. In view of the exposure to exchange rate risk, the Group actively mitigates the impact of exchange rate changes on the Group through foreign exchange forward hedging, foreign debt renewal, asset liability matching, etc., and controls it within a reasonable range.

At the end of the year, the exchange rate risk faced by the Group is mainly the risk of loss of assets and liabilities held by Haitong International Holding, a wholly owned overseas subsidiary, due to exchange rate fluctuations. Assuming that other variables remain unchanged, if the exchange rate of RMB against other foreign exchange currencies increase or decrease by 5%, the Group's profit for the year ended 31 December 2020 would increase or decrease by RMB400,060 thousand (for the year ended 31 December 2019: RMB480,868 thousand) respectively.

#### **Liquidity risk management**

Liquidity risk is the risk to a company's inability to timely receive sufficient funds from reasonable costs thus it can't pay matured debts, fulfil other payable obligations, or meet regular business operation needs. Macro policies, market changes, operation condition, customer credit, as well as unmatched asset and liability structure may cause liquidity risk.

In respect of daily liquidity risk management, sticking to the risk control idea of maintaining stable even conservative, the Company confines the liquidity risk exposure within reasonable range in accordance with the requirements of risk preferences and risk indicator limits by proper monitor system and control approaches. Complying with internal regulations, the Company has prepared sufficient liquidity assets to ascertain the smooth business operation and payment to matured debts. Additionally, the Company has built linkage system between funds and indicators, integrating with asset end and liability end and promoting the management and control system of liquidity and risk indicator. The Company has also completed the analysis framework of liquidity risk including daily position following-up, prospective analysis on monthly indicators, and disassembly of department's indicators, and enriched the management tools of liquidity risk within different periods to further fostered efficiency of liquidity risk management, control, and prediction in a scientific manner.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk management (continued)

In respect of medium and long term management and control, the Company has continued to optimize the structure of asset allocation and to reinforce the analysis of asset and liability development trends, for the purpose of strengthening the risk management and control. Firstly, the Company has established committee of asset and liability allocation, which is responsible for relative management, to confine the mismatch of debt maturity within a reasonable range; secondly, the Company has enhanced fine-grained management system that enables the more reasonable allocation from the structure of liability end to due date and ensures the balance of asset end among security, liquidity, profitability. During the Reporting Period, the Company has attached great importance to the business relationship with commercial banks, regulated operation, goodwill, and accessible financing channel.

In respect of the management on the group level, the Company has promoted relative requirements on group and subsidiaries. Firstly, the Company has continued to group management of subsidiaries from two perspectives of risks, and assets and liabilities management, and make requirements based on three dimensions, organization system assurance, risk management and control frame, and risk responses to assist subsidiaries to complete their management system. Secondly, the Company has formulated quota requirements for subsidiaries, in line with the differences of industries, regions, and risk features among subsidiaries, based on the liquidity risk consolidated financial statement, in order to monitor their real situation of liquidity risk efficiently. It is also attributable to transmit liquidity risk preferences downwards. Lastly, the Company has formulated Support and Manage Method of Group's liquidity, for the purpose of reinforcing our capability of disposing liquidity risks and highlighting group's advantages in managing, adjusting, and controlling information. It is regarded as the overall management policy, which initially established the support system of Group's liquidity, clarifying the management goals, management principles, labour divisions and responsibilities, and support channels. All in all, the Company has strived to avoid any liquidity risks from happening within the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk management (continued)

The table below presents the cash flows payable by the Group under financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

As at 31 December 2020

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	–	37,013,490	23,534,140	34,735,720	1,559,820	96,843,170
Deposits from central bank	887,565	–	–	–	–	887,565
Deposits from other banks	63,104	–	–	–	–	63,104
Customer accounts	246,035	2,778,433	1,388,920	–	–	4,413,388
Accounts payable to brokerage clients	108,410,140	–	–	–	–	108,410,140
Placements from other financial institutions	–	8,811,080	–	6,308,920	800	15,120,800
Financial assets sold under repurchase agreements	–	47,163,120	13,546,450	–	–	60,709,570
Other payables and accruals	6,065,210	1,950,572	7,184,710	226,809	103,973	15,561,274
Short-term financing bills payables	–	31,610,070	7,392,940	–	–	39,003,010
Bonds payable	–	7,029,690	38,620,830	79,297,090	37,498,590	162,446,200
Financial liabilities at fair value through profit or loss	20,969,030	559,550	700,300	10,012,230	–	32,241,110
Derivative financial liabilities	–	2,202,180	451,250	18,850	–	2,672,280
Long-term payables	–	–	–	7,666,929	339,015	8,005,944
Lease liabilities	–	112,290	247,520	538,330	289,250	1,187,390
	136,641,084	39,230,475	93,067,060	138,804,878	39,791,448	547,534,945

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

As at 31 December 2019

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	-	38,288,514	18,818,463	28,975,154	2,214,818	88,296,949
Deposits from central bank	171,941	-	-	-	-	171,941
Deposits from other banks	3,099	-	-	-	-	3,099
Customer accounts	384,079	964,632	1,529,018	-	-	2,877,729
Accounts payable to brokerage clients	87,464,142	-	-	-	-	87,464,142
Placements from other financial institutions	-	7,403,154	7,115,014	5,976,789	734,744	21,229,701
Financial assets sold under repurchase agreements	3,560,366	62,054,834	5,588,414	476,196	-	71,679,810
Other payables and accruals	7,193,571	1,400,763	3,300,485	479,379	72,342	12,446,540
Short-term financing bills payables	-	16,338,645	16,222,095	-	-	32,560,740
Bonds payable	-	10,166,402	51,472,942	85,026,946	6,330,494	152,996,784
Financial liabilities at fair value through profit or loss	19,929,542	1,510,074	4,772,823	3,874,411	-	30,086,850
Derivative financial liabilities	664,118	49,550	415,578	261,250	780,102	2,170,598
Long-term payables	-	-	-	7,851,413	257,923	8,109,336
Lease liabilities	-	108,521	263,874	594,703	23,776	990,874
	119,370,858	138,285,089	109,498,706	133,516,241	10,414,199	511,085,093

#### Capital risk management

Complying with the requirements of Administrative Measures for Risk Control Indicators of Securities Companies, the Company has compiled regulatory statements and monitored risk indicators such as net capital on a daily basis. The Company timely monitors and controls businesses and factors that would influence net capital and risk control indicators to meet compliance requirements. The quality of group's overall asset is fine, capital adequacy ratio is high, and risk endurance is strong. Each risk control indicator complies with relative regulations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management (continued)

In accordance with the relevant regulations issued by China Securities Regulatory Commission, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
- The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
- The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
- The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
- The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
- The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");
- The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
- The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Capital risk management (continued)

The net capital of a securities company is composed of core net capital and subsidiary net capital.

Core Net Capital = Net Assets

- Risk Adjustment for Asset Items
- Risk Adjustments with Liabilities
- /+ Other Adjustments Identified or Approved by the CSRC.

Subsidiary net capital = Long-term subordinated

- × set ratio
- /+ other adjustment items identified or approved by the CSRC.

#### Major Risk Control Indicators

<b>Risk control indicator</b>	<b>31 December 2020</b>
Net capital (RMB '000)	<b>84,129,715</b>
Ratio 1	<b>344.45%</b>
Ratio 2	<b>61.21%</b>
Ratio 3	<b>43.70%</b>
Ratio 4	<b>71.39%</b>
Ratio 5	<b>30.06%</b>
Ratio 6	<b>135.83%</b>
Ratio 7	<b>26.03%</b>
Ratio 8	<b>208.11%</b>
Ratio 9	<b>157.16%</b>

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the CSRC.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

The Company attaches vital importance to the influences caused by the significant events such as dividend distribution, significant investment, and innovation business on risk control indicators. The Company makes sensitivity analysis or pressure test on risk control indicators such as net capital prior to implementing above events, and only when complying with regulations of risk control indicator will the Company implement such events.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management (continued)

Additionally, the Company conducts outlook on future operation plan every half year, in which the Company considers the conditions of maximum operation scale and negative reverse of market condition, to ascertain every future indicator comply with relative regulations.

During the reporting period, the Company did not have any risk control indicator such as net capital that exceeded regulatory standards.

### Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Fair value of financial assets and liabilities (continued)

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

#### Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	<b>3,763,499</b>	<b>3,764,352</b>	2,624,093	2,635,203
<b>Financial liabilities</b>				
Non-convertible bonds payable	<b>147,838,210</b>	<b>161,831,219</b>	132,631,949	132,575,034

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### *Financial instruments not measured at fair value (continued)*

The fair values of the financial assets and financial liabilities included in the level 2 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 in the Group's statements of financial position approximate their fair values.

#### *Financial instruments measured at fair value on a recurring basis*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow models, recent transaction prices or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

The following table presents financial assets and financial liabilities measured at fair value as at 31 December 2020 and 31 December 2019.

<b>(Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at 31 December 2020</b>				
Financial assets at fair value through profit or loss				
– Debt securities	1,867,103	102,164,519	6,332,071	110,363,693
– Equity securities	16,920,018	1,244,510	13,076,667	31,241,195
– Funds	3,341,594	47,964,019	1,894,560	53,200,173
– Others	–	20,752,826	4,838,617	25,591,443
Debt instruments at fair value through other comprehensive income	252,156	9,756,368	3,099,639	13,108,163
Equity instruments at fair value through other comprehensive income	84,314	15,887,830	267,043	16,239,187
Derivative financial assets	17,602	1,819,411	899	1,837,912
	<b>22,482,787</b>	<b>199,589,483</b>	<b>29,509,496</b>	<b>251,581,766</b>
Financial liabilities at fair value through profit or loss	494,797	3,917,272	–	4,412,069
– Designated as financial liabilities at fair value through profit or loss	–	27,494,403	331,830	27,826,233
Derivative financial liabilities	42,732	2,615,053	14,494	2,672,279
	<b>537,529</b>	<b>34,026,728</b>	<b>346,324</b>	<b>34,910,581</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 74. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

(Audited)	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2019</b>				
Financial assets at fair value through profit or loss				
– Debt securities	1,316,005	120,234,358	1,243,521	122,793,884
– Equity securities	16,528,978	1,067,314	6,333,904	23,930,196
– Funds	3,791,362	37,087,060	215,813	41,094,235
– Others	–	30,409,229	1,365,526	31,774,755
Debt instruments at fair value through other comprehensive income	316,424	9,644,796	1,193,001	11,154,221
Equity instruments at fair value through other comprehensive income	135,870	15,382,009	266,099	15,783,978
Derivative financial assets	212	1,490,678	25,606	1,516,496
	22,088,851	215,315,444	10,643,470	248,047,765
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	206,459	3,120,432	–	3,326,891
– Designated as financial liabilities at fair value through profit or loss	28,596	26,375,859	354,620	26,759,075
Derivative financial liabilities	175,794	1,941,868	52,937	2,170,599
	410,849	31,438,159	407,557	32,256,565

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 74. FINANCIAL RISK MANAGEMENT (continued)

#### Fair value of financial assets and liabilities (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

#### 31 December 2020

	Financial assets at fair value through profit or loss RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative instruments RMB'000
As at 31 December 2019 and 1 January 2020	9,158,764	266,099	1,193,001	354,620	(27,331)
Transfer in	11,970,811	–	1,238,661	–	–
Purchase	4,844,708	–	596,173	–	382
Transfer out	(491,560)	–	–	–	–
Other losses and gains	676,024	943	71,804	(22,790)	13,354
<b>As at 31 December 2020</b>	<b>26,158,747</b>	<b>267,042</b>	<b>3,099,639</b>	<b>331,830</b>	<b>(13,595)</b>

#### 31 December 2019

	Financial assets at fair value through profit or loss RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative instruments RMB'000
As at 31 December 2018 and 1 January 2019	7,184,900	266,571	779,789	300,886	(40,641)
Transfer in	939,280	–	892,184	24,204	15,451
Purchase/(disposal)	1,156,881	–	(262,570)	(1,499)	–
Transfer out	(339,430)	–	(209,581)	–	(438)
Derecognition due to deconsolidation of an investment fund	(173,650)	–	–	–	–
Other losses and gains	390,783	(472)	(6,821)	31,029	(1,703)
<b>As at 31 December 2019</b>	<b>9,158,764</b>	<b>266,099</b>	<b>1,193,001</b>	<b>354,620</b>	<b>(27,331)</b>

In 2020 and 2019, the amounts of financial instruments measured at fair value transferred between level 1 and level 2 were not significant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 75. TRANSFER OF FINANCIAL ASSETS

### Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers advances to customers on margin financing, finance lease receivables, and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. As the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2020, the Group has no advances to customers on margin financing that have been transferred but not derecognised (as at 31 December 2019, RMB10,238 million).

As at 31 December 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,467 million (as at 31 December 2019: RMB11,037 million).

### Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,076 million has been transferred but not derecognized (as at 31 December 2019: RMB2,673 million).

## 76. AUDITORS' REMUNERATION

	2020/12/31 <i>RMB'000</i>	2019/12/31 <i>RMB'000</i>
Annual audit fee for the Company	3,453	5,711
Other subsidiaries' audit fees	20,788	21,461
	<b>24,241</b>	27,172

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 77. SUBSEQUENT EVENTS

On February 26, 2021, Haitong Capital Investment Co. Ltd (“HCICL”) which a wholly-owned subsidiary of the Company, transferred 2,440,846,824 shares of UniTrust to Haitong Innovation Securities Investment Co., Ltd.. HCICL reduced its capital from RMB10,650,000 thousand to RMB7,500,000 thousand and reduced its capital by RMB3,150,000 thousand. The Company provides a general guarantee of RMB1,055,021 thousand of outstanding debts during Haitong’s capital reduction process.

According to the 15th meeting of the 7th board of directors of Haitong Securities held on March 30, 2021, the board of directors proposed to declare a dividend of RMB2.50 (tax included) per 10 shares in 2020 to all shareholders, with a total amount of RMB3,266 million (tax included) to be paid in cash. The profit distribution proposal has yet to be deliberated and approved by the general meeting of shareholders.

Except for the above disclosures, no material events have occurred with the Company from 31 December 2020 to the date of this report.

### 78. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year’s presentation.