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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Haitong Securities Co., Ltd.**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**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)**

**2020 REPORT OF THE BOARD**  
**2020 REPORT OF THE SUPERVISORY COMMITTEE**  
**2020 ANNUAL REPORT**  
**2020 FINAL ACCOUNTS REPORT**  
**2020 PROFIT DISTRIBUTION PROPOSAL**  
**RENEWAL OF ENGAGEMENT OF AUDITING FIRMS**  
**FOR THE YEAR 2021**  
**PROJECTED ROUTINE RELATED PARTY/CONNECTED**  
**TRANSACTIONS OF THE COMPANY IN 2021**  
**GRANT OF GENERAL MANDATE TO AUTHORISE, ALLOT OR**  
**ISSUE A SHARES AND/OR H SHARES**  
**AND**  
**NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the 2020 Annual General Meeting of the Company to be held at Conference Room, 3/F, Haitong Securities Building, No. 689 Guangdong Road, Huangpu District, Shanghai, the PRC on Friday, 18 June 2021 at 1:30 p.m. is set out on pages 11 to 14 of this circular.

The form of proxy have been distributed on 29 April 2021. They have also been published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you are able to attend the AGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the AGM or not less than 24 hours before the time appointed for voting by poll, and deposit it together with the notarised power of attorney or other document of authorisation with Computershare Hong Kong Investor Services Limited. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so desire.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
“AGM” or “Annual General Meeting”	the annual general meeting for the year 2020 of the Company to be held at Conference Room, 3/F, Haitong Securities Building, No. 689 Guangdong Road, Huangpu District, Shanghai, the PRC on Friday, 18 June 2021 at 1:30 p.m.
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“Business Day(s)”	a day (other than Saturday or Sunday) on which the Hong Kong Stock Exchange is open for the business of dealing in securities
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 6837 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code of 600837
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“General Mandate”	a general mandate proposed to be granted to the Board by the AGM to authorise, allot or issue A Shares and/or H Shares
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“INED” or “Independent Director(s)” or “Independent Non-executive Director(s)”	The independent non-executive director(s) of the Company
“Latest Practicable Date”	23 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Shanghai Guosheng Group”	Shanghai Guosheng (Group) Co., Ltd., an existing shareholder of the Company, holding approximately 10.38% equity interest in the total issued share capital of the Company as of the Latest Practicable Date
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

*Unless otherwise indicated, all the financial data in this circular are presented in Renminbi.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhou Jie (Chairman)  
Mr. Qu Qiuping (General Manager)  
Mr. Ren Peng

*Registered office:*

Haitong Securities Building  
No. 689 Guangdong Road  
Shanghai  
PRC

*Non-executive Directors:*

Mr. Tu Xuanxuan  
Mr. Zhou Donghui  
Ms. Yu Liping  
Mr. Xu Jianguo

*Principal place of business in  
Hong Kong:*

21st Floor, Li Po Chun Chambers  
189 Des Voeux Road Central  
Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Zhang Ming  
Mr. Lam Lee G.  
Mr. Zhu Hongchao  
Mr. Zhou Yu

29 April 2021

*To the Shareholders*

Dear Sir or Madam,

### INTRODUCTION

The purpose of this circular is to provide you with the notice of the AGM (set out on pages 11 to 14 of this circular) and provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions proposed at the AGM.

For reference purpose only, the notice of the AGM for holders of A Shares has been published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 28 April 2021.

At the AGM, ordinary resolutions will be proposed to approve (i) the report of the Board of Directors of the Company for the year 2020 (the “**2020 Report of the Board**”); (ii) the report of the Supervisory Committee of the Company for the year 2020 (the “**2020 Report of the Supervisory Committee**”); (iii) the annual report of the Company for the year 2020 (the

\* For identification purpose only

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## LETTER FROM THE BOARD

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“**2020 Annual Report**”); (iv) the final accounts report of the Company for the year 2020 (the “**2020 Final Accounts Report**”); (v) the profit distribution proposal of the Company for the year 2020 (the “**2020 Profit Distribution Proposal**”); (vi) the renewal engagement of auditing firms for the year 2021; and (vii) the proposal regarding projected routine related party/connected transactions of the Company in 2021.

At the AGM, a special resolution will be proposed to approve the grant of general mandate to authorise, allot or issue A Shares and/or H Shares.

### **ORDINARY RESOLUTIONS:**

#### **1. 2020 Report of the Board**

An ordinary resolution will be proposed at the AGM to approve the 2020 Report of the Board. Details of the aforesaid report of the Board are set out in Annex A to this circular.

The 2020 Report of the Board was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

#### **2. 2020 Report of the Supervisory Committee**

An ordinary resolution will be proposed at the AGM to approve the 2020 Report of the Supervisory Committee. Details of the aforesaid report of the Supervisory Committee are set out in Annex B to this circular.

The 2020 Report of the Supervisory Committee was considered and approved by the Supervisory Committee on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

#### **3. 2020 Annual Report**

An ordinary resolution will be proposed at the AGM to approve the 2020 Annual Report. The 2020 Annual Report of the Company has been despatched and also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on 21 April 2021.

The 2020 Annual Report was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

#### **4. 2020 Final Accounts Report**

An ordinary resolution will be proposed at the AGM to approve the 2020 Final Accounts Report. Details of the aforesaid final accounts report are set out in Annex C to this circular.

The 2020 Final Accounts Report was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

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## LETTER FROM THE BOARD

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### 5. 2020 Profit Distribution Proposal

An ordinary resolution will be proposed at the AGM to approve the 2020 Profit Distribution proposal.

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 profits of the parent company for the year of 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 reserved 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 amount of profits to be distributed to investors after making appropriation for the year 2020 is 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 2020, adding the retained profits of RMB-22,781,748.86 transferred from other comprehensive income, deducting the dividends of RMB3,657,976,000.00 distributed by the Company due to implementation of the interim profit distribution proposal for 2020, the parent company's retained profits was RMB26,119,698,623.49 at the end of the year 2020. After comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the profits distribution proposal of the Company for the year of 2020 is as follows:

1. On the basis of a total share capital of 13,064,200,000 A Shares and H Shares in issue as at 31 December 2020, cash dividends of RMB2.50 per 10 shares (inclusive of tax) will be distributed with the total cash dividends amounting to RMB3,266,050,000.00. The retained profits of the parent company of RMB22,853,648,623.49 following the cash dividend distribution will be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and will be paid in Renminbi and Hong Kong dollars to holders of A Shares and to holders of H Shares respectively. The actual amount distributed in Hong Kong dollar will be calculated based on the average exchange rate of RMB against Hong Kong dollar announced by the PBOC of the five working days prior the date of the AGM.

The Company will conduct the cash dividend distribution within two months from the date of convening the AGM, subject to the approval of the aforesaid profit distribution proposal at the AGM.

The aforesaid resolution was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

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## LETTER FROM THE BOARD

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### **6. Renewal of Engagement of Auditing Firms for the Year 2021**

The Board proposes that PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所) (特殊普通合夥) and PricewaterhouseCoopers (羅兵咸永道會計師事務所) (“PwC”) be re-appointed as the external auditor of the Company in 2021 for a term of one year, who will be responsible for provisions of relevant domestic and overseas audit and review services in accordance with PRC GAAP and IFRS, respectively, with auditing fees (including those for internal control) amounting to RMB5.2 million for 2021, of which RMB4.8 million is for financial and special regulatory reporting auditing and RMB0.4 million is for internal control auditing. The auditing fees of 2021 increased by RMB1.54 million compared with that of 2020.

The aforesaid resolution was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

### **7. Projected Routine Related/Connected Party Transactions of the Company in 2021**

Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the projected routine related party/connected transactions in 2021.

Ordinary resolutions will be proposed at the AGM to consider and approve the projected routine related party/connected transactions of the Company in 2021, details of which are set out in Annex E to this circular.

The aforesaid resolution was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval.

### **SPECIAL RESOLUTION:**

#### **1. Grant of General Mandate to Authorise, Allot or Issue A Shares and/or H Shares**

The Board has resolved to propose a resolution regarding the grant of the General Mandate to authorise, allot or issue A Shares and/or H Shares at the shareholders’ general meeting of the Company. Details of the General Mandate are as follows:



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## LETTER FROM THE BOARD

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In accordance with the requirements stipulated in the Company Law, the Securities Law, the Hong Kong Listing Rules and the Articles of Association, and subject to the terms and conditions set out in the following provisions (1), (2) and (3), it is proposed at the shareholders' general meeting to grant an unconditional general mandate to the Board to authorise, allot or issue A Shares and/or H Shares (including warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into shares) separately or concurrently, and to execute the necessary documents, complete the necessary formalities and take other necessary steps to complete the aforesaid matters:

- (1) the authorisation is valid for the period from the date of passing of this resolution at the shareholders' general meeting to approve the grant of such authorisation until whichever is the earliest of:
  - (a) the conclusion of the next annual shareholders' general meeting of the Company following the passing of this resolution at the shareholders' general meeting;
  - (b) the expiration of the 12-month period following the passing of this resolution at the shareholders' general meeting; or
  - (c) the date on which the authorisation set out in this resolution is revoked or varied by a resolution of the shareholders of the Company at any shareholders' general meeting.

Should the Board, during the validity period of the authorisation, execute the necessary documents, complete the necessary formalities or take relevant steps which might be required to be performed or carried out upon or after the end of the validity period or continued until the end of the validity period, the validity period of the authorisation will be extended accordingly;

- (2) the respective number of A Shares and/or H Shares which the Board proposes to authorise, allot or issue, or conditionally or unconditionally agrees to authorise, allot or issue (including warrants, convertible bonds and other securities that carry rights to subscribe for or are convertible into shares, which will be calculated based on the aggregate number of shares potentially convertible by them) shall not exceed 20% of the respective number of A Shares and/or H Shares of the Company in issue as at the date of passing of this resolution at the shareholders' general meeting;
- (3) the Board shall exercise the authorisation pursuant to the Company Law, the Securities Law and the Hong Kong Listing Rules and all other applicable laws, regulations and requirements of any other government or regulatory authorities and with the approval by CSRC and/or other relevant governmental authorities in the PRC.

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## LETTER FROM THE BOARD

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With respect to an issue of shares pursuant to the General Mandate set out in this resolution, a proposal is made to the shareholders' general meeting to authorise the Board to increase the Company's registered capital corresponding to the number of shares issued under the general mandate, to make amendments to the Articles of Association where applicable and necessary in response to the increase of the Company's registered capital, and to take any other necessary actions and complete any other necessary procedures.

After the Board has obtained the aforesaid general mandate, a proposal is made to the shareholders' general meeting to approve the Board to in turn authorise the chairman and the general manager of the Company to jointly or separately sign, execute, amend, complete and submit all agreements, contracts and documents relating to the recognition, allotment or issuance of shares under the general mandate, unless otherwise provided by laws and regulations.

The aforesaid resolution was considered and approved by the Board on 30 March 2021 and is hereby proposed at the AGM for consideration and approval as a special resolution.

### **READING MATERIALS – 2020 DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS**

Pursuant to the requirements of *the Rules of General Meeting of Listed Companies* (《上市公司股東大會規則》) issued by the CSRC, Independent Directors shall present a duty performance report at the AGM. Such report will be presented at the general meeting, but no Shareholder's approval is required. The duty performance report of the Independent Directors of the Company is made available to the Shareholders in Annex D to this circular.

### **2020 ANNUAL GENERAL MEETING**

The AGM of the Company will be held at Conference Room, 3/F, Haitong Securities Building, No. 689 Guangdong Road, Huangpu District, Shanghai, the PRC on Friday, 18 June 2021 at 1:30 p.m. The notice of the AGM is set out on pages 11 to 14 of this circular.

The register of members of H Shares of the Company will be closed from 19 May 2021 (Wednesday) to 18 June 2021 (Friday) (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of H Shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as Shareholders on the H Share register of members of the Company before 4:30 p.m. on 18 May 2021 (Tuesday) are entitled to attend and vote in respect of all resolutions to be proposed at the AGM. In order to attend the AGM, holders of H Shares should ensure that all transfer documents, accompanied by the relevant H Share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on 18 May 2021 (Tuesday).

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## LETTER FROM THE BOARD

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The form of proxy will be distributed on 29 April 2021. They have also been published on the website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to Computershare Hong Kong Investor Services Limited not less than 24 hours before the time appointed for the AGM (i.e., 1:30 p.m. on 17 June 2021 (Thursday)) or not less than 24 hours before the time appointed for voting by poll. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM in person if you so wish.

For reference purpose only, the record date for determining the eligibility of holders of A Shares for attending the AGM is 11 June 2021. For more details, please refer to the notice of the AGM published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 28 April 2021.

### LISTING RULES REQUIREMENT

According to Rule 13.39(4) of the Hong Kong Listing Rules and Article 118 of the Articles of Association, any vote of shareholders at a shareholders' general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions at the AGM will be taken by way of a poll.

According to the requirements of relevant PRC laws and regulations, the ordinary resolutions 7.01, 7.02, 7.03, and 7.04 set out in the notice of the AGM on pages 11 to 14 of this circular and proposed at the Annual General Meeting shall be voted by the Shareholders who do not have substantial interest in such resolutions. Therefore, Shanghai Guosheng Group and its associates shall abstain from voting on the ordinary resolution 7.01. Shanghai Shengyuan Real Estate (Group) Co., Ltd. shall abstain from voting on the ordinary resolution 7.02. The companies (other than the Company and its controlling subsidiaries) of which the Directors, Supervisors and senior management of the Company hold positions as their directors or senior management, and other related corporate entities, shall abstain from voting on the ordinary resolution 7.03. The related natural persons of the Company shall abstain from voting on the ordinary resolution 7.04.

Save as disclosed above, as far as the Directors are aware, as of the Latest Practicable Date, no other Shareholder is required to abstain from voting in respect of the ordinary and special resolutions at the AGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information

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## LETTER FROM THE BOARD

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contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

### RECOMMENDATION

The Board believes that all the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM as set out in the notice of the AGM as attached to this circular.

Yours faithfully,  
By Order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU Jie**  
*Chairman*

29 April 2021

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Haitong Securities Co., Ltd. (the “**Company**”) will be held at Conference Room, 3/F, Haitong Securities Building, No. 689 Guangdong Road, Huangpu District, Shanghai, the PRC on Friday, 18 June 2021 at 1:30 p.m., for the following purposes:

#### ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company for the year 2020.
2. To consider and approve the report of the supervisory committee of the Company for the year 2020.
3. To consider and approve the annual report of the Company for the year 2020.
4. To consider and approve the final accounts report of the Company for the year 2020.
5. To consider and approve the profit distribution proposal of the Company for the year 2020.
6. To consider and approve the renewal of engagement of auditing firms for the year 2021.

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## NOTICE OF ANNUAL GENERAL MEETING

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7. To consider and approve the proposal regarding projected routine related party/connected transactions of the Company in 2021, including:
  - 7.01 To consider and approve the proposal regarding related party/connected transactions with Shanghai Guosheng (Group) Co., Ltd. and its associates;
  - 7.02 To consider and approve the proposal regarding related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.;
  - 7.03 To consider and approve the proposal regarding related party transactions with the 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 entities; and
  - 7.04 To consider and approve the proposal regarding related party transactions with related natural persons.

### SPECIAL RESOLUTION

1. To consider and approve the proposal regarding the grant of general mandate for the board to authorize, allot or issue A shares and/or H shares.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU Jie**  
*Chairman*

Shanghai, the PRC  
29 April 2021

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

### **1. Eligibility for attending the Annual General Meeting and date of registration of members for H shares**

The register of members of H Shares of the Company will be closed from 19 May 2021 (Wednesday) to 18 June 2021 (Friday) (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as shareholders on the H share register of members of the Company before 4:30 p.m. on 18 May 2021 (Tuesday) are entitled to attend and vote in respect of all resolutions to be proposed at this Annual General Meeting.

In order to attend this Annual General Meeting, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on 18 May 2021 (Tuesday).

### **2. Proxy**

- (1) Each shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy needs not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.

To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the Annual General Meeting (i.e. 1:30 p.m. on 17 June 2021 (Thursday)) or not less than 24 hours before the time appointed for voting by poll.

- (3) Any voting at the Annual General Meeting shall be taken by poll.

### **3. Registration procedures for attending the Annual General Meeting**

A shareholder or his proxy should present proof of identity when attending the Annual General Meeting. If a shareholder is a legal person, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

### **4. Voting by poll**

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the Chairman of the Annual General Meeting will demand a poll in relation to all the proposed resolutions at the Annual General Meeting in accordance with Article 118 of the Articles of Association of the Company.

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## NOTICE OF ANNUAL GENERAL MEETING

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### 5. Miscellaneous

(1) The Annual General Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.

(2) The address of Computershare Hong Kong Investor Services Limited is:

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(3) The registered office of the Company:

Haitong Securities Building  
No. 689 Guangdong Road  
Shanghai  
The People's Republic of China

Contact office: Office of the Board  
Telephone No.: 86 (21) 2321 9000  
Facsimile No.: 86 (21) 6341 0627  
Contact Person: Mr. Jiang Chengjun

*As at the date of this notice, the executive directors of the Company are Mr. ZHOU Jie, Mr. QU Qiuping and Mr. REN Peng; the non-executive directors of the Company are Mr. TU Xuanxuan, Mr. ZHOU Donghui, Ms. YU Liping and Mr. XU Jianguo; and the independent non-executive directors of the Company are Mr. ZHANG Ming, Mr. LAM Lee G., Mr. ZHU Hongchao and Mr. ZHOU Yu.*

\* *For identification purpose only*



**2020 REPORT OF THE BOARD OF HAITONG SECURITIES CO., LTD.<sup>(1)</sup>**

Dear Shareholders,

As entrusted by the Board of Directors, the report of the Board of the Company for the year of 2020 is as follows:

2020 marked an extraordinary year in the history of our new China. In the face of severe and complicated domestic and foreign environments, especially the severe impact of COVID-19 pandemic, China adhered to the general principle of seeking progress while maintaining stability for its economic development, and insisted on coordinating the work of epidemic prevention and control as well as the economic and social development. The fundamentals of economic development have been improving for a long time. A new development pattern was being formed at an accelerating pace in which domestic circulation was the main while dual circulation, namely, domestic and international circulation, complemented each other for a synergy. 2020 was the 30th anniversary of China's capital market, which kept on its deepening reform with continuous optimization of establishment of the system. The implementation of the laws and regulations such as the new "Securities Law" and the new regulation of subsequent offering incessantly consolidated the foundation of the rule of law in the capital market. The registration system reform facilitated three runways, i.e. the Sci-Tech Innovation Board, ChiNext and selective segment. The openness of the capital market to overseas players in terms of institutions, markets and products was further deepened. Both the market index and trading volume of A shares were on the rise that the securities industry had a growth of 24.41% of the annual operation income.

In 2020, amidst the complicated domestic and overseas environments, the Board continued to lead the Company to capture the development opportunities arising from the deepening reform of the capital market so as to complete various targeted tasks smoothly and achieve remarkable operation results. The key financial indicators of the Company ranked top three of the industry in which its total assets, operation income and net profit ranked top two in the industry and it maintained its AA level in the classified regulatory rating.

**I. MAJOR WORKS IN 2020****1. Successfully completing the Non-public issuance of A Shares**

In August 2020, the Company completed the non-public issuance of A Shares in which 1,562,500,000 A Shares were issued at the issuance price of RMB12.8 per share with the total amount of raised proceeds of RMB20.0 billion. After the deduction of issuance expenses, the net proceeds raised amounted to approximately RMB19.849 billion. Through the issuance, the Company further increased its capital that the scales of its net capital and net assets ranked the second in the industry. The proceeds will be used to support various aspects of the Company,

(1) Unless otherwise indicated, all the financial data in this report are presented in Renminbi.

including the development of capital-based intermediary business, FICC business, investment banking business, information system construction, and thus assist the Company in entering a new stage. This issuance targeted a number of domestic and overseas influential enterprises and financial institutions, including Shanghai state-owned assets enterprises, central state-owned enterprises, QFII, etc., which further improved the structure of shareholdings of the Company.

## **2. Strengthening the strategic guidance and formulating the 14th Five-Year Plan of the Company**

2020 was the year of successful completion of the 13th Five-Year Plan when the Company fully achieved its operational objectives. The 13th Five-Year Plan was the critical five years that the Company stably became large and gradually entered its great era. By taking various strategic actions orderly, the Company pushed up its key indicators steadily, and was ranking on a stable and upward trend in the industry. In 2020, after consideration and approval by the 13th meeting of the seventh session of the Board, the Company formulated the 14th Five-Year Plan of Haitong Securities, the Three-Year Action Plan of Haitong Securities for 2021-2023, the Innovation Special Report of the 14th Five-Year Plan of Haitong Securities, and the Three-Year Action Plan of Innovation Development of Haitong Securities for 2021-2023. Hence, a clear direction for our future 5-year development is well shown that the Company will adhere to its mission of becoming an international top investment bank. We will develop into a model of Chinese investment banks of domestically first class and internationally great influence.

## **3. Pushing the comprehensive risk management and adhering to operation in a compliant and healthy manner**

In 2020, facing the increasingly strict regulatory requirements in our country and overseas, the Board incessantly reinforced the compliance management, constructed more knowledge of this respect by inference and underpinned our basic structure for this issue, so that we could better balance between development and compliance. The Company was required to foster a compliance culture against risks so as to maintain a good compliance management. On the basis of considering the regular reports such as the 2019 Compliance Report of the Company, the Report on Evaluation of Internal Control of the Company in 2019, etc., for the purpose of implementing the regulatory requirements, the Board, after taking into account the Company's own situation, considered and approved the Proposal on Formulation of the Internal Control System of Haitong Securities Co., Ltd. Given the launch of the new Securities Law and Civil Code as well as the new regulations of classified supervision, the Board requested the Company to strengthen the analysis of the influences of the policies and the publicity thereof. Invariably, the Company's risk appetite has tended towards a stable and healthy operation that we maintained our strategic focus on risk management, continuously reinforced the preparation for the worst-case scenarios and awareness of risks, improved the Company's capability of coping with risks, and proactively pushed our comprehensive risk management. Meanwhile, our initiative in the provision for risks was enhanced based on the market environment in order to improve the quality of our assets.

**4. Improving quality and efficiency to strengthen the capabilities of assets and liabilities allocation and capital management**

The Board paid close attention to the establishment of the Company's assets and liabilities allocation and management capabilities, and established a comprehensive management and control system for fund management, liability management, liquidity management and liquidity risk management; further improved internal fund pricing and formulated differentiated internal pricing models. In 2020, the analysis and research of assets and liabilities allocation was further deepened, the penetrative identification of major assets continued to be refined, and the inspection and evaluation of the allocation effect was strengthened continuously, so as to push forward the effective implementation of the allocation plan. In 2020, in line with the market trend, the Company completed several financing transactions at low interest rates, which effectively reduced finance costs and saved interest expenses.

**5. Making progress while ensuring stability, and consolidating the leading edges of conglomeration and internationalization strategy**

In 2020, Haitong International and Haitong Bank smoothly responded to the impact brought by violent fluctuation in the global financial market and the pandemic. They enhanced their capabilities, accelerated transformation and overcame difficulties amid the adversity, thereby achieving satisfying results. While maintaining the leading position of investment banking business in the Hong Kong market, Haitong International achieved breakthroughs in research, private banking, asset management and other fields. Through the continuous implementation of the 3.0 transformation strategy, fee income has become an important and stable source of revenue. Haitong Bank achieved breakeven for three consecutive years with various good operating indicators such as high capital adequacy ratio, sufficient cash flow and low non-performing ratio. The establishment of Macau branch entered the final stage of approval. With a view to supporting the conglomeration and internationalization development strategy of the Company and strengthening the authorization management system of the Group, the Board considered and approved 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 Formulation of the Administrative Measures for the Long-term Equity Investment of the Company and other proposals in 2020.

**6. Carrying out the new Securities Law, enhancing the corporate governance system and implementing the mid-and long-term incentive mechanism**

According to the new Securities Law, the Provisions on the Administration of Equities of Securities Companies (《證券公司股權管理規定》) as well as the actual conditions of the Company, the Board of the Company proposed to the general meeting to make corresponding amendments to the Articles of Association and the related corporate governance documents. The amendments mainly included the rights of shareholders, the content regarding approval and filing adjustments, the notice period for convening general meetings, etc.

For the purpose of further implementing the remuneration and assessment management system of the Company's directors and senior management personnel, the Proposal regarding the Results of Assessment on the Company's Senior Management in 2019 and the Proposal regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2020 were considered and approved at the 8th meeting of the seventh session of the Board, and the Proposal regarding the Formulation of a Reform Implementation Plan for the Wage Determination Mechanism of the Company was considered and approved at the 7th meeting of the seventh session of the Board; the Board issued the annual performance appraisal objective to the professional managers according to the Company's Assessment Management Rules for Professional Managers. The Nomination, Remuneration and Assessment Committee of the Board has organized and implemented the duty performance report of the Company's professional managers.

**7. Responding to changes in the shareholding structure and ensuring the legality and compliance of related party/connected transactions**

After the Company completed the non-public issuance of A Shares, the Company's shareholding structure has undergone major adjustments. The Board attached great importance to the management of related party transactions, and required the Company to strictly follow the regulatory requirements of Shanghai and Hong Kong and the Management Measures for Related Party Transactions of the Company to comprehensively sort out the impact of the changes in the shareholding structure towards the related parties/connected persons and related party/connected transactions. Based on the principle of prudence and fairness, the Company was approved to enter into the Related Party/Connected Transactions Framework Agreement with the largest shareholder Shanghai Guosheng (Group) Co., Ltd., and determine the annual caps of continuing related party transactions/connected transactions for 2020-2022. During the reporting period, the Board conducted annual statistics and forecasts of routine related party transactions based on the actual operation and management situation, and considered and approved the Proposal regarding Projected Routine Related Party Transactions of the Company in 2020 at the 7th meeting of the seventh session of the Board.

**8. Comprehensively implementing the strategy of informatization with encouraging progress in significant infrastructure projects**

In 2020, the technology innovation of the Company achieved great breakthroughs of both the aspects from top-tier design to organizational structure and from technology policies to major technology projects. During the year 2020, the Company stably pushed the completion of 2016-2020 technology development plan and the formulation of the technology plan of the 14th Five-Year. The 11th meeting of the seventh session of the Board of the Company considered and approved the Proposal regarding Adjustments to the Organizational Structure of the Company. As such, the information technology management department was adjusted and became three Level-1 departments, namely, financial technology department, software development centre and data centre. After the adjustment, the Company will establish a technological organization structure which features clear division of labor and high operational efficiency and is compatible with the Company's professional and development on a large scale. This will ensure that the strategy for the Company's technologies may be implemented deeply and the technology plan of the 14th Five-Year Plan can move forward smoothly.

Zhangjiang Science and Technology Park was duly launched. In future, it will become the Company's base for technology, training and innovation and the new engine for the sustainable high-quality development of Haitong. Both the projects of South Bund Headquarters Building and Haitong Building in Beijing Road have made significant phased progress. To date, the South Bund Headquarters Building, Haitong Securities Building in Guangdong Road, Haitong Building in Beijing Road and Pudong Zhangjiang Science and Technology Park have constituted a good synergy, like a stable tripod, covering a total gross floor area of 160,000 sq.m. where more than 10,000 staff of the Company provide their services. They will be the important infrastructures to support the future development of the Company.

**9. Continuing to achieve Grade A granted by the Shanghai Stock Exchange for its high-quality fulfillment of information disclosure obligations**

The Board fulfilled its information disclosure obligation in a compliant, efficient, true, accurate, complete, timely and fair manner in strict compliance with the regulatory requirements of Shanghai and Hong Kong. In 2020, the Company published 78 temporary announcements, four periodic reports, one social responsibility report, 7 monthly financial data announcements in the A share market, as well as 190 announcements and circulars in the H share market. In 2020, the Company was granted the highest Grade A in respect of information disclosure by the Shanghai Stock Exchange for five consecutive years. In respect of voluntary disclosure, the Company further deepened the disclosure of its development strategy and implementation effectiveness, strengthened the interpretation and impact analysis of regulatory policies, and provided a basis for investors to fully understand the Company's business model, competitive advantages and risk status, which was highly recognized by investors.

**10. Strengthening the depth and breadth of interactions with the capital market**

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 incessant and highly efficient communication with investors. During the period that the spread of the pandemic stabilized, it adopted some 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 more than 200 visits by domestic and foreign investors and analysts. The Company was invited to attend 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 Shanghai Stock Exchange and participation in the collective reception day for listed companies within the jurisdiction of Shanghai, the Company enlarged the scope of communication with investors.

## **11. Strengthening the construction of social responsibility system with continuous improvement in external ratings**

In 2020, the Company accurately positioned itself as a listed company, financial company and corporate citizen, and continuously performed its responsibilities in such aspects as 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.

## **II. DUTY PERFORMANCE BY THE BOARD IN 2020**

### **1. Overall assessment on duty performance**

In 2020, the Board of the Company made steady progress in various tasks based on its accurate judgment on domestic and foreign business environments. All Directors seized opportunities and took on challenges diligently and dutifully, made use of their expertise and extensive experience to contribute wisdom and strength to the development of the Company, and provided a large number of constructive opinions and suggestions in respect of strategic guidance, risk management and control, incentives and restraints, audit matters and corporate governance. They properly and effectively performed their duties under the Articles of Association, and guaranteed the efficient operation, scientific decision-making of the Board and the sustainable and stable development of the Company.

#### ***(1) The Board operated efficiently and made decisions on major issues in a scientific and transparent manner***

The Board planned meeting arrangements in a scientific manner, strengthened the implementation of meeting plans, optimized the meeting process, focused on pre-meeting communication, strengthened information construction, and further improved the efficiency of the meetings. In 2020, the Company convened 27 meetings in total, including eight Board meetings, two annual report work meetings of Independent Directors, five meetings of the Audit Committee, two meetings of the Nomination, Remuneration and Assessment Committee, seven meetings of the Development Strategy and Investment Management Committee and three meetings of the Compliance and Risk Control Committee, at which the Board considered and approved 56 proposals.



***(2) The Board effectively conducted Directors' training and continuously improved duty performance capability***

In 2020, the Directors actively participated in the relevant trainings organized by regulatory authorities and stock exchanges. The Company also organized specialized institutions which were responsible for ESG consultation to conduct special training on the Hong Kong Listing Rules. In addition, the Directors were kept duly informed of the operation and management of the Company, latest policies and regulations of securities market and relevant information through the Newsletter of Directors and Supervisors and the Regulations of Securities Market and Case Analysis provided by the Company on a regular basis.

***(3) The Board strictly implemented the resolutions approved at general meetings and actively protected the legal interests of Shareholders***

In 2020, the Company convened three general meetings, at which 22 resolutions were considered and approved. According to the 2020 Interim Profit Distribution Plan, the Board distributed cash dividend of RMB0.28 (tax inclusive) per share to the Shareholders, with total cash dividends amounting to RMB3,658 million. By strictly implementing the resolutions approved at general meetings, the Board performed the duties conferred by the Articles of Association and effectively protected the legal interests of all Shareholders.

**2. Attendance of the meetings**

The details of the attendance are as follows:

Name of Directors	Attendance of the meetings	Name of Directors	Attendance of the meetings
Zhou Jie	8 required attendances, 8 actual attendances in person	Xu Jianguo	8 required attendances, 8 actual attendances in person
Qu Qiuping	8 required attendances, 8 actual attendances in person	Zhang Ming (Independent Director)	8 required attendances, 8 actual attendances in person
Ren Peng	8 required attendances, 8 actual attendances in person	Lam Lee G. (Independent Director)	8 required attendances, 8 actual attendances in person
Tu Xuanxuan	8 required attendances, 8 actual attendances in person	Zhu Hongchao (Independent Director)	8 required attendances, 8 actual attendances in person
Zhou Donghui	5 required attendances, 5 actual attendances in person	Zhou Yu (Independent Director)	8 required attendances, 8 actual attendances in person
Yu Liping	8 required attendances, 8 actual attendances in person	Chen Bin (Resigned)	2 required attendances, 2 actual attendances in person

### III. MAJOR WORK OF THE BOARD IN 2021

#### 1. **Maintaining strategic determination and implementing the 14th Five-Year Plan in accordance with the requirements of high-quality sustainable development**

The year of 2021 is the first year of the 14th Five-Year Plan of the Company. Through closely following the national macro-political and economic situation, adhering to the main theme of development, and undertaking the “conglomeration, internationalization and informatization” strategy as the guidance, the Board will, based on its established foundations, accelerate the implementation of measures for “remedying shortcomings, breaking bottlenecks”, and comprehensively enhance its capability building in five areas including investment banking underwriting and sales pricing, assets management, capital and investment management, wealth management and institutional brokerage and sales transaction. It is necessary to reinforce the “four pillars”, solve existing problems by innovative and reform methods, adopt all positive means, and stimulate the Company’s vitality.

#### 2. **Further consolidating the comprehensive risk management capability and promoting a full-coverage compliance management system**

In accordance with the overall deployment of the 14th Five-Year Plan, the Board will continue to push forward the establishment of a compliance management system with a full coverage of everyone in compliance, proactive compliance, continuous compliance and full compliance, so as to improve the professionalism and forward-looking of compliance management, enhance the management and control of subsidiaries and cross-border compliance, and deeply promote the technological, refined system and authorization management of the compliance monitoring of the Group. The Board will continue to ensure that the Company safeguards the bottom line of preventing material risks, establish and optimize a comprehensive risk management system that meets the needs of the Company’s development strategy, deepen the risk management work of the Group, and strengthen the in-depth application and forward-looking analysis of risk management.

#### 3. **Continuing to improve the allocation of major assets, optimizing financing capabilities, and strengthening the establishment of the capital management system**

The Board will continue to improve the asset and liability management system of the Group and management system establishment, strengthen the establishment of asset and liability management mechanisms, and guide the identification, evaluation, allocation and dynamic adjustment of the major assets of the Company. Also, it will further optimize the internal pricing system and guide the effective resource allocation; and enhance the debt planning and management capabilities of the Group. The debt financing has gradually shifted from a merely liquidity guarantee function to business-driven.



**4. Further enhancing the risk prevention capability and continuing to strengthen compliance management**

The Board will continue to improve the Company's risk prevention capability, and pay attention to pre-event efficiency, in-process inspection and post-event accountability while ensuring proper control before, during and after event. Further, the Board will continue to optimize the Company's authorization management system transferring from authorization compliance to rational quantified authorization. It will continue to promote the establishment of a unified compliance and risk control system for the subsidiaries, and improve the compliance and risk control work in all domestic and overseas business areas of the Company.

**5. Continuing to fully boost technology empowerment, enhance the ability of technological innovation, and steadily advance the significant projects of the Group**

The Board will push the Company to complete the formulation of the 14th Five-Year technology development plan, place financial technology and data governance in a more important position for the development of the Group, and promote continuous technology-empowered business development, management improvement and group management of the Company. It will steadily push forward the Company's major infrastructure projects including Haitong Building, Zhangjiang Science and Technology Base, South Bund Headquarters Building, etc.

**6. Continuing to improve corporate governance of the Group, deepen investor relationship management, improve quality and effectiveness of information disclosure, and enhance management effort in fulfilling social responsibility**

The Board will continue to improve the corporate governance system at all levels of the Company, further optimize the supervision and execution system and mechanism of the decision-making matters of the Company, and ensure that the general meeting, the Board, the Supervisory Committee and the management function well with clear authority. The Board and all professional committees will earnestly perform their duties, actively and effectively operate, and facilitate the continuous improvement of the corporate governance level. It will further strengthen the communication initiative and pertinence with capital market, continue to expand the depth and breadth of capital market tracking analysis, enrich the form of market communication, and enhance the initiative and effectiveness of investor relations activities. In addition, the timeliness and effectiveness of equity management and shareholders' equity protection will be enhanced incessantly. Regulatory requirements will be strictly followed, and the pertinence, effectiveness and transparency of information disclosure will be improved continuously, thereby effectively protecting investors' right to know. While fulfilling social responsibility and serving the high-quality economic development, the Board will formulate the system and norms for the Board to participate in the Company's ESG management, set up ESG management committees and working groups, as well as improve the top-tier design.

In 2020, with the full support of domestic and overseas Shareholders, the Board of the Company strived for exploration and progress, performed its duties in due diligence, pursued progress while ensuring stability, and strengthened strategic leadership. It also kept a close eye on opportunities for capital market reforms, and focused on high-quality development. The year of 2021 is the first year of the 14th Five-Year Plan of the Company. The Board of the Company will take multiple measures to promote the implementation of strategic planning, diligently implement the financial regulatory requirements, be proactive and continuously improve the decision-making capability to create enormous value for the real economy, shareholders, customers, employees and society, aiming to become a role model for investment banks in China.

The above report is hereby proposed for consideration and approval at the Annual General Meeting.

**Board of Directors of  
Haitong Securities Co., Ltd.**

18 June 2021

**2020 REPORT OF THE SUPERVISORY COMMITTEE OF  
HAITONG SECURITIES CO., LTD.<sup>(2)</sup>**

Dear Shareholders,

As entrusted by the Supervisory Committee, the report of the Supervisory Committee of the Company for the year of 2020 is as follows:

In 2020, facing the challenges posed by the COVID-19 pandemic and the complex and changing international and domestic environment, the Company seized the opportunities arising from the effective control of the pandemic in the PRC and the continuous deepening of reform and opening up, so as to overcome difficulties together and with determination. The Company successfully completed various goals and tasks and achieved remarkable results. As at 31 December 2020, the Company's total assets amounted to RMB694.073 billion, the net assets attributable to shareholders of the listed company amounted to RMB153.448 billion, and the net capital of the parent company amounted to RMB84.130 billion. The Company's operating revenue amounted to RMB38.220 billion, and the net profit attributable to shareholders of the listed company was RMB10.875 billion, with earnings per share reaching RMB0.90 and net assets per share attributable to shareholders of the listed company reaching RMB11.75. The Company maintained the highest rating of Grade AA under Class A in the classified supervision evaluation of the CSRC.

In 2020, with active support and cooperation of the Board and the management, the Supervisory Committee continued to diligently perform its duties to promote the compliant and healthy development of the Company and safeguard the legal rights and interests of the Company and Shareholders in the spirit of accountability to all Shareholders and in strict accordance with laws and regulations including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law"), the Articles of Association, the Rules of Procedure for the Supervisory Committee of the Company and the Rules of Performance for the Supervisory Committee of the Company (Trial), etc.

## **I. MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2020**

### **1. Performing legal duties and deliberating major events**

In 2020, the Supervisory Committee convened four meetings and considered relevant reports and proposals including the Company's annual report, interim report, quarterly reports and other periodic financial reports, annual compliance reports and annual reports on the evaluation of internal control, as well as such issues as amendments to the Rules of Procedure for the Supervisory Committee of the Company, significant accounting matters, nomination of candidates for supervisor, etc.

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(2) Unless otherwise indicated, all the financial data in this report are presented in Renminbi.

Details about the four meetings of the Supervisory Committee are as follows:

<b>No.</b>	<b>Name of the meetings</b>	<b>Date of the meetings</b>	<b>Approved proposals</b>	<b>Form of the meetings</b>
1	4th meeting of the seventh session of the Supervisory Committee	26 March 2020	<ol style="list-style-type: none"><li>1. 2019 Annual Report of the Company</li><li>2. 2019 Annual Internal Control Evaluation Report of the Company</li><li>3. 2019 Annual Compliance Report of the Company</li><li>4. 2019 Annual Work Report of the Supervisory Committee of the Company</li><li>5. The proposal regarding the change of supervisor</li></ol>	On-site and conference call
2	5th meeting of the seventh session of the Supervisory Committee	28 April 2020	First Quarterly Report for the Year 2020 of the Company	On-site and conference call
3	6th meeting of the seventh session of the Supervisory Committee	28 August 2020	<ol style="list-style-type: none"><li>1. 2020 Interim Report of the Company</li><li>2. The proposal regarding the provision for asset impairment of the Company</li><li>3. The proposal regarding the amendments to the Rules of Procedure for the Supervisory Committee of the Company</li><li>4. The proposal regarding the change of supervisor</li></ol>	On-site
4	7th meeting of the seventh session of the Supervisory Committee	29 October 2020	Third Quarterly Report for the Year 2020 of the Company	Correspondence

**2. Attending the general meetings and meetings of the Board and supervising the implementation of the corporate governance system**

In 2020, the Supervisors attended three general meetings, i.e. the first extraordinary general meeting of 2020 convened on 15 April 2020, the 2019 annual general meeting convened on 18 June 2020 and the second extraordinary general meeting of 2020 convened on 20 October 2020, at which the Supervisors supervised the legality and compliance of the decision-making process on significant events, such as considering and approving the periodic reports of the Company, amending the Articles of Association, distributing profit, amending the plan of the non-public issuance of A Shares.

The Supervisors attended four on-site meetings of the Board, i.e. the 7th meeting of the seventh session of the Board convened on 26 March 2020, the 8th meeting of the seventh session of the Board convened on 28 April 2020, the 11th meeting of the seventh session of the Board convened on 28 August 2020, and the 13th meeting of the seventh session of the Board convened on 29 December 2020, and supervised deliberation and voting of the Board on periodic financial reports, work reports of the Board, work reports of the Independent Directors, compliance reports and report on evaluation of internal control, formulation of major development strategies, decisions on significant events such as major investments, financing and related party transactions, formulation of the Articles of Association and important rules and regulations of the Company, and performance appraisal and motivation of the management. Notices and materials relating to the meetings convened by the Board through voting by correspondence were also issued to the Supervisors for review. By attending meetings of the Board and reviewing various resolutions at the meetings of the Board convened through voting by correspondence, the Supervisory Committee supervised in real time the entire decision-making process of the Board regarding significant events and learned about the implementation of resolutions of the Board by the management, which helped to effectively perform its supervisory functions.

**3. Promoting the improvement of the compliance and risk control system and ensuring the sustainable development of the Company**

In 2020, the Board considered and approved the Resolution regarding the Amendment to the Internal Control System of the Company, and listened to the Report on the Implementation of Risk Control Indicators for the First Half of 2020. During meetings of the Board, the Supervisors listened to related special reports and supervised the full process of consideration of the above resolutions. Moreover, at the beginning of 2021, the Company submitted to the Supervisory Committee a special report on the measures in response to the new regulations on classified supervision of securities companies, and a special report on the implementation of self-discipline penalties and rectification, in order to be supervised by all Supervisors.

Annual compliance reports and reports on evaluation of internal control of the Company were submitted as resolutions to the Supervisory Committee for consideration. Monthly, quarterly and interim compliance and risk control reports of the Company were submitted to the vice chairman of the Supervisory Committee for review so that the Supervisory Committee was able to acquire full knowledge of compliance and risk control particulars of the Company.

The Supervisory Committee is committed to integrating various supervisory resources of the Company to improve the efficiency of duty performance. The Company continued to adhere to the joint meeting system of supervision work. The meeting was convened by the vice chairman of the Supervisory Committee and attended by the General Compliance Officer, Chief Risk Officer, Chief Financial Officer, Employee Representative Supervisors and persons in charge of the relevant departments. Taking advantage of the synergy of corporate governance supervision, discipline inspection and supervision, compliance and risk control supervision and audit supervision, which played an active role in preventing operational risks and regulating duty performance of the staff.

**4. Examining financial position of the Company and supervising the Company to continuously improve its asset quality**

Monthly financial analysis reports of the Company were submitted to the vice chairman of the Supervisory Committee for review. The Supervisory Committee deliberated the annual, semi-annual and quarterly financial reports of the Company and listened to the reports on the annual, semi-annual and quarterly financial positions of the Company and annual final accounts and budget.

In 2020, the Company non-publicly issued A Shares, and issued corporate bonds and short-term financing bills. When the Board considered the plan for the non-public issuance of A Shares, the Supervisors supervised the entire process, reviewed and signed the issuance documents. At the beginning of 2021, the special report on use of proceeds from the aforesaid issuance of A Shares and debt financing instruments was submitted to the Supervisory Committee for all Supervisors' supervision.

Meanwhile, in view of the actual situation of increasing fixed assets, the Company also provided a special written report on how to strengthen the management of fixed assets to the Supervisory Committee.

**5. Supervising duty performance of the Company's Directors and management and promoting due diligence of the Company's senior management**

The Supervisors were present at the Board meetings to supervise the whole process of the nomination of proposed director candidates, determination of the annual assessment of management as well as the performance appraisal and motivation schemes for senior management. The vice chairman of the Supervisory Committee also listened to the annual reports of senior management and expressed recommendations on the duty performance of the management.

**6. Supervising major operation and management activities of the Company to promote the compliant operation and business development of the Company**

In 2020, as the Board considered the amendment of the plan of non-public issuance of A Shares, new strategic plan, material guarantees, authorization of the Board and important matters of the subsidiaries, the Supervisors present also expressed their opinions and recommendations. At the beginning of 2021, according to market hotspots, the Company submitted to the Supervisory Committee a special report on the development of Sci-Tech Innovation Board business and the measures in response to the implementation of full registration system for all Supervisors' supervision.

As the Company's fixed asset investment and infrastructure projects continued to increase, in order to strengthen the supervision of the Company's fixed asset investment by the Supervisory Committee, the Supervisory Committee conducted on-site survey on the Company's Zhangjiang Zhang Jiang Science and Technology Park project, listened to the reporting by the Company's relevant departments on project progress, engineering supervision, decision-making and approval and use of funds, as well as inspected the facilities such as office buildings which are under construction and machine rooms on-site in 2020. The Supervisory Committee required the Company to strictly implement budget management, pay attention to safe production and strengthen audit in accordance with the relevant regulations. Based on the specific conditions of the business of the subsidiaries, the Supervisory Committee conducted on-site survey on Haitong Futures Co., Ltd. and HFT Investment Management Co., Ltd., communicated with the management of the subsidiaries, and analyzed the weak links in the operation and management of the subsidiaries and the related remedial measures. It also urged the subsidiaries to attach great importance to the risks in their operation and learn from the experience, so as to ensure the sustainable, healthy and stable development of the Company.

Attendances of the vice chairman of the Supervisory Committee at meetings of the general manager office, other various meetings of special committees and thematic meetings of the Company helped the Supervisory Committee promptly keep informed of various major decisions and operating conditions of the Company and play its supervisory role.

**7. Continuously improving self-building of the Supervisory Committee to enhance duty performance capability**

In 2020, the employee representative Supervisors of the Company reported their duty performance to the 8th employees' representative meeting of the fourth session, and the employees' representative meeting conducted assessment on duty performance of the Company's employee representatives Supervisors in the year 2019. The duty performance of the three employee representatives Supervisors in the year 2019 were all assessed as "pass".

To enhance the performance skills of the Supervisors, the Supervisory Committee has attached great importance to the training for the Supervisors. In 2020, the Supervisors of the Company not only participated in the relevant training organized by the regulatory authorities and stock exchanges, but also participated in the on-site and the written training organized by the Company. The newly revised Securities Law in 2020 put forward new requirements for supervisors and the supervisory committees. At the beginning of 2020, the Company provided relevant written training materials to all Supervisors, and required them to study carefully. Two training sessions were arranged at the meeting of the Supervisory Committee held on-site, which were related to the interpretation of the key points of the amendments to the Securities Law by professional lawyers, and the requirements of the Hong Kong Stock Exchange on the Company's environmental, social and corporate governance (ESG) aspects, respectively. The Office of the Supervisory Committee compiled Regulations of Securities Market and Case Analysis quarterly to deliver information regarding the updates of regulatory policies and regulations of both domestic and overseas financial market to each Supervisor in a timely manner, enabling the Supervisors to know the position of the latest regulatory trend in time and implement effective supervision.

## **II. THE 8TH MEETING OF THE SEVENTH SESSION OF THE SUPERVISORY COMMITTEE AND EVALUATION THEREOF ON OPERATING MANAGEMENT OF THE COMPANY**

On 30 March 2021, the 8th meeting of the seventh session of the Supervisory Committee listened to the Report on Operation of the Company in 2020 and Business Plans for 2021, 2020 Final Accounts Report of the Company and 2020 Profit Distribution Plan of the Company, and considered the 2020 Annual Report of the Company, 2020 Compliance Report of the Company and Report on Evaluation of Internal Control of the Company in 2020, etc. Upon deliberation, the Supervisory Committee was of the view that:

1. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) audited the financial statements and notes (A Shares) for 2020 prepared by the Company according to PRC GAAP and issued a standard and unqualified audit report "PricewaterhouseCoopers Zhong Tian Shen Zi (2021) No. 10083". PricewaterhouseCoopers audited the financial statements and notes (H Shares) for 2020 prepared by the Company according to IFRS and issued an unqualified audit report. Pursuant to the above audit reports, the financial statements including the Company's 2020 consolidated balance sheet of A Shares (consolidated statement of financial position of H Shares), consolidated income statement of A Shares (consolidated statement of profit or loss and other comprehensive income of H Shares), consolidated statement of cash flows of A Shares and H Shares, consolidated statement of changes in owners' equity of A Shares (consolidated statement of changes in equity of H shares) conformed to PRC GAAP (A Shares) or IFRS (H Shares), respectively, which truly and fairly reflected the Company's financial position at the end of 2020 and operating results and cash flows for the year of 2020 in all material respects and was recognized by the Supervisory Committee upon review.



2. The Company had a sound corporate governance structure, which was in compliance with the regulatory requirements in Mainland China and Hong Kong. In 2020, the Company changed a total of one Director and three Supervisors due to change in work arrangement and age concern. The relevant nomination and consideration procedures were complete and compliant with the regulatory requirements. The Company made information disclosure in accordance with the regulatory requirements, submitted relevant information to the stock exchanges, reported to the regulatory authorities, and completed the procedures for information changes at the administration department for industry & commerce.

The Board and the management of the Company diligently performed duties in accordance with laws and regulations. The Company fulfilled the overall objectives set at the beginning of the year with the key financial indicators and business indicators continued to occupy a leading position in the PRC securities industry. During the operation, none of the Directors or senior management was found violating laws and regulations or damaging the interests of Shareholders, the Company or the staff.

In 2020, in accordance with the newly revised Securities Law and other laws and regulations, the Company amended its Articles of Association and the Appendix thereof, clarifying the rights and obligations of shareholders, relevant requirements for shareholders of above 5%, etc., which further protected the interests of all shareholders.

3. The Company established a relatively complete compliance management structure, and there were no major violations of laws or regulations nor significant compliance risks in 2020. Compliance personnel were assigned to all business and business management departments of the Company, compliance management personnel were assigned to all branches, and a senior management member in charge of compliance management or a compliance officer was assigned to each subsidiary.

Upholding the risk management philosophy of “prudence and even conservativeness”, the Company established a relatively complete and effective comprehensive risk management structure. Aiming at the major risks faced in daily operation and management, the Company assessed, measured, monitored, responded to and reported risks in a timely manner, and continuously enhanced advance prevention, in-process monitoring and follow-up inspection as to various risks through training, inspection, audit and other means.

On the reporting base date of the internal control evaluation report of 2020, there were no significant defects in terms of the internal control in financial reports, and there were no significant defects in terms of internal control in non-financial reports. After conducting the independent audit on design and implementation of internal control, the external certified public accountants were of the opinion that the

Company had maintained effective internal control on financial reports pursuant to the Basic Standards for Enterprise Internal Control and relevant regulations in all material aspects, and they did not identify any significant defects in internal control in non-financial reports.

4. 2020 was the final year of the 13th Five-Year Plan of the Company, and was also an extraordinary year, during which the Company strived hard to fully achieve its business goals. The Company successfully completed the non-public issuance of A Shares of RMB20.0 billion with total assets and net assets hitting a record high, which further enhanced the capital strength. The revenue and profit hit the second highest level in history, and the ROE continued to improve; while incomes from investment banking, asset management and other fee-based business reached the historically highest level. Moreover, the proportion of internet-based business remained on the rise, and the product sales increased rapidly. In respect of the investment business, a number of new business qualifications were obtained, and the capital and investment management capabilities were strengthened continuously; in respect of the overseas business, the Company overcame the adverse effect from the pandemic, therefore it maintained the leading position in the industry and further improved the service capacity worldwide. The Company continued to reinforce the four pillars including compliance and risk management, talent, IT and research, and consolidated the foundation of development. The Company also enhanced the cohesion of staff by strengthening the development of corporate culture, and fulfilled social responsibility and commitment.
5. The Company complied with relevant laws and regulations on use of proceeds. In 2020, the Company issued A Shares by way of non-public issuance, and the total amount of raised proceeds was RMB20.0 billion. After the deduction of issuance expenses, the net proceeds raised amounted to RMB19.84 billion. Such funds were received on 27 July 2020, 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 accordance with the relevant requirements of the Shanghai Stock Exchange and the Measures for the Management of Raised Funds of the Company, the Company deposited the raised funds into the special account designated by the Board, and used the raised funds exclusively in accordance with the plan for the use of proceeds. The Company entered into a tripartite supervision agreement relating to raised funds with the sponsor and the bank that deposited the raised funds, and fulfilled the information disclosure obligation in a timely manner, and jointly supervised the use of raised funds. Pursuant to the provisions regarding the use of raised funds set out in the Report on the Non-public Issuance of A Shares of the Company, the Company used the funds in strict accordance with the committed purpose and the scope of the intended investment amount: approximately 30% was used to develop capital-based intermediary business, approximately 50% was used to increase FICC investment, approximately 7.5% was used to increase investment in information system construction, approximately 10% was used to increase capital injection to

investment banking business, and less than 2.5% was used to replenish working capital. As at 31 December 2020, raised funds of RMB19.762 billion were used, interest income of RMB29 million was incurred from the raised funds, and the unused raised funds amounted to RMB86 million. The unused funds will be fully used for information system construction, and it is expected that such amount will be fully put into use in the first half of 2021, which is complied with the provisions of the non-public issuance plan.

In 2020, the Company issued 10 corporate bonds on the Shanghai Stock Exchange with the size of RMB43.5 billion; and issued eight tranches of short-term financing bills on the inter-bank bond market with the size of RMB39.0 billion. Such proceeds were mainly used to replenish the working capital and pay back the debt, and to meet the fund demand of the Company for its adjustment of debt structure. The Company has strictly complied with the relevant requirements of the PRC and the Company regarding the management on the transfer, deposit and use of the proceeds, and all businesses relating to the proceeds have been conducted in compliance with the authorization and approval procedures, so as to ensure the compliance of the proceeds usages.

6. The decision-making, compliance of review procedure and disclosure of relevant information regarding related party transactions of the Company were made in a timely, truthful and complete manner. In 2020, in addition to the consideration and approval of the 2019 Special Audit Report on Related Party Transactions of the Company and the Resolution regarding Projected Routine Related Party Transactions of the Company in 2020, the Board also considered and approved the following resolutions regarding the related party transactions involved in the non-public issuance of A Shares: the Resolution regarding the Related Party Transactions involved in the Company's Non-public Issuance of A Shares, 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 Routine Related Party Transactions for 2020-2022, and the Resolution regarding the Signing of Connected Transactions/Related Party Transaction Framework Agreement between the Company and Shanghai Guosheng (Group) Co., Ltd. and Determining the Annual Cap of Continuous Connected Transactions/Related Party Transactions for 2020-2022. Among them, the Resolution regarding the Related Party Transactions involved in the Company's Non-public Issuance of A Shares and the Resolution regarding Projected Routine Related Party Transactions of the Company in 2020 were also submitted to, and approved by, the general meeting. The relevant information on related party transactions were also disclosed in the annual report and interim report of the Company.

7. Integrity standards of information disclosure

The Company strictly implemented the laws and regulations and the requirements of the stock exchanges and the Company on information disclosure, the Directors and the Board worked diligently and dutifully, the senior management and other relevant personnel performed their respective duties, and the relevant shareholders complied with the laws. The internal circulation, review and disclosure process of information was compliant with the laws and effective, and the inside information management was in place. There was no information leakage, insider trading and unusual stock price movements when the Company operated the non-public issuance of A Shares and other major issues in 2020. The Company disclosed information in a truthful, accurate and complete manner, which protected the legal rights and interests of the Company, shareholders, customers, creditors and other stakeholders. The Company was rated Grade A for five consecutive years in the evaluation of information disclosure by the Shanghai Stock Exchange.

### **III. SUPERVISORY OPINIONS AND RECOMMENDATIONS**

In the spirit of accountability to the Shareholders and to promote sustainable and sound development of the Company, the Supervisory Committee is putting forward the following recommendations:

1. To actively push forward the implementation of the Company's 14th Five-Year Plan and continue to strengthen the Company;
2. To respond to the new regulations of classified supervision, continue to strengthen compliance and risk control, and enhance core competitiveness;
3. To continue to strengthen financial management in accordance with the Company's actual situation and regulatory requirements;
4. To further optimize the remuneration structure and establish a long-term incentive mechanism.

### **IV. WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2021**

1. To supervise the implementation of the 14th Five-Year Plan of the Company;
2. To supervise the financial key matters;
3. To supervise the Company's internal control to be more optimized;
4. To supervise the performance of duties of the Directors and senior management;

5. To organize on-site surveys and develop an in-depth understanding of the Company's major business and investments;
6. To improve self-building of the Supervisory Committee.

The above report is hereby proposed for consideration and approval at the Annual General Meeting.

**Supervisory Committee of  
Haitong Securities Co., Ltd.**

18 June 2021

**FINAL ACCOUNTS REPORT  
OF HAITONG SECURITIES CO., LTD. FOR THE YEAR OF 2020<sup>(3)</sup>**

In 2020, the unprecedented COVID-19 pandemic swept the whole world, and the capital market was in its comprehensive deepening reform internally and on its quicker opening track externally that such a dual main strategy was increasingly becoming clear. Under the leadership of the Shanghai Committee of the Communist Party of China, Shanghai Municipal Government, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and the Board, the Company overcame the impact of the COVID-19 pandemic and successfully completed the targeted financing of RMB20.0 billion, therefore its capital strength was further improved. For wealth management business, positive progress was made, and the sales of financial products and the securities lending business developed rapidly; and for investment banking business, its income and scale reached record highs and it achieved outstanding results on the STAR Market. Moreover, the asset management business developed rapidly and its scale and profit grew significantly, reaching historical highs; the trading and institutional client services business obtained multiple innovative qualifications, and vigorously developed capital intermediary businesses, such as OTC derivatives; and the financial leasing business was invariably rooted in its basic market to serve the real economy, and strived to facilitate high-quality development. The Company continued to push forward the digital transformation of the Group, and steadily carried out the infrastructure construction of Zhangjiang Science and Technology Park and South Bund Headquarters Building.

Upholding the operational philosophy of “pragmatic, pioneering, steady and excellent” and the risk management philosophy of “prudence and even conservativeness”, the Company’s classified rating was maintained at the highest AA level in the industry for four consecutive years.

## I. FINANCIAL POSITION AND OPERATING RESULTS

*Unit: RMB100 million*

Item	A Shares			H Shares		
	As at the end of 2020	As at the end of 2019	Increase/ Decrease	As at the end of 2020	As at the end of 2019	Increase/ Decrease
Total assets	6,940.73	6,367.94	9.00%	6,940.73	6,367.94	9.00%
Total liabilities	5,259.47	4,956.75	6.11%	5,259.47	4,956.75	6.11%
Net Assets	1,534.48	1,260.91	21.70%	1,534.48	1,260.91	21.70%
Net Capital (parent company) <sup>(4)</sup>	841.30	732.08	14.92%	841.30	732.08	14.92%

<sup>(3)</sup> Unless otherwise stated, financial data in this report are based on the audited consolidated statements (A Shares) and are presented in Renminbi, and the data involving net profit, net assets and total consolidated income are based on those attributable to the owners of the parent company. Principal financial indicators in this report are based on China Enterprise Accounting Standards (CEAS).

<sup>(4)</sup> According to the 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 the end of 2019 in this report were restated.

Item	A Shares			H Shares		
	2020	2019	Increase/ Decrease	2020	2019	Increase/ Decrease
Operating income/income and other revenues	382.20	348.60	9.64%	542.77	515.52	5.29%
Operating expenses/total expenses	223.58	210.53	6.20%	390.63	378.30	3.26%
Profit before income tax	157.57	138.72	13.59%	157.57	138.72	13.59%
Net Profit	108.75	95.23	14.20%	108.75	95.23	14.20%
Total consolidated revenue	110.91	98.59	12.50%	110.91	98.59	12.50%
Earnings per share (EPS) (RMB/share)	0.90	0.83	8.43%	0.90	0.83	8.43%

**(I) Assets and Liabilities****Assets**

As at the end of 2020, the total assets of the Group were RMB694.073 billion, increasing by RMB57.279 billion or 9.00% as compared to RMB636.794 billion as at the end of last year. The major changes were: bank balances and cash, clearing settlement funds and deposits with exchanges increased by RMB20.690 billion, advances to customers on margin financing increased by RMB20.270 billion, long-term receivables increased by RMB13.271 billion, fixed assets increased by RMB7.981 billion.

Financial assets of the Group such as financial assets held for trading, other debt investment and investment in other equity instruments accounted for 37% of the Group's total assets. Bank balances and cash, clearing settlement funds and deposits with exchanges accounted for 23% of total assets. Advances to customers on margin financing accounted for 11% of total assets. Financial assets held under resale agreements accounted for 8% of total assets. Finance lease receivables accounted for 7% of total assets. Fixed assets, right-of-use assets, construction in progress and investment properties accounted for 2% of the Group's total assets. Most assets have relatively strong realization capability, and the Group assets were well-structured with high liquidity.

*Liabilities*

As at the end of 2020, the total liabilities of the Group were RMB525.947 billion, increasing by RMB30.272 billion or 6.11% as compared to RMB495.675 billion as at the end of last year. The major changes were: accounts payable to brokerage clients increased by RMB20.703 billion, short-term financing bills payable bonds payable increased by RMB8.608 billion, short-term borrowings and long-term borrowings increased by RMB4.605 billion, financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased by RMB13.867 billion.

**(II) Financial Revenues and Expenditures***Operating Income*

In 2020, the operating income of the Group was RMB38.220 billion, increasing by RMB3.360 billion or 9.64% as compared to RMB34.860 billion for the same period of last year. The major changes were:

- (1) net commission income from brokerage business was RMB5.208 billion, increasing by RMB1.637 billion or 45.84% as compared to RMB3.571 billion for the same period of last year, which was mainly due to the increase in commission income from agency trading;
- (2) net commission income from investment banking business was RMB4.939 billion, increasing by RMB1.482 billion or 42.87% as compared to RMB3.457 billion for the same period of last year, which was mainly due to the increase in stock underwriting income;
- (3) net commission income from asset management business was RMB3.372 billion, increasing by RMB0.977 billion or 40.79% as compared to RMB2.395 billion for the same period of last year, which was mainly due to the increase in the scale of assets under management;
- (4) net interest income was RMB4.891 billion, increasing by RMB0.743 billion or 17.91% as compared to RMB4.148 billion for the same period of last year, which was mainly due to the increase in interest income from long-term receivables and decrease in interest expenses from bonds payable;
- (5) return on investment and gain from changes in fair value was RMB11.620 billion, increasing by RMB20 million or 0.17% as compared to RMB11.600 billion for the same period of last year;
- (6) income from other businesses was RMB7.039 billion, decreasing by RMB1.389 billion or 16.47% as compared to RMB8.428 billion for the same period of last year, which was mainly due to the decrease in sales income of a subsidiary.



***Operating Expenses***

In 2020, the operating expenses of the Group was RMB22.358 billion, increasing by RMB1.305 billion or 6.20% as compared to RMB21.053 billion for the same period of last year. The major changes were:

- (1) business and management fee was RMB11.947 billion, increasing by RMB0.852 billion or 7.68% as compared to RMB11.095 billion for the same period of last year, which was mainly due to the increase in salaries of employees;
- (2) credit impairment loss was RMB4.586 billion, increasing by RMB1.739 billion or 61.07% as compared to RMB2.847 billion for the same period of last year, which was mainly due to the increase in impairment losses of finance lease receivables;
- (3) costs of other businesses were RMB5.633 billion, decreasing by RMB1.323 billion or 19.03% as compared to RMB6.956 billion for the same period of last year, which was mainly due to the decrease in sales costs of a subsidiary.

***Revenue***

In 2020, the total profit of the Company was RMB15.757 billion, increasing by RMB1.885 billion or 13.59% as compared to RMB13.872 billion for the same period of last year. In particular: the parent company realized net profit of RMB7.275 billion; the subsidiaries realized net profit of RMB4.544 billion.

In 2020, the Company's EPS was RMB0.90, increasing by 8.43% as compared to RMB0.83 for the same period of last year.

In 2020, total comprehensive income of the Company was RMB11.091 billion, increasing by RMB1.232 billion or 12.50% as compared to RMB9.859 billion for the same period of last year.

**(III) Net Assets and Net Capital**

As at the end of 2020, the net assets of the Company amounted to RMB153.448 billion, increasing by RMB27.357 billion or 21.70% as compared to RMB126.091 billion as at the end of last year. Such increase was mainly due to the targeted issuance of A Shares which led to an increase of RMB19.849 billion in net assets, the realized net profit which led to an increase of RMB10.875 billion in net assets, the distribution of dividend for 2019 which led to a decrease of RMB3.658 billion in net assets, and the changes in other comprehensive income such as changes in fair value of investment in other equity instruments which led to an increase of RMB0.238 billion in net assets.

As at the end of 2020, the net asset value per share of the Company was RMB11.75, increased by RMB0.79 as compared to RMB10.96 per share as at the end of last year.

As at the end of 2020, the net capital of the parent company was RMB84.130 billion, increased by RMB10.922 billion as compared to RMB73.208 billion as at the beginning of the year. The main changes included: net capital increased by RMB23.758 billion due to the increase in net assets; net capital decreased by RMB11.502 billion due to the increase in asset items, and net capital decreased by RMB1.660 billion due to the decrease in subordinated debts. The proportion of net capital as to net asset of the parent company as at the end of the period was 61.21%. All risk control indicators complied with the requirements under the Administrative Measures on Risk Control Index of Securities Companies. The assets of the Company were well structured with high liquidity and good quality.

### *Major Differences between A Shares and H Shares*

The difference between total income and expenses stated in the financial statement of H Shares prepared according to IFRS and operating income and expenses stated in the financial statement of A Shares prepared according to the Accounting Standard for Business Enterprises was mainly due to the difference resulting from the reflection in both income and expense of commission charges and interests, and the reflection of net amount of commission charges and interests.

There were no differences in total assets, total liabilities and net assets in the respective financial statements of A Shares and H Shares.

## II. PRINCIPAL FINANCIAL INDICATORS

S/N	Item	As at the end of 2020	As at the end of 2019	Increase/ Decrease	As at the end of 2018
1	Total assets (RMB100 million)	6,941	6,368	9.00%	5,746
2	Equity attributable to owners of the parent company (RMB100 million)	1,534	1,261	21.70%	1,179
3	Equity (RMB100 million)	1,681	1,411	19.14%	1,302
4	Liabilities (accounts payable to brokerage clients inclusive) (RMB100 million)	5,259	4,957	6.11%	4,444
5	Liabilities (accounts payable to brokerage clients exclusive) (RMB100 million)	4,178	4,082	2.34%	3,725
6	Net asset value per share (RMB/share)	11.75	10.96	7.21%	10.25

S/N	Item	As at the end of 2020	As at the end of 2019	Increase/ Decrease	As at the end of 2018
7	Gearing ratio	71.30%	74.31%	Decreased by 3.01 percentage points	74.10%
8	Leverage ratio	3.48	3.89	Decreased by 0.41	3.86
9	Leverage ratio (accounts payable to brokerage clients inclusive)	4.13	4.51	Decreased by 0.38	4.41

S/N	Item	2020	2019	Increase/ Decrease	As at the end of 2018
1	Operating income (RMB100 million)	382.20	348.60	9.64%	237.65
2	Business and management fee (RMB100 million)	119.47	110.95	7.68%	93.83
3	Total profit (RMB100 million)	157.57	138.72	13.59%	75.70
4	Net profit (RMB100 million)	120.37	105.41	14.20%	57.71
5	Net profit attributable to owners of the Company (RMB100 million)	108.75	95.23	14.20%	52.11
6	Weighted average returns on net assets	7.88%	7.81%	Increased by 0.07 percentage points	4.42%
7	Earnings per share (RMB/share)	0.90	0.83	8.43%	0.45
8	Operating profit margin	41.50%	39.61%	Increased by 1.89 percentage points	29.92%
9	Operating expense ratio	31.26%	31.83%	Decreased by 0.57 percentage points	39.48%
10	Cost management capability	1.19	1.10	Increased by 0.09	1.22

S/N	Item	As at the end of 2020	As at the end of 2019	Increase/ Decrease	As at the end of 2018
1	Total assets of the parent company (RMB100 million)	3,977	3,419	16.31%	3,061
2	Net assets of the parent company (RMB100 million)	1,374	1,137	20.90%	1,082
3	Liabilities of the parent company (accounts payable to brokerage clients inclusive) (RMB100 million)	2,602	2,283	14.02%	1,979
4	Liabilities of the parent company (accounts payable to brokerage clients exclusive) (RMB100 million)	1,929	1,718	12.25%	1,549
5	Net capital of the parent company (RMB100 million)	841.30	732.08	14.92%	N/A
6	Net capital/net assets of the parent company	61.21%	64.39%	Decreased by 3.18 percentage points	N/A
7	Net capital/liabilities of the parent company	43.70%	42.61%	Increased by 1.09 percentage points	N/A

*Notes:* Net asset value per share = net assets/amount of share capital as at the end of the period

Leverage ratio = total assets/net assets

Weighted average returns on net assets = net profit/weighted average net asset × 100%

Earnings per share = net profit/weighted average amount of share capital

Operating profit margin = operating profit/operating income × 100%

Operating expense ratio = business and management fee/operating income × 100%

Cost management capability = (operating income – return on investment – gain/loss from changes in fair value)/operating expense

Except for leverage ratio (accounts payable to brokerage clients inclusive), the total assets and liabilities in other calculation formulas do not include accounts payable to brokerage clients or liabilities.

In 2020, the weighted average returns on net assets of the Company was 7.88%, increasing by 0.07 percentage points as compared to 7.81% for the same period of last year.

In 2020, the operating profit margin of the Company was 41.50%, increasing by 1.89 percentage points as compared to 39.61% for the same period of last year.

In 2020, the leverage ratio (accounts payable to brokerage clients exclusive) of the Company was 3.48, decreasing by 0.41 as compared to 3.89 as at the end of last year.

In 2020, the gearing ratio of the Company was 71.30%, showing the Company has strong solvency and low financial risk.

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. The Company will enhance its wealth management business system by putting customers first and utilizing products as a link. It will strengthen the capability building related to investment banking business development and pricing to reinforce the market position of its investment banking business. Meanwhile, the Company will strive to create professional brands of each subsidiary of asset management business by enhancing active management ability and active management scale; and will improve its business layout to promote leasing business and realize high quality development. In addition, by drawing upon the “collectivization, internationalization and informatization” strategy as the driving force and accelerating the implementation of measures for “remedying shortcomings, breaking bottlenecks”, the Company will build 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 above report is hereby proposed for consideration and approval at the Annual General Meeting.

**Board of Directors of  
Haitong Securities Co., Ltd.**  
18 June 2021

DUTY PERFORMANCE REPORT OF INDEPENDENT DIRECTORS OF  
HAITONG SECURITIES CO., LTD. FOR THE YEAR OF 2020

In accordance with the relevant requirements of the Guiding Opinions on the Establishment of the Independent Director System in Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》) promulgated by the CSRC, as well as the Guidelines for the Format of Annual Duty Performance Reports of Independent Directors (《獨立董事年度述職報告格式指引》) promulgated by the Shanghai Stock Exchange, we, as the Independent Directors of Haitong Securities Co., Ltd. (the “Company”), hereby report our work in 2020 as follows:

**I. BASIC INFORMATION ABOUT INDEPENDENT DIRECTORS**

The seventh session of the Board of the Company was comprised of eleven Directors, four of whom are Independent Directors. The basic information of each Independent Director is as follows:

**1. Working experience and professional background**

**Mr. Zhang Ming (張鳴先生)**, 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 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 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 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 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.

**Mr. Lam Lee G. (林家禮先生)**, 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 (CPPA), 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, the non-executive Chairman of

Greater China and ASEAN Region of Macquarie Infrastructure and Real Assets since May 2015. Mr. 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. Mr. 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. Mr. Lam is currently an Independent Non-executive Director of each 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 Hong Kong Stock Exchange. Mr. 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 Ltd (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. Mr. Lam is Independent Director of Sunwah International Limited (Stock code: SWH), whose shares are listed on the Toronto Stock Exchange, an Independent Non-executive Director of 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. Mr. Lam served as a non-executive director of China Shandong Hi-Speed Financial Group Limited from November 2017 to May 2020. Mr. Lam served as an independent non-executive director of Huarong Investment Stock Corporation Limited (a listed company on the Hong Kong Stock Exchange with stock code: 2277) from September 2017 to December 2020.



**Mr. Zhu Hongchao** (朱洪超先生), 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.

**Mr. Zhou Yu** (周宇先生), 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.

## 2. Other positions held concurrently

Name	Position	Positions in other entities	
		Name of entities	Position
Zhang Ming	Independent non-executive Director	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor
		Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Independent Director
		National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司)	Independent Director
		Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司)	Independent Director
		Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司)	Director
		Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent Director
Lam Lee G.	Independent non-executive Director	Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有型資產(香港)有限公司)	Non-executive Chairman of the ASEAN region
		P.C. Woo & Co. (胡百全律師事務所)	Senior associate
		CSI Properties Limited (資本策略地產有限公司)	Independent Director
		Vongroup Limited (黃河實業有限公司)	Independent Director
		Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Director
		Top Global Limited	Independent Director
		Sunwah International Limited	Independent Director
		AustChina Holdings Limited	Independent Director

Name	Position	Positions in other entities	
		Name of entities	Position
		China LNG Group Co., Ltd. (中國天然氣集團有限公司)	Director
		ELife Holdings Limited (易生活控股有限公司)	Independent Director
		Adamas Finance Asia Limited	Director
		China Real Estate Grp Limited	Independent Director
		Hang Pin Living Technology Company Limited (杭品生活科技股份有限公司)	Independent Director
		Kidsland International Holdings Limited (凱知樂國際控股有限公司)	Independent Director
		Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)	Independent Director
		National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)	Director
		China Medical (International) Group Limited (中國醫療(國際)集團有限公司)	Independent Director
		Tianda Pharmaceuticals Ltd. (天大藥業有限公司)	Director
		Aurum Pacific (China) Group Limited (奧柏中國集團有限公司)	Independent Director
		Thomson Medical Group Limited	Independent Director
		TMC Life Sciences Berhad (TMC生命科學)	Independent Director
		Alset International Limited	Independent Director
		Greenland Hong Kong Holdings Limited (綠地 香港控股有限公司)	Independent Director
		Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Director
		China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)	Director
		Singapore Development Ltd	Director
		Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Independent Director
		Huarong Investment Stock Corporation Limited (華融投資股份有限公司)	Independent Director
Zhu Hongchao	Independent non-executive Director	Shanghai United Law Firm (上海市聯合律師事務所)	Director/senior partner
		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
		Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	Director

Name	Position	Positions in other entities	
		Name of entities	Position
Zhou Yu	Independent non-executive Director	Jupai Holdings Limited (鉅派投資有限公司)	Independent Director
		Leju Holdings Limited (樂居控股有限公司)	Independent Director
		E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司)	Independent Director
		Shanghai Hysea Industrial Communications Co., Ltd. (上海海希工業通訊股份有限公司)	Independent Director
		Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司)	Independent Director
		Chiho Environmental Group Limited (齊合環保集團有限公司)	Independent Director
		Shanghai Academy of Social Sciences (上海社會科學院)	Professor, 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)

### 3. Statement of independence

The four Independent Directors of the Company perform their duties independently, and have no connected relationship with any of the substantial shareholders of the Company or other entities or individuals having an interest in the Company which will affect their independence.

**II. DUTY PERFORMANCE BY INDEPENDENT DIRECTORS FOR THE YEAR****1. Attendance of meetings*****(1) Attendance at general meetings of Independent Directors***

During the reporting period, the Company convened three general meetings in total. The Company convened the first extraordinary general meeting of 2020 on 15 April 2020, and the Independent Directors of the Company were unable to attend this extraordinary general meeting due to the pandemic. On 18 June 2020, the Company convened the Annual General Meeting of 2019. Mr. Zhang Ming, Mr. Zhu Hongchao and Mr. Zhou Yu, who were Independent Directors, attended this annual general meeting. On 20 October 2020, the Company convened the second extraordinary general meeting of 2020. Mr. Zhou Yu, who was Independent Director, attended this extraordinary general meeting.

***(2) Attendance at board meetings of Independent Directors***

In 2020, the seventh session of the Board of the Company convened eight meetings in total and the attendance details are set out in the following table:

Name	Number of required attendances	Number of attendances in person	Number of attendances by way of correspondence	Number of attendances by proxy	Number of absences
Zhang Ming	8	8	4	0	0
Lam Lee G.	8	8	8	0	0
Zhu Hongchao	8	8	5	0	0
Zhou Yu	8	8	7	0	0

**(3) Attendance at special committee meetings of Independent Directors**

The Board of the Company set up four special committees. During the reporting period, the Development Strategy and Investment Management Committee held seven meetings, the Nomination, Remuneration and Assessment Committee held two meetings, the Audit Committee held seven meetings and the Compliance and Risk Control Committee held three meeting. The positions held by the Independent Directors of the Company at the special committees and their attendance at the respective meetings are as follows:

<b>Independent Director</b>	<b>The special committees under the Board in which positions were held</b>
Zhang Ming	Audit Committee, Nomination, Remuneration and Assessment Committee, Compliance and Risk Control Committee
Lam Lee G.	Audit Committee, Nomination, Remuneration and Assessment Committee
Zhu Hongchao	Nomination, Remuneration and Assessment Committee, Compliance and Risk Control Committee
Zhou Yu	Development Strategy and Investment Management Committee, Audit Committee

Number of attendances in person/number of required attendance

<b>Independent Director</b>	<b>The special committees under the Board</b>			
	<b>Development Strategy Committee</b>	<b>Compliance and Risk Control Committee</b>	<b>Audit Committee</b>	<b>Nomination, Remuneration and Assessment Committee</b>
Zhang Ming	–	3/3	7/7	2/2
Lam Lee G.	–	–	7/7	2/2
Zhu Hongchao	–	3/3	–	2/2
Zhou Yu	7/7	–	7/7	–

## **2. Duty performance**

Based on the principles of integrity, objectivity, independence and prudence, the Independent Directors of the Company fully fulfilled their duties, actively attended general meetings, meetings of the Board and special committees of the Company, reviewed each topic in a professional, responsible and independent manner, paid great attention to the Company's corporate governance, development strategy, risk management, significant investment and financing, nomination of directors, remuneration and incentives and talent team construction, actively participated in discussions and proposed professional opinions and recommendations, which played an active role in the scientific decision-making of the Board, and effectively safeguarded the legitimate rights and interests of the Company and all shareholders.

The Independent Directors were kept duly informed of the Company's operations and management, latest policies and regulations in the securities market and other relevant information through materials including Newsletter of Directors and Supervisors and Regulations of Securities Market and Case Analysis produced by the Company on a regular basis. Meanwhile, the Independent Directors maintained regular communication with the Company in a prompt manner by email, telephone and other means, forming an effective communication mechanism and ensuring the right to know.

## **III. KEY MATTERS OF INDEPENDENT DIRECTORS DURING DUTY PERFORMANCE FOR THE YEAR**

### **1. Related party transactions**

On 25 February 2020, the Company held the sixth meeting (extraordinary meeting) of the seventh session of the Board, at which the Board considered and approved the Resolution regarding the Related Party Transactions Involved in the Non-public Issuance of A Shares of the Company.

The Independent Directors of the Company believed that related party transactions involved in the non-public issuance of shares of the Company were made on an open, fair and reasonable basis; decision making procedures for the related party transactions were legally effective; subscription prices of the related parties were fair and the transactions have no effect upon the independence of the Company, without prejudicing the interests of the Company and its minority shareholders and other shareholders, especially non-related shareholders. In the aforesaid matter, after a prior consent, it was agreed to submit the Resolution regarding the Related Party Transactions Involved in the Non-public Issuance of A Shares of the Company to the Board for review for which related Directors should abstain from voting.

On 26 March 2020, the 7th meeting of the seventh session of the Board was held, at which the Board considered and approved the Resolution regarding the Projected Routine Related Party Transactions of the Company for the Year 2020, and 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 Routine Related Party Transactions for 2020-2022.

The Independent Directors of the Company believed that the projected related party transactions were the public services or transactions provided by the Company in the securities market, which were of daily business of the Company and conducted at fair value, without prejudicing the interests of the Company and its minority shareholders; operations of relevant businesses promoted the Company's business growth, met the Company's practical business needs and were conducive to the Company's long-term development; the projected transactions and services of various kinds under the Framework Agreement of Related Party Transactions were made in compliance with a fair, just and reasonable market pricing principle, and in the interest of the Company and all shareholders as a whole, without prejudicing the interests of the Company and its minority shareholders, nor any effect upon the independence of the Company; relevant related party transactions should be disclosed in relevant periodic reports of the Company under the Stock Listing Rules of Shanghai Stock Exchange. It was agreed to submit the resolution to the Board for review.

On 6 August 2020, the 10th meeting (extraordinary meeting) of the seventh session of the Board was held, at which the Board considered and approved the Resolution 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.

The Independent Directors of the Company believed that the "Related Party/Connected Transactions Framework Agreement between Shanghai Guosheng (Group) Co., Ltd. and Haitong Securities Co., Ltd." and various transactions and services thereunder were made in compliance with a fair, just and reasonable market pricing principle, and in the interest of the Company and all shareholders as a whole, without prejudicing the interests of the Company and its minority shareholders, nor any effect upon the independence of the Company; the operations of relevant businesses were conducive to the promotion of the Company's business growth, the principal business of the Company would not rely on the related party/connected person due to such related party transactions/connected transactions, and the Company's going concern would not be adversely affected. The decision-making procedures for such related party transactions/connected transactions complied with the Company Law, the Securities Law, the Stock Listing Rules of Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the relevant provisions of the Company's Articles of Association and Management System for Related Party Transactions.

## **2. External guarantees and fund appropriation**

On 28 August 2020, the Company held the 11th meeting of the seventh session of the Board on-site and by means of teleconference simultaneously, at which the Board considered and approved the Proposal regarding the Provision of Joint Liability Guarantees for Overseas Debt Financing of Overseas Wholly-owned Subsidiaries. The Independent Directors issued special explanations and independent opinions on the external guarantees of the Company at the meeting.

The Independent Directors of the Company believed that the Company stringently controlled the guarantee risk in strict accordance with relevant laws, regulations and the Articles of Association. Matters concerning external guarantees of the Company were submitted to the Board for approval in accordance with their authority of approval. That amount of guarantee was within the limit of consideration and approval by the general meeting of the Company. The Company did not provide any external guarantee in violation of the specified decision-making procedures during the reporting period, and the guarantee did not prejudice the legal interests of the Company and its minority shareholders.

During the reporting period, the Company's funds were not appropriated by its controlling shareholders and other related parties.

## **3. Use of proceeds**

On 26 March 2020, the 7th meeting of the seventh session of the Board of the Company considered and approved the Resolution regarding the Special Report and Audit Report on the Use of Proceeds from Previous Issuance by the Company.

The Independent Directors of the Company believed that the contents of the Special Report and Audit Report on Use of the Proceeds from Previous Issuance by the Company prepared by the Company were true, accurate and complete without any false records, misleading statements or material omissions, and objectively and truly reflected the placement and actual use of the proceeds of the Company as of 31 December 2019. The placement and actual use of the proceeds of the Company complied with the Administrative Measures of Proceeds from Issuance by Companies Listed on the Shanghai Stock Exchange and relevant requirements, without misuse of the proceeds, nor any change, or change in disguise, of the application of proceeds and any prejudice to the interests of shareholders.

## **4. Nomination and remuneration of senior management**

On 26 March 2020, the 7th meeting of the seventh session of the Board of the Company considered and approved the Resolution regarding the Change of Directors.

The Independent Directors of the Company believed that: after reviewing the biographical and other materials of Mr. Zhou Donghui, he was not found to be not qualified as a director according to article 146 of the Company Law, and he was not considered as a person being



prohibited from entering the securities market with his prohibition unreleased by the CSRC. His qualification satisfied the conditions of being a director of a listed company and securities company. The procedures for the nomination of Mr. Zhou Donghui complied with the relevant requirements of the laws and regulations and the Articles of Association.

On 28 April 2020, the 8th meeting of the seventh session of the Board of the Company considered and approved the Resolution regarding the Results of Assessment on the Company's Senior Management in 2019.

The Independent Directors of the Company believed that the Company's assessment results on senior management for the year 2019 were in line with the Company's business objectives of 2019, and they had no objection to the assessment results.

## **5. Performance pre-announcements and results express**

The Company released the Positive Profit Highlight for the 2019 Annual Results of Haitong Securities Co., Ltd. on 21 January 2020.

The Independent Directors of the Company believed that the Company duly disclosed information in strict accordance with the Stock Listing Rules of Shanghai Stock Exchange, the Memorandum on Daily Information Disclosure of Listed Companies and the Management Measures for Information Disclosure of the Company, and the contents disclosed were true, accurate and complete without any false records, misleading statements or material omissions.

## **6. Appointment or change of accounting firms**

On 26 March 2020, the Resolution regarding the Appointment of an Accounting Firm of the Company for the year 2020 was considered and approved at the 7th meeting of the seventh session of the Board of the Company. In accordance with the relevant requirements under Administrative Measures of the Appointment of Accounting Firms by Financial Enterprises (Cai Jin [2016] No. 12) (《金融企業選聘會計師事務所管理辦法》(財金[2016]12號)) issued by Ministry of Finance of the People's Republic of China, a financial enterprise shall not appoint the same accounting firm for five consecutive years in principle. As to the accounting firms ranked top 15 in terms of the comprehensive assessment ranking by the Chinese Institute of Certified Public Accountants with outstanding auditing quality, such financial enterprise may extend the reappointment term to no more than eight years. Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) would have been employed by the Company for eight consecutive years upon completion of their auditing work for the year of 2019. Deloitte Touche Tohmatsu Certified Public Accountants LLP would cease to be the Company's external auditor responsible for audit services since 2020. It was agreed to appoint PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所) (特殊普通合夥) and PricewaterhouseCoopers (羅兵咸永道會計師事務所) ("PwC") as the external auditors of the Company for 2020. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) would be responsible for provision of relevant domestic audit

and review services for financial statements prepared in accordance with PRC GAAP, and PricewaterhouseCoopers would be responsible for provision of relevant overseas audit and review services for financial statements prepared in accordance with IFRS, with a term of one year for both of them.

The Independent Directors of the Company believed that PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers engaged had independent legal person qualification and were qualified to engage in auditing of securities and futures related businesses. The appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers could satisfy the Company's needs for the audit work. The decision-making procedures for the appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers complied with the laws, regulations and the Articles of Association and did not damage the interest of the Company and shareholders. It was approved to appoint PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the external auditors of the Company for the provision of domestic audit services in 2020, and appoint PricewaterhouseCoopers as the external auditors of the Company for the provision of overseas audit services. It was agreed to submit this resolution to the Board for consideration and approval, and submit to the Company's general meeting for consideration upon its approval.

## **7. Cash dividends and other returns to investors**

On 26 March 2020, the 7th meeting of the seventh session of the Board of the Company considered and approved the 2019 Profit Distribution Proposal of the Company. Given that Company was proceeding with the non-public issuance of A Shares at that time, after making comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company did not make profit distribution for 2019 nor did it transfer its capital reserve funds into share capital. Following the completion of the non-public issuance of A Shares, the Company intended to conduct profit distribution as soon as possible in compliance with the requirements of regulatory authorities and the Articles of Association.

The Company completed the non-public issuance of A Shares on 6 August 2020. On 28 August 2020, the 11th meeting of the seventh session of the Board of the Company considered and approved the 2020 Interim Profit Distribution Proposal of the Company, and it agreed to distribute a cash dividend of RMB2.8 (tax inclusive) for every 10 shares on the basis of the total share capital of 13,064,200,000 shares of the Company, with total cash dividends amounting to RMB3,657,976,000.00. After this cash dividend distribution, the retained profit of the parent company of RMB23,941,157,939.79 was carried forward to the next year.

During the reporting period, the Company already completed the implementation of the 2020 interim profit distribution plan. On the basis of the total share capital of 13,064,200,000 shares of the Company, a cash dividend of RMB2.8 (tax inclusive) for every 10 shares was distributed to all the shareholders, with total cash dividends amounting to RMB3,657,976,000.00 (tax inclusive).

The Independent Directors of the Company believed that the Board made the 2020 Interim Profit Distribution Proposal after taking into account a number of factors, such as the interests of shareholders and the development of the Company, in accordance with relevant requirements specified in the Guidelines of Shanghai Stock Exchange on Distribution of Cash Dividends of Listed Companies and the Articles of Association of Haitong Securities Co., Ltd. The proposal was in line with the laws, regulations and regulatory documents, the Company's actual situation, the interests of shareholders as a whole and their long-term interests, and was conducive to the long-term development of the Company. Hence, the proposal was agreed.

#### **8. Performance of undertakings of the Company and shareholders**

In 2020, the Company disclosed the performance of the Company's and shareholders' undertakings in its periodic reports in accordance with relevant requirements. The Independent Directors were of the view that both the Company and shareholders strictly performed the undertakings on an ongoing basis, without reneging their undertakings.

#### **9. Implementation of information disclosure**

During the reporting period, the Company disclosed its significant information in a true, accurate, complete, timely and fair manner in strict compliance with the requirements of the domestic and overseas laws and regulations on information disclosure, to keep investors abreast of material matters of the Company, protect the interest of investors and enhance transparency of the Company. In 2020, the Company disclosed 78 temporary announcements, 4 periodic reports, 1 social responsibility report and 7 brief monthly reports on financial data for its A shares and 190 announcements and circulars for its H shares.

The Independent Directors believed that the information of the Company was disclosed in a true, accurate, complete, timely and fair manner without any false representation, misleading statements or material omission. Its professional, standardized and excellent information disclosure ensured the high transparency of the Company.

#### **10. Implementation of internal control**

On 26 March 2020, the 7th meeting of the seventh session of the Board of the Company considered and approved the 2019 Internal Control Assessment Report of the Company.

The Independent Directors of the Company believed that the Company made the relevant internal control system covering all levels and aspects of its operation and management, after taking into account its needs in terms of operation and management, under the laws, regulations, regulatory documents and the basic principle of internal control. In the process of actual operation, a regularized management framework was formed, the operation and management risks could be effectively controlled, and the safety and integrity of the Company's assets as well as the interests of the Company and all shareholders were protected. The internal control assessment report of Company completely, truly and accurately reflected the actual situation of the Company's internal control, without false representation, misleading statements or material omissions. Hence, the conclusion drawn in the 2019 internal control assessment report was agreed.

#### **11. Operations of the Board and its special committees**

During the reporting period, the Board and its special committees conducted their work according to laws and regulations, the Articles of Association and relevant terms of reference. The special committees provided effective and professional advice on the significant events under consideration by giving a full play to the expertise of Independent Directors, which facilitated the Board's scientific decision-making. In 2020, the Company convened 27 meetings in total, including eight Board meetings, two work meetings of Independent Directors on annual reports, five meetings of the Audit Committee, two meetings of the Nomination, Remuneration and Assessment Committee, seven meetings of the Development Strategy and Investment Management Committee and three meetings of the Compliance and Risk Control Committee.

The Independent Directors believed that the operation of the Board and its special committees was in compliance with laws and regulations, and all major issues have undergone thorough discussion and consideration, and the decision-making processes were scientific and efficient, showing that the Board and its special committees were under proper and effective operation, which facilitated the stable and continuous development of the Company.

#### **12. Provision for asset impairment**

On 28 August 2020, the 11th meeting of the seventh session of the Board of the Company considered and approved the Proposal regarding the Provision for Asset Impairment of the Company.

The Independent Directors of the Company believed that this provision for impairment of assets was made in compliance with the GAAP and relevant requirements of the Company's accounting policies. It reflected the financial conditions of the Company as of 30 June 2020 and the operation results of the Company from January to June of 2020 on a true and fair basis, and could help provide investors with better accounting information in terms of truthfulness, reliability and accuracy, which was in the interests of the Company and its minority shareholders. Hence, this provision for impairment of assets of the Company was agreed.

**13. Other matters that Independent Directors believe that listed companies need to improve**

In 2020, the Board of the Company considered and approved its 14th Five-year Plan to show a clear direction for the next five years. The Independent Directors suggested that the Company should act in sync with the macro political and economic situation of the nation, grasp market opportunities and maintain its strategic focus. Also, the Company should, based on the requirements for its high-quality sustainable development, proactively implement the 14th Five-year Plan, further optimize the management mechanism for the Group, reinforce its compliance risk management and improve the establishment of its human resource framework.

**IV. OVERALL EVALUATION AND SUGGESTIONS**

During the reporting period, all the Independent Directors fulfilled their duties in good faith, diligently and independently in accordance with relevant laws and regulations, the Articles of Association, etc., effectively improving the decision-making level of the Board and special committees of the Board, promoting the improvement of corporate governance, and maintaining the legitimate rights and interests of the Company and all the Shareholders.

In 2021, all Independent Directors will continue to perform the duties of Independent Directors conscientiously and diligently regarding all works of the Board and its special committees, maintain the communication and cooperation among the Board, the Supervisory Committee and senior management to facilitate continuous and steady development of the Company, express reasonable opinions and suggestions dutifully and protect the interests of the Company and all Shareholders, especially the interests of minority shareholders.

**Signature of Independent Directors:**

**Zhang Ming    Lam Lee G.    Zhu Hongchao    Zhou Yu**

18 June 2021

PROJECT ROUTINE RELATED PARTY TRANSACTION/CONNECTED  
TRANSACTION OF THE COMPANY IN 2021**I. BASIC INFORMATION OF ROUTINE RELATED PARTY/CONNECTED  
TRANSACTIONS IN 2020****1. Overview of Related Party/Connected Transaction Transactions**

1. The Company has been approved by CSRC to engage in securities business and provide trading and intermediary services for securities and other financial products. The transaction counterparties and the target clients may also include related parties/connected persons of the Company. For the purpose of sound management and information disclosure for its related party transactions/connected transactions, the Company, in accordance with the Company Law of the PRC, the Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the “Shanghai Stock Exchange Listing Rules”), the Guidelines of the Shanghai Stock Exchange on Related Stock Party Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and requirements of other laws and regulations, as well as the articles of association of the Company and the Measures Concerning Related Party Transactions Management, has made projections about its routine related party transactions/connected transactions to be conducted in 2021 based on the need of its routine operations and business development.

**2. Implementation of Routine Related Party Transactions/Connected Transactions in 2020*****(1) Continuing Connected Transactions under the Hong Kong Listing Rules***

Reference was made to the announcement of the Company dated 6 August 2020, pursuant to which, the Company and Shanghai Guosheng (Group) Co., Ltd. (“Shanghai Guosheng Group”) entered into the securities and financial products transactions and securities and financial services framework agreement (the “Continuing Connected Transactions Framework Agreement”) on 6 August 2020 for a term commencing from 6 August 2020 to 31 December 2022. The Continuing Connected Transactions Framework Agreement provided scope, pricing basis and approval and supervision procedures of the connected transactions and set for the annual caps for such connected transactions during the three years ended 31 December 2022. Pursuant to the Continuing Connected Transactions Framework Agreement, the Company and its subsidiaries (the “Group”) and Shanghai 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.

For the year ended 31 December 2020, the annual caps and actual transaction amounts of the securities and financial products transactions and the securities and financial services conducted between the Group and Shanghai Guosheng Group and its associates under the Continuing Connected Transactions Framework Agreement are as follows:

*Unit: RMB'0,000*

	<b>Annual caps for the year ended 31 December 2020</b>	<b>Actual transaction amount for the year ended 31 December 2020</b>
<b>Transactions</b>		
<b>Securities and Financial Products</b>		
<b>Transactions</b>		
Inflow <sup>1</sup>	210,000.00	18,047.21
Outflow <sup>2</sup>	350,000.00	23,000.00
<b>Securities and Financial Services</b>		
Total revenue derived from provision of Securities and Financial Services by the Group to Shanghai Guosheng Group and its associates	2,000.00	692.05
Total expenses incurred for Securities and Financial Services provided by Shanghai Guosheng Group and its associates to the Group	2,000.00	—

The independent non-executive Directors of the Company has reviewed the above continuing connected transactions in the year ended 31 December 2020, and confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole. The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other

<sup>1</sup> "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 received from derivatives related to fixed income products and borrowing/repurchase through financing transactions.

<sup>2</sup> "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 paid for derivatives related to fixed income products and borrowing/repurchase through financing transactions.

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. Please refer to the annual results announcement of the Company dated 30 March 2021 for further details.

**(2) Routine Related Party Transactions under the Shanghai Stock Exchange Listing Rules**

- i. *Related party transactions with Shanghai Guosheng Group and Shanghai Guosheng Group Assets Co., Ltd.*

*Unit: RMB’0,000*

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	235.28	Less than 0.5%	Investment banking service fee income charged from related parties

*Unit: RMB’0,000*

Item	Balance as of 31 December 2020	% of similar transaction amount of the Group	Notes
Accounts receivable	81.00	Less than 0.5%	Balance of bond underwriting fees receivable from related parties



ii. *Related Party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd*

Unit: RMB'0,000

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	33.94	Less than 0.5%	Fee and commission income charged from related parties for securities transactions
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 services and other expenses paid to related parties

iii. *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: RMB'0,000

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	83,090.64	6.00%	Investment banking income, sales service fee income, and investment consultation service fee income charged from related parties

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	615.92	Less than 0.5%	Fee and commission income charged from related parties for securities transactions
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 service fees paid to related parties
Net interest expenses on credit lending transactions	98.19	Less than 0.5%	For the year ended 31 December 2020, the total credit lending transaction amount was RMB4 billion with term of 1-7 days
Net interest expenses on repurchase transactions	289.65	Less than 0.5%	For the year ended 31 December 2020, the total repurchase transaction amount was RMB7.891 billion with term of 1-32 days
Net interest expenses on gold forward transactions	3,377.65	Less than 0.5%	For the year ended 31 December 2020, the total transaction amount was RMB3,757 million with term of 9 to 12 months

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Net profit/loss on derivative financial instrument transactions (Note)	(12,036.67)	Less than 0.5%	For the year ended 31 December 2020, the nominal principal amount was RMB5,243 million with a nominal principal balance of RMB604 million as at 31 December 2020

*Note:* The realized and unrealized investment income generated from derivative transactions of the Company with related parties acting as counterparties.

*Unit: RMB'0,000*

Item	Balance as of 31 December 2020	% of similar transaction amount of the Group	Notes
Accounts receivable	4,339.34	0.52%	Balance of various business compensation receivable from related parties
Accounts payable	1.74	Less than 0.5%	Balance of sales service fees payable to related parties
Accounts payable to brokerage clients	8,011.69	Less than 0.5%	Balance of margin deposited with the Company by related parties

In addition, the associated corporate related parties, such as commercial banks and securities firms, as eligible counterparties, have conducted spot bond trading with the Company with a total transaction amount of RMB10,639 million for the year ended 31 December 2020.

iv. *Related-party transactions with related natural persons*

For the year ended 31 December 2020, the total fee and commission income charged by the Company from its individual related parties was RMB0.0525 million, and the net interest income was RMB0.0169 million and accounts payable to brokerage clients was RMB0.9265 million.

**3. Projected Transaction Type and Transaction Amount of the Routine Related Party Transactions/Connected Transactions in 2021**

The Company estimated transaction type and transaction amount of the related-party transactions/connected transactions for the year of 2021.

**(1) Projected related party/connected transactions with Shanghai Guosheng Group and its Associates**

Reference was made to the announcement of the Company dated 6 August 2020, the Company and Shanghai Guosheng Group entered into the Continuing Connected Transactions Framework Agreement on 6 August 2020, pursuant to which, the Group and Shanghai 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. For details of the transaction types and annual caps for each transaction type for the three years ended 31 December 2022, please refer to the announcement of the Company dated 6 August 2020.

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

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Services	Providing securities and futures brokerage services, targeted asset management services, underwriting, sponsorship and financial consultation service, stock pledge, margin financing and securities lending services, investment consultation services to related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Transactions	Subscription by related parties for the funds, asset management schemes, wealth investment products, over-the-counter (OTC) derivatives and private placement bonds, conducting transfer of the listed shares in the National Equities Exchange and Quotations System (NEEQ) with related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

**(3) Projected 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**

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Services	Providing securities and futures brokerage services, lease of trading rights, targeted asset management services, asset custody and operation outsourcing services to related parties; bank deposits and deposit interest in related parties; providing third-party fund depository services by related parties; agency sale of financial products of related parties; providing underwriting, sponsorship and financial consultation services to related parties; providing stock pledge, margin financing and securities lending services to related parties; providing investment consultation services to related parties; related parties providing banking credit, borrowing and other services to the Company; providing financial leasing to related parties; pay dividends to related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Transactions	Resale or repurchase in the interbank market with related parties; conducting bond proprietary trading in the interbank market with related parties; carrying out receivables transfer with related parties; subscribing for bonds, funds, wealth management products or trust plans issued by related parties; related parties subscribing for funds, asset management plans, wealth management products, over-the-counter derivatives and private placement bonds issued by the Company; conducting transfer of the listed shares in the NEEQ with related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

#### (4) Related party transactions with individual related parties

In the ordinary course of business of the Company, the individual related parties may receive securities and futures brokerage services provided by the Company in accordance with laws, regulations and regulatory requirements. Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount. Based on the Company's calculation, applicable percentage ratios relating to the above related party transactions are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, and such transactions are therefore exempt from reporting, announcement, annual review and independent shareholders' approval requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules.

## II. BACKGROUND OF THE RELATED PARTIES/CONNECTED PERSONS OF RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS IN 2021

### (1) Shanghai Guosheng Group and its Associates

Shanghai Guosheng Group is a large state-owned investment holding company focusing on capital operation, which was incorporated in April 2007. As at 31 December 2020, Shanghai Guosheng Group and its wholly-owned subsidiary Shanghai Guosheng Group Assets Co., Ltd. in aggregate held 10.38% equity interest of the Company. According to the Rule 10.1.3 (4) of the Shanghai Stock Exchange Listing Rules, Shanghai Guosheng Group and its wholly-owned subsidiary Shanghai Guosheng Group Assets Co., Ltd. constitute related parties of the Company. Shanghai Guosheng Group and its associates constitute connected persons of the Company pursuant to Rule 14A.07(1) and (4) of the Hong Kong Listing Rules.

**(2) Shanghai Shengyuan Real Estate (Group) Co., Ltd.**

Shanghai Shengyuan Real Estate (Group) Co., Ltd. is established in November 2003 and it is formerly known as Shanghai Shengyuan Real Estate Co., Ltd. which was established in May 1993. As at 31 December 2020, Shanghai Shengyuan Real Estate (Group) Co., Ltd. held 33.33% equity interest in Haitong Futures Co., Ltd. Therefore, Shanghai Shengyuan Real Estate (Group) Co., Ltd. is a connected person of the Company at subsidiary level as defined under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, Shanghai Shengyuan Real Estate (Group) Co., Ltd. constitute a corporate related party of the Company pursuant to Rule 8(5) of the Guidelines of the Shanghai Stock Exchange on Related Stock Party Transactions of Listed Companies.

**(3) Other related companies**

Pursuant to Rule 10.1.3 (iii) of the Shanghai Stock Exchange Listing Rules, in the event that the directors, supervisors and senior management of the Company hold the positions of directors or senior management of a company (other than the Company and its holding subsidiaries), such company will constitute the related party of the Company, but do not constitute a connected person of the Company under the Hong Kong Listing rules.

**III. PRICE DETERMINATION PRINCIPLES****(1) Securities and financial products and services**

It mainly includes but not limited to the following services arising from relevant business: fee charged from securities brokerage on behalf of client, sales and service fees of securities and financial products, entrusted assets management fee and performance-based compensation, investment consulting fee, underwriting fees of investment banks, financial advisory fees, accounts receivable, and accounts payable etc., which shall be determined with reference of market price, industry practice and prices determined by the third party.

**(2) Trading in securities and financial products**

It mainly includes but not limited to the following transactions arising from relevant business: interest income from security deposits, income from investments, and trading financial assets etc., which shall be determined with reference of market price, industry practice and prices determined by the third party.

The above routine related party/connected transactions will not prejudice the interests of the Company and its shareholders, including its minority shareholders.

**IV. REASONS OF THE TRANSACTIONS AND IMPACT ON THE COMPANY**

- (1) The above related party transactions/connected transactions are conducted in the ordinary course of the Company's business and will generate a stream of recurring revenue for the Company, which promotes the development of the Company's business, and has no material impact on the normal operations of the Company.
- (2) The above related party transactions/connected transactions are fair, and the prices under these transactions is made reference to the market price, therefore does not prejudice the interest of the Company and its shareholders as a whole.
- (3) The above related party transactions/connected transactions do not prejudice the independence of the Company as the principal business of the Company does not rely on the related parties/connected persons as a result of the above related party transactions/connected transactions.

**V. IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

Shanghai Guosheng Group constitutes connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the transactions entered into between the Group and Shanghai Guosheng Group and its associates constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company has entered into the Continuing Connected Transactions Framework Agreement with Shanghai Guosheng Group on 6 August 2020, and complied with reporting, announcement and annual review requirements under the Hong Kong Listing Rules. For further details, please refer to the announcement of the Company date 6 August 2020 and the annual results announcement of the Company dated 30 March 2021, respectively.

Shanghai Shengyuan Real Estate (Group) Co., Ltd. is a connected person of the Company at subsidiary level as defined under Chapter 14A of the Hong Kong Listing Rules. Therefore, such transactions entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd. constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Based on the Company's calculation, applicable percentage ratios relating to the above connected transactions are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, and such transactions are therefore exempt from reporting, announcement, annual review and independent shareholders' approval requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Company is required by the applicable PRC laws and regulations to seek the approval of its shareholders with respect to the above related party transactions. Relevant resolutions will be proposed to the shareholders for voting at the general meeting of the Company. A circular containing, among other things, details of the above resolution, together with the notice of the general meeting, will be despatched to the shareholders of the Company in due course.



If any of the above related party transactions constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules or no longer be exempted, the Company will strictly comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules (including without limitation, reporting, announcement, annual review and independent shareholders' approval requirements).

#### **VI. THE CONSIDERATION PROCEDURES OF RELATED PARTY/CONNECTED TRANSACTION**

1. The Audit Committee of the Board of the Company has conducted a preliminary review of the Proposal regarding Projected Routine Related Party/Connected Transactions of the Company in 2021, and has agreed to submit it to the Board for consideration.
2. All Independent Directors of the Company have reviewed the Proposal regarding the Projected Routine Related Party/Connected Transactions of the Company in 2021 and have issued pre-accepted opinions and independent opinions. They are of the view that all projected related party/connected transactions will be conducted in the ordinary course of business of the Company and in line with the actual business needs of the Company. The transactions will be performed at fair prices without prejudice to the interests of the Company and minority shareholders. Such transactions are in line with the Company's actual needs and will promote its business growth and long-term development.
3. The 15th meeting of the seventh session of the Board of the Company has approved the Proposal regarding the Projected Routine Related Party/Connected Transactions of the Company in 2021, which is subject to consideration and approval of the general meeting.

Each of the aforesaid related party/connected transactions will be submitted to the general meeting for consideration, and related shareholders shall abstain from voting.