Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

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

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities offer are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

Notice to Hong Kong investors: The Issuer and the Guarantor (each as defined below) confirm that the Notes (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

GUOTAI JUNAN HOLDINGS LIMITED
國泰君安控股有限公司

(incorporated in British Virgin Islands with limited liability)

(the "Issuer")

U.S.$3,000,000,000 Medium Term Note Programme (the "Programme")

unconditionally and irrevocably guaranteed by

GUOTAI JUNAN SECURITIES CO., LTD.
國泰君安証券股份有限公司

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

(the "Guarantor")

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

Please refer to the offering circular dated 12 April 2021 (the "**Offering Circular**") appended hereto in relation to the Programme. As disclosed in the Offering Circular, the notes (the "**Notes**") to be issued under the Programme will be intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong SAR, 13 April 2021

As at the date of this announcement, the directors of Guotai Junan Holdings Limited are Fung Yim, Jian Yu and Lebin Xie.

As at the date of this announcement, the directors of Guotai Junan Securities Co., Ltd. are He Qing, Wang Song, Yu Jian, Liu Xinyi, Guan Wei, Zhou Lei, Zhong Maojun, Wang Wenjie, Lin Facheng, Zhou Hao, An Hongjun, Xia Dawei, Shi Derong, Chen Guogang, Ling Tao, Jin Qingjun and Lee Conway Kong Wai.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CIRCUMSTANCES, ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Guotai Junan Holdings Limited 國泰君安控股有限公司 (the "**Issuer**") and/or Guotai Junan Securities Co., Ltd.(国泰君安证券股份有限公司)(the "**Guarantor**") as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor, each of Guotai Junan Securities (Hong Kong) Limited and Standard Chartered Bank (together, the "**Arrangers**" and the "**Dealers**" and each an "**Arranger**" and a "**Dealer**") that (1) you and any customers you represent are outside the United States and, in certain circumstances, not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents (each as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor, the Arrangers and the Dealers.

Restrictions: The attached Offering Circular is being furnished in connection with an offering in offshore transactions to persons outside the United States or, in certain circumstances, to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute, in the United States or elsewhere, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Arranger or Dealer or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

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

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

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

国泰君安证券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

Guotai Junan Holdings Limited
國泰君安控股有限公司

(incorporated in the British Virgin Islands with limited liability)

U.S.$3,000,000,000
Medium Term Note Programme

unconditionally and irrevocably guaranteed by

Guotai Junan Securities Co., Ltd.
（国泰君安证券股份有限公司）

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

(HKSE Stock Code: 2611)

Under the U.S.$3,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Guotai Junan Holdings Limited 國泰君安控股有限公司 (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") which will be unconditionally and irrevocably guaranteed ("**Guarantee**") by Guotai Junan Securities Co., Ltd.（国泰君安证券股份有限公司）(the "**Guarantor**"). The Issuer is an indirectly wholly-owned subsidiary of the Guarantor. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$3,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

Each Tranche of Notes (as defined in "*Summary of the Programme*") issued under the Programme will have the benefit of a deed of guarantee dated on or about the relevant Issue Date (as defined in the Terms and Conditions of the Notes) (each, as amended, restated and/or supplemented from time to time, a "**Deed of Guarantee**") entered into between the Guarantor and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**") substantially in the form attached to the Trust Deed (as defined in the Terms and Conditions of the Notes). The Guarantor will be required to register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees（跨境擔保外匯管理規定（匯發[2014]29號））promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") following the issuance of each Tranche of the Notes. The Guarantor intends to complete the registration of the relevant Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being the day falling 150 days after the relevant Issue Date). The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

With respect to each Tranche of the Notes where the NDRC Circular (as defined below) is applicable, registration will be completed, or application to register will be made, by the Guarantor in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知）promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC ("**NDRC Circular**"), as set forth in the applicable Pricing Supplement. After issuance of each Tranche of the Notes where the NDRC Circular is applicable, the Guarantor shall file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the relevant Issue Date of the Notes and in accordance with the NDRC Circular.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("**Professional Investors**") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors: The Issuer and the Guarantor confirm that each Tranche of Notes issued under the Programme are intended for purchase by Professional Investors only and, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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

Notice of the aggregate principal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "*Summary of the Programme*") of the Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the relevant Issue Date. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Note**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant Issue Date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant Issue Date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in certain circumstances, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. See "*Subscription and Sale*".

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS - If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – The Pricing Supplement in respect of any Notes may include a legend entitled "*Singapore Securities and Futures Act Product Classification*" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is expected to be rated Baa1 by Moody's Investors Service, Inc. ("**Moody's**"). In addition, the Guarantor has been assigned a foreign and local currency issuer rating of "BBB+" with stable outlook by S&P Global Ratings, a division of S&P Global Inc. ("**S&P**") and a long-term foreign and local currency issuer rating of Baa1 from Moody's with stable outlook. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section entitled "Risk Factors" in this Offering Circular.

Arrangers and Dealers

Guotai Junan International **Standard Chartered Bank**

Offering Circular dated 12 April 2021

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable inquiries that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Notes and the Guarantee which is material in the context of the issue and offering of the Notes (including all information required by applicable laws or which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes and the Guarantee); (ii) the statements contained in this Offering Circular are in every material particular true and accurate and not misleading in any material respect; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor, the Group and the Guarantee are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes, or the relevant Deed of Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements; and (vi) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects and represent each of their good faith estimates that are made on the basis of data so derived from such sources. Each of the Issuer and the Guarantor has taken reasonable care in reproducing or extracting such data and, to the extent required, the Issuer and the Guarantor have obtained the written consent to the use of such data from such sources.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, each of Guotai Junan Securities (Hong Kong) Limited and Standard Chartered Bank (together, the "**Arrangers**" and the "**Dealers**" and each an "**Arranger**" and a "**Dealer**"), the Trustee and the Agents (as defined in the Terms and Conditions of the Notes) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS - If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – *The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.*

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Group, the Notes, the Guarantee or the Deed of Guarantee other than as contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, any Arranger, any Dealer, the Trustee or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented, or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) to subscribe for or purchase any Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the Programme and the proposed offering of the Notes under the Programme as described herein. Neither the Issuer nor the Guarantor has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them). None of the Arrangers, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) has independently verified any of the information contained or incorporated in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, each of the Arrangers, the Dealers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer, the Guarantor, the giving of the Guarantee or the issue and offering of the Notes. Each of the Arrangers, the Dealers, the Trustee and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) undertakes to review the financial condition or affairs of the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Notes of any information coming to the attention of any Arranger, any Dealer, the Trustee or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them).

This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes (i) are not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED, WITHIN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER IN CASE OF BEARER NOTES).

In connection with the issue of any Tranche of Notes, the Dealer or the Dealers (if any) named as stabilisation manager(s) in the applicable Pricing Supplement or persons acting on their behalf (the "**Stabilisation Manager(s)**") may over-allot Notes or effect transactions with a view to supporting the market price of Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) in connection with its investigation of the accuracy of such information or its investment decision.

Industry and Market Data

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them, and none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

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

Forward-looking Statements

This Offering Circular contains certain forward-looking statements, including statements using the words "*believes*", "*anticipates*", "*intends*", "*expects*" or other similar terms. This applies in particular to statements under the captions "*Risk Factors*", "*Description of the Issuer*", "*Description of the Group*", and statements elsewhere in this Offering Circular relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Group, to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer and the Guarantor do not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

Presentation of Financial Information

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**"), included elsewhere in this Offering Circular.

The audited financial statements for the year ended 31 December 2019 have been audited by Ernst & Young ("**EY**"), the Guarantor's former independent auditor. The audited financial statements for the year ended 31 December 2020 have been audited by KPMG ("**KPMG**"), the Guarantor's current independent auditor. The Audited Financial Statements were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**").

Unless otherwise stated, all financial data contained herein which is stated as relating to the Guarantor is referring to the consolidated data of the Guarantor.

The Guarantor has also adopted IFRS 16 (*Leases*) from 1 January 2019. Please refer to pages F-179 to F-182 of the Guarantor's audited financial statements for the year ended 31 December 2019 for the impact of the adoption of IFRS 16 (*Leases*). Comparative financial information for the year ended 31 December 2018 has not been restated and continues to be reported under the previous IAS 17 and related interpretations.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement; and

(ii) all amendments and supplements from time to time to this Offering Circular; and

(iii) any audited consolidated annual financial statements or unaudited but reviewed interim condensed consolidated financial statements of the Group, in each case together with any audit or review reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time;

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of the documents mentioned in (i) and (ii) above which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity satisfactory to the Trustee) free of charge, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that unless the Issuer has notified the Permanent Dealers in writing that it does not intend to issue Notes under the Programme for the time being, each of the Issuer and the Guarantor shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or of the rights attaching to the Notes and/or the Guarantee.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

"APP"	Application
"A Share(s)"	in the context of the capital markets, shares of PRC companies that are traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange
"Asset Management Association of China" .	a self-regulatory organization established on 6 June 2012 which represents fund management companies in China
"AUM"	the amount of assets under management
"B share(s)"	foreign invested shares that are traded on the Shanghai Stock Exchange in U.S. dollars or Shenzhen Stock Exchange in HK dollars
"Bond Connect"	a mutual market access scheme which allows for the freedom of trade in bond markets between Mainland China and overseas markets
"China" or **"PRC"**	the People's Republic of China, excluding, for the purpose of this Offering Circular only, Hong Kong, Macau and Taiwan
"China (Shanghai) Pilot Free-Trade Zone". . . .	a free-trade zone in Shanghai, China
"China Financial Futures Exchange"	a futures exchange established in Shanghai with the approval of the State Council and the authorization of the CSRC
"China Securities Finance"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock limited company incorporated in the PRC in October 2011 which provides, among other services, margin and securities refinancing services to support the margin financing and securities lending business of PRC securities firms
"Controlling Shareholder"	has the meaning given to it in the Hong Kong Listing Rules, and in the context of this Offering Circular, refers to International Group
"CSI 100 Index"	a capitalization-weighted, free float adjusted stock market index designed to replicate the performance of top 100 stocks traded in the Shanghai and Shenzhen stock exchanges, which is a sub-index of CSI 300 Index
"CSI 300 Index"	a capitalization-weighted stock market index compiled by the China Securities Index Co., Ltd. to replicate the performance of 300 stocks traded in the Shanghai and Shenzhen stock exchanges
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Dalian Commodity Exchange"	a Chinese futures exchange based in Dalian, Liaoning province, China
"Director(s)"	director(s) of the Group
"ETF(s)"	exchange-traded funds

"FICC"	fixed-income instruments, currencies, and commodities
"FOF"	fund of funds
"GDP"	gross domestic product
"Group" or "the Group"	the Guarantor and its subsidiaries (or the Guarantor and any one or more of its subsidiaries, as the context may require)
"Guarantor"	Guotai Junan Securities Co., Ltd.
"Guotai Junan Asset Management"	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司), a limited liability company incorporated in the PRC in August 2010, being a wholly-owned subsidiary of the Guarantor
"Guotai Junan Financial Holdings"	Guotai Junan Financial Holdings Limited. (國泰君安金融控股有限公司), a limited liability company incorporated in Hong Kong in August 2007, being a wholly-owned subsidiary of the Guarantor
"Guotai Junan Futures"	Guotai Junan Futures Co., Limited (國泰君安期貨有限公司), a limited liability company incorporated in the PRC in April 2000, being a wholly-owned subsidiary of the Guarantor
"Guotai Junan IM"	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock limited company incorporated in the PRC in December 2001
"Guotai Junan Innovation Investment"	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司), a limited liability company incorporated in the PRC in May 2009, being a wholly-owned subsidiary of the Guarantor
"Guotai Junan International"	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a limited liability company incorporated in Hong Kong in March 2010, the shares of which are listed on the HKSE (stock code: 1788)
"Guotai Junan Securities Research Institute"	a securities research institute established by the Group in 1996
"Guotai Junan Zhengyu Investment Co,. Ltd"	Guotai Junan Zhengyu Investment Co., Ltd, a limited liability company incorporated in February 2018, being an alternative investment subsidiary of the Guarantor
"Guotai Securities"	Guotai Securities Co., Ltd. (國泰證券有限公司), one of the predecessors of the Guarantor, a limited liability company incorporated in the PRC in September 1992
"H Share(s)"	in the context of the capital markets, overseas-listed foreign shares of PRC companies that are traded on the HKSE
"Hang Seng Composite Index"	an index of the Stock Exchange of Hong Kong which offers an equivalent of Hong Kong market benchmark that covers around the top 95th percentile of the total market capitalisation of companies listed on the Main Board of the HKSE

"Hang Seng Composite MidCap Index"	an index on market capitalisation which cover the top 80% to 95% of the total market capitalisation of the Hang Seng Composite Index
"Hicend Futures"	Hicend Futures Co., Ltd.(海證期貨有限公司), a limited liability company incorporated in the PRC in December 1995, being a wholly-owned subsidiary of Shanghai Securities
"Hong Kong Stock Connect"	a unique collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges which allows international and Mainland Chinese investors to trade securities in each other's markets through the trading and clearing facilities of their home exchange
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HuaAn Funds"	HuaAn Funds Management Co., Ltd.(華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998
"International Group" . .	Shanghai International Group Co., Ltd.(上海國際集團有限公司)a limited liability company incorporated in the PRC in April 2000, being our Controlling Shareholder, which is directly administered by the Shanghai SASAC
"IPO".	initial public offering
"Issuer"	Guotai Junan Holdings Limited 國泰君安控股有限公司
"IT".	information technology
"Junan Securities".	J&A Securities Co., Ltd.(君安證券有限責任公司), one of the predecessors of the Guarantor, a limited liability company incorporated in the PRC in October 1992
"M&A".	mergers and acquisitions
"Mainland-Hong Kong Mutual Recognition of Funds".	a scheme jointly launched by the China Securities Regulatory Commission (CSRC) and Hong Kong Securities and Futures Commission (SFC). Under the scheme, eligible Mainland and Hong Kong funds can be distributed in each other's market through a streamlined vetting process
"margin and securities refinancing"	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd.(中國證券金融股份有限公司)and other authorized financial institutions, and lend such funds and securities to their clients
"MOF"	the Ministry of Finance of the PRC(中華人民共和國財政部)
"Moody's".	Moody's Investors Service, Inc., a bond credit rating business run by Moody's Corporation
"NEEQ"	National Equities Exchange and Quotations(全國中小企業股份轉讓系統)

"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC
"NSSF".	the National Council for Social Security Fund (全國社會保障基金理事會)
"Offering Circular"	this offering circular
"OTC"	over-the-counter market
"PC"	personal computer
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QDII".	Qualified Domestic Institutional Investor's (合格境內機構投資者) as approved by the CSRC
"QFII"	Qualified Foreign Institutional Investors (合格境外機構投資者) as approved by the CSRC
"RQFII".	RMB Qualified Foreign Institutional Investors (人民幣合格境外機構投資者) as approved by the CSRC
"S&P"	Standard and Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., a bond credit rating business run by Standard & Poor's Financial Services LLC
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"securities repurchase" .	a transaction pursuant to the securities repurchase agreement, in which an eligible investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on an agreed future date
"securities-backed financing"	stock-pledged financing and securities repurchase
"Securities Association of China".	a self-regulatory organization in the securities industry which operates under the guidance and supervision of the CSRC and the Ministry of Civil Affairs of China
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the HKSE, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Shanghai Electric"	Shanghai Electric Group Corp. (上海電氣(集團)總公司), a limited liability company incorporated in the PRC in January 1985

"Shanghai Futures Exchange"	a non-profit-seeking incorporated body regulated by the China Securities Regulatory Commission
"Shanghai Gold Exchange"	a non-profit-seeking incorporated body established by People's Bank of China ("**PBOC**") which provides trading, clearing, delivery and vaulting services of gold, silver and platinum
"Shanghai Municipal Finance Bureau"	the MOF local finance bureau in Shanghai
"Shanghai SASAC"	the State-owned Assets Supervisions Administration Commission of Shanghai Municipal Government(上海市國有資產監督管理委員會)
"Shanghai Securities" . .	Shanghai Securities Co., Ltd.(上海證券有限責任公司), a limited liability company incorporated in the PRC in April 2001
"Shanghai Stock Exchange"	a stock exchange that is based in the city of Shanghai, China, which is one of the two stock exchanges operating independently in the People's Republic of China, the other being the Shenzhen Stock Exchange
"Shanghai United Assets and Equity Exchange"	an equity-capital market which provides an integrated market platform for property rights, which cover asset rights, creditor's rights, stock rights, and IPR
"Share(s)".	ordinary shares in the capital of the Guarantor with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the HKSE, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Shenzhen Investment Holdings".	the Shenzhen Investment Holdings Co., Ltd.(深圳市投資控股有限公司), a limited liability company incorporated in the PRC in October 2004, being a Shareholder
"Shenzhen Stock Exchange"	a stock exchange based in the city of Shenzhen, China, which is one of two stock exchanges operating independently in the People's Republic of China, the other being the larger Shanghai Stock Exchange
"SSE 50 Index".	an index that selects 50 largest stocks of good liquidity and representativeness from Shanghai security market by scientific and objective method
"stock-pledged financing"	a transaction in which eligible borrowers get financing from eligible lenders by pledging the stocks or other securities they hold and agree to pay back the principal and accrued interest and cancel the pledge in the future
"structured notes"	a debt financing instrument issued by PRC securities firms that makes payments of return linked with the underlying assets and the principal when due

"Supervisor(s)"	the supervisor(s) of the Group
"Three Policy Banks" . .	China Development Bank(國家開發銀行), The Export-Import Bank of China(中國進出口銀行)and Agricultural Development Bank of China(中國農業發展銀行)
"Three-Year Development Strategy Plan".	strategic plan of the Group between 2016 to 2018, focusing on developing the Group into a market leading financial services provider with international competitiveness
"Wind Info"	Wind Information Co., Ltd.(萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC in 1994 and a service provider of financial data, information and software
"Zhengzhou Commodity Exchange"	a futures exchange in Zhengzhou, one of the four futures exchanges in China, which is under the vertical management of China Securities Regulatory Commission (CSRC).

Unless otherwise indicated, all references in this Offering Circular to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China and all references to "**China**" and the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

Unless otherwise specified or the context requires, all references in this Offering Circular to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" and "**HKD**" are to the lawful currency of Hong Kong and references herein to "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. In addition to statistics, market share information and industry data from publicly available government sources and industry associations, certain information and data contained in this section is derived from Wind Info and Dealogic. As a leading integrated service provider of financial data, information and software in the PRC domestic market, Wind Info serves financial enterprises, including securities companies, fund management companies, insurance companies and banks. The financial database of Wind Info contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivative financial instruments and the macro-economy. Historical data provided by Wind Info are collected by Wind Info independently from various public information sources, including, among others, the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Dealogic is an international financial data and information provider. The database of Dealogic encompasses information on equity and debt capital markets, syndicated lending, M&A transactions and institutional investors. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, any Arranger, any Dealer, the Trustee or any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them), and none of the Issuer, the Guarantor, any Arranger, any Dealer, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

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

TABLE OF CONTENTS

SUMMARY

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

Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

OVERVIEW

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. From 2007 to 2020, the Group's net profit ranked among the top four in the industry for fourteen consecutive years. From 2011 to 2019, the Group's operating revenue and total assets ranked among the top three and four in the industry respectively, for nine consecutive years. The Group's net assets, net capital, operating revenue and net profit in 2020 ranked third, first, second and fourth in the industry respectively. As of 31 December 2020, both of the Group's total assets and net assets ranked third in the industry while the net capital ranked first in the industry, and for the year ended 31 December 2020, the Group's operating revenue and net profit ranked second and fourth in the industry respectively. The Guarantor also has a rating of BBB+ by Standard & Poor and a rating of Baa1 from Moody's Investors Service, Inc., which is the highest international rating amongst companies in the PRC securities industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. In addition, the Group is committed to achieving quality growth and maintaining a balance between business scale, profitability and risk management. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for thirteen consecutive years from 2008 to 2020.

The Group's vision is to become an integrated financial services provider rooted in China with global coverage and strong influence. Leveraging its strong competitive advantage in the PRC, the Group aims to promote its internationalisation by building up its global network and international execution capabilities, so that it can meet its clients' demand for cross-border financial services. According to the Group's Three-year Development Strategy Plan from 2019 to 2021, the Group's phased objective for this planning period is to develop the Group into "an integrated financial services provider with an across-the-board leading position in China and international competitiveness according to higher standards and with more depth".

The Group derives its success from the consensus of its culture among its employees, and the continuous implementation of such culture:

- Its Values: The Group regards its clients as its first priority and balances the interests of all stakeholders.
- Its Approach to Profession: The Group adopts a culture of risk management and excellence.
- Its People Culture: The Group is a people business and it promotes collaboration and cooperation.
- Its Code of Conduct: The Group excels by innovation and cherishes its reputation.

For the years ended 31 December 2018, 2019 and 2020, the Group's total revenue and other income was RMB31,229.4 million, RMB39,049.6 million and RMB46,445.3 million, respectively, and the Group's profit attributable to equity holders of the Group for the same periods was RMB6,708.1 million, RMB8,637.0 million and RMB11,122.1 million, respectively. As of 31 December 2020, its total equity attributable to equity holders of the Guarantor was RMB137,353.3 million and the Group's total assets were RMB702,899.2 million.

The Group's business segments are as follows:

- **Institutional Finance:** The Group's institutional finance business comprises investment banking and research and institutional services. The Group strives to capture market opportunities through collaboration between these two business lines:

- The investment banking business segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients; and

- The research and institutional services business segment, which primarily includes institutional brokerage, asset custody and outsourcing as well as research services to institutional clients.

- **Trading and Investment:** The Group's trading and investment business segment primarily includes investment transactions in stocks, fixed income, foreign exchange, commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management.

- **Credit:** The Group's credit business segment primarily includes stock-pledged financing, agreed securities repurchase and margin financing and securities lending services to clients.

- **Wealth Management:** The Group's wealth management business segment primarily includes securities and futures brokerage, financial products, investment advisory and other services to individual clients.

- **Investment Management:** The Group's investment management business segment primarily includes asset management, fund management services to institutions and individuals, and also includes equity investment business.

- **International Business:** The Group's international business segment represents the business operation of overseas subsidiaries of the Group, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses.

COMPETITIVE STRENGTHS

The Group believes that by capitalizing upon the following competitive strengths, the Group will continue to seize the growth opportunities in the PRC capital markets and maintain its long-term, consistent and across-the-board leadership position.

- Strong Support from the Government and Shareholders

- Deeply Rooted Culture of Risk Management and Excellence

- Across-the-board Leader in the PRC Capital Markets

- Leader of Technology and Innovation in the PRC Securities Industry

- Experienced Management Team with a Highly Proficient Professional Workforce

BUSINESS STRATEGIES

The Group aims to be an integrated financial services provider with an across-the-board leading position in China and international competitiveness. In particular, the Group plans to implement the following business strategies:

- Institutional Finance: Providing Integrated Financial Solutions to Institutional Clients
- Personal Finance: Enhancing Client Stickiness
- Investment Management: Expanding AUM
- International Business: Focusing on the Demand of Domestic Clients for Global Asset Allocation

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled "Terms and Conditions of the Notes".

Issuer	Guotai Junan Holdings Limited 國泰君安控股有限公司
Legal Entity Identifier . .	254900LPP2WWVAHJTP31
Guarantor	Guotai Junan Securities Co., Ltd.（国泰君安证券股份有限公司）
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate principal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes and the Guarantee are discussed under "*Risk Factors*".
Arrangers and Dealers . .	Guotai Junan Securities (Hong Kong) Limited and Standard Chartered Bank. The Issuer and the Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	The Bank of New York Mellon, London Branch
Issuing and Paying Agent	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through the CMU).

Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch (for Notes cleared through Euroclear/Clearstream); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through the CMU).
Calculation Agent	The Bank of New York Mellon, London Branch
CMU Lodging and Paying Agent.	The Bank of New York Mellon, Hong Kong Branch
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the Issue Date, the issue price, the first payment of interest on them, principal amount of the Tranche, the timing for submission of the NDRC Post-Issuance Filing (if applicable) and the timing for completion of the Cross-border Security Registration, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price.	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be selected by the Issuer and the Guarantor and approved by the Issuing and Paying Agent, the Trustee and if applicable, the Registrar.

Initial Delivery of Notes .	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies.	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Specified Denomination .	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- by reference to LIBOR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or
- on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their principal amount or at a discount to it and will not bear interest.
Dual Currency Notes . . .	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the Terms and Conditions of the Notes) will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula or otherwise). Unless permitted by then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption . . .	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as further described in Condition 6(e) and Condition 6(f), respectively, of the Terms and Conditions of the Notes.
Redemption for Relevant Events	Following the occurrence of a Relevant Event, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of such Noteholder's Note at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No-Registration Event) of their principal amount, together in each case with accrued interest, as further described in Condition 6(d) of the Terms and Conditions of the Notes.

Redemption for Taxation Reasons	Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Status of Notes.	The Notes and any Receipts and Coupons relating to them will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee .	The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 9(c) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and Coupons or under the relevant Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The Issuer (or the Guarantor, as the case may be) will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. As further described in Condition 8 of the Terms and Conditions of the Notes.
Ratings	The Programme is expected to be rated Baa1 by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction	English law with the submission to the exclusive jurisdiction of Hong Kong courts.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

	However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The selected financial information presented below as at and for the years ended 31 December 2018, 2019 and 2020 were extracted from the Group's Audited Financial Statements.

The audited consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 are prepared and presented in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The Guarantor has adopted IFRS 16 (Leases) from 1 January 2019. Please refer to pages F-179 to F-182 of the Guarantor's audited financial statements for the year ended 31 December 2019 for the impact of the adoption of IFRS 16 (Leases). Comparative financial information for the year ended 31 December 2018 has not been restated and continues to be reported under the previous IAS 17 and related interpretations.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December		
	2018	**2019**	**2020**
Revenue			
Fee and commission income	9,794,186	12,124,791	16,719,616
Interest income	12,841,989	12,630,205	14,495,682
Net investment gains	5,073,084	8,096,610	8,901,197
Total revenue	**27,709,259**	**32,851,606**	**40,116,495**
Gain on disposal of a subsidiary	648,287	–	–
Other income and gains	2,871,839	6,198,039	6,328,845
Total revenue and other income	**31,229,385**	**39,049,645**	**46,445,340**
Fee and commission expenses	(1,574,713)	(1,838,426)	(2,580,447)
Interest expenses	(7,009,885)	(7,403,450)	(8,804,654)
Staff costs	(6,759,575)	(7,766,427)	(9,250,380)
Depreciation and amortization expenses	(574,279)	(1,291,570)	(1,371,553)
Tax and surcharges	(151,861)	(136,880)	(168,819)
Other operating expenses and costs	(5,040,632)	(7,271,807)	(8,240,709)
Provision for impairment losses	(1,150)	(20,902)	(62)
Credit loss expense	(976,493)	(2,049,577)	(1,312,297)
Total expenses	**(22,088,588)**	**(27,779,039)**	**(31,728,921)**
Operating profit	**9,140,797**	**11,270,606**	**14,716,419**
Share of profits of associates and joint ventures	127,545	174,013	155,525
Profit before income tax	**9,268,342**	**11,444,619**	**14,871,944**
Income tax expense	(2,198,304)	(2,393,263)	(3,134,874)
Profit for the year	**7,070,038**	**9,051,356**	**11,737,070**
Attributable to:			
Equity holders of the Company	6,708,116	8,637,037	11,122,099
Non-controlling interests	361,922	414,319	614,971
Total	**7,070,038**	**9,051,356**	**11,737,070**
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)			
– Basic	0.70	0.90	1.20
– Diluted	0.70	0.90	1.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December		
	2018	**2019**	**2020**
Profit for the year	7,070,038	9,051,356	11,737,070
Other comprehensive income for the year			
Other comprehensive income that may be reclassified to profit or loss:			
Debt instruments at fair value through other comprehensive income			
– Net changes in fair value	647,828	178,194	67,425
– Changes in allowance for expected credit losses	(24,343)	70,405	4,560
– Reclassified to profit or loss	(74,584)	(238,891)	(586,392)
– Income tax impact	(137,225)	(2,320)	129,474
Share of other comprehensive income of associates and joint ventures			
– Share of other comprehensive income	(20)	3,193	(56)
– Reclassified to profit or loss	–	(10,584)	–
Exchange differences on translation of financial statements in foreign currencies	421,542	298,820	(815,369)
Total items that may be reclassified to profit or loss	833,198	298,817	(1,200,358)
Other comprehensive income that will not be reclassified to profit or loss:			
Equity instruments at fair value through other comprehensive income			
– Net changes in fair value	(3,051,667)	707,402	15,748
– Income tax impact...	762,917	(176,851)	(3,937)
Share of other comprehensive income of associates and joint ventures			
– Share of other comprehensive income	(946,764)	124,342	(98,117)
– Income tax impact	236,691	(31,085)	24,529
Total items that will not be reclassified to profit or loss	(2,998,823)	623,808	(61,777)
Other comprehensive income for the year net of tax	**(2,165,625)**	**922,625**	**(1,262,135)**
Total comprehensive income for the year	**4,904,413**	**9,973,981**	**10,474,935**
Attributable to:			
Equity holders of the Company	4,372,505	9,474,748	10,165,609
Non-controlling interests	531,908	499,233	309,326
Total	**4,904,413**	**9,973,981**	**10,474,935**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of RMB unless otherwise stated)

	As at 31 December		
	2018	**2019**	**2020**
Non-current assets			
Property and equipment	4,082,006	5,211,423	5,024,307
Right-of-use assets	–	2,926,043	2,490,743
Prepaid land lease payments	785,312	–	–
Goodwill	581,407	599,812	599,812
Other intangible assets	1,472,424	1,574,249	1,677,813
Investments in associates	1,294,133	1,183,891	1,169,765
Investments in joint ventures	1,333,516	1,274,671	2,844,778
Debt instruments at fair value through other comprehensive income	33,445,303	53,408,720	65,511,217
Equity instruments at fair value through other comprehensive income	16,785,949	17,547,076	17,637,062
Financial assets held under resale agreements	6,444,585	1,959,737	2,616,287
Financial assets at fair value through profit or loss	7,364,543	13,433,691	26,628,714
Refundable deposits	7,552,678	12,975,377	29,415,401
Deferred tax assets	1,289,051	1,251,032	1,761,582
Other non-current assets	2,932,037	1,154,839	691,128
Total non-current assets	**85,362,944**	**114,500,561**	**158,068,609**
Current assets			
Accounts receivable	3,634,734	3,484,166	7,230,325
Other current assets	1,867,556	2,017,453	2,983,541
Margin accounts receivable	53,655,358	72,088,344	99,429,347
Debt instruments at fair value through other comprehensive income	5,721,378	6,858,108	6,981,585
Financial assets held under resale agreements	54,672,999	51,980,260	53,245,514
Financial assets at fair value through profit or loss	130,317,537	175,588,501	202,097,430
Derivative financial assets	648,358	550,081	2,214,226
Clearing settlement funds	3,006,836	4,460,152	6,049,697
Cash held on behalf of brokerage customers	77,492,497	102,533,823	139,323,440
Cash and bank balances	20,348,883	25,252,829	25,275,458
Total current assets	**351,366,136**	**444,813,717**	**544,830,563**
Total assets	**436,729,080**	**559,314,278**	**702,899,172**
Current liabilities			
Loans and borrowings	8,279,422	10,312,724	9,769,331
Short-term debt instruments	7,045,424	17,424,352	48,724,368
Placements from other financial institutions	10,163,246	9,488,642	13,810,630
Accounts payable to brokerage customers	82,347,043	109,336,526	157,408,158
Employee benefits payable	4,984,863	5,685,105	7,568,772
Income tax payable	1,518,105	1,414,731	1,572,828
Financial assets sold under repurchase agreements	70,558,545	126,017,296	144,721,315
Financial liabilities at fair value through profit or loss	28,820,153	37,845,046	30,304,839
Derivative financial liabilities	255,973	1,358,809	5,526,472
Bonds payable	15,476,842	17,672,144	24,744,699
Lease liabilities	–	638,382	466,697
Other current liabilities	16,110,357	14,229,188	25,405,255
Total current liabilities	**245,559,973**	**351,422,945**	**470,023,364**
Net current assets	**105,806,163**	**93,390,772**	**74,807,199**
Total assets less current liabilities	**191,169,107**	**207,891,333**	**232,875,808**

	As at 31 December		
	2018	**2019**	**2020**
Non-current liabilities			
Loans and borrowings	–	1,490,000	–
Bonds payable	52,780,358	51,901,409	66,947,715
Lease liabilities	–	1,725,455	1,486,932
Deferred tax liabilities	43,015	13,762	139,059
Financial liabilities at fair value through profit or loss	4,456,490	6,441,647	17,789,620
Other non-current liabilities	215,852	225,237	274,664
Total non-current liabilities	**57,495,715**	**61,797,510**	**86,637,990**
Net assets	**133,673,392**	**146,093,823**	**146,237,818**
Equity			
Share capital	8,713,941	8,907,948	8,908,448
Other equity instruments	11,129,819	16,129,799	11,071,661
Treasury Shares	–	–	(776,909)
Reserves	65,535,930	71,127,776	71,645,598
Retained profits	38,070,373	41,335,967	46,504,462
Equity attributable to equity holders of the Company	123,450,063	137,501,490	137,353,260
Non-controlling interests	10,223,329	8,592,333	8,884,558
Total equity	**133,673,392**	**146,093,823**	**146,237,818**

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Notes. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Notes are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Potential investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO MACROECONOMIC ENVIRONMENT AND THE PRC SECURITIES INDUSTRY

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

The Group's business is affected by both long-term economic trends and short-term volatility caused by general economic conditions, including economic cycles, macroeconomic and monetary policies, inflation, interest rates levels, supply and costs of funding and currency fluctuations. The majority of the Group's revenue is derived in China. As a result, any material and adverse changes in general economic conditions in China may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's results of operations are primarily affected by the volatility in the PRC securities markets. The PRC stock market experienced significant fluctuations in recent years, and there can be no assurance that such volatility would not continue into the future. Unfavourable economic and financial conditions globally, such as financial instability in the U.S. and the imposition of new bilateral tariffs between China and the U.S., have also had a material impact on the market conditions in China, which, in turn, may affect the Group's results of operations and financial condition.

For the years ended 31 December 2018, 2019 and 2020, the Group derived a considerable proportion of its total revenue and other income from debt financing, bond investments, futures brokerage and derivative investments. As a result, any material and adverse changes in debt markets, futures markets and derivative markets may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, in the ordinary course of the Group's business, the Group holds financial assets at fair value through profit or loss, financial assets held under resale agreements and available-for-sale financial assets. As at 31 December 2020, the Group held financial assets at fair value through profit or loss in the amount of RMB228,726 million and financial assets held under resale agreements in the amount of

RMB55,862 million, respectively. General economic and market conditions affect the value of these financial assets. Any material and adverse changes in the value of these financial assets may have a material and adverse effect on the Group's business, financial condition and results of operations.

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

Interest rate fluctuations primarily affect the Group's interest income, fixed-income investments and interest expenses. The Group earns interest income primarily from margin financing and securities lending, deposits in financial institutions and securities-backed financing. During periods of declining interest rates, the Group's interest income would generally fall. In addition, the Group holds fixed-income investments. During periods of rising interest rates, market prices of, and the Group's investment returns on, fixed-income securities would generally fall.

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

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

Fluctuations in the exchange rate of Renminbi against other currencies could have a material and adverse effect on the Group's financial condition and results of operations.

The Group generates most of its revenue in the PRC, and its functional currency is Renminbi. In addition, the Group is actively expanding its international business. A portion of the Group's revenue, expenses and bank borrowings is denominated in Hong Kong dollars, U.S. dollars and other foreign currencies. The exchange rates of Renminbi against U.S. dollar and other currencies are affected by the political and economic environment in the PRC, the PRC Government's fiscal and currency policies and international political and economic conditions. As a result, fluctuations in exchange rates, particularly between the Renminbi on the one hand, and Hong Kong dollars and U.S. dollars on the other hand, may affect the level of the Group's profitability or result in foreign exchange losses on the Group's foreign currency-denominated assets and liabilities.

The PRC securities industry is highly competitive.

The Group's competitors may have certain competitive advantages over the Group, including more sufficient financial resources, stronger brand recognition, lower service fee rates, broader product and service offerings, a branch network with wider geographic coverage, larger client base and more operation experience. The Group faces pressure to maintain and expand its client base and market share.

The Group cannot assure prospective investors that the Group will be able to continue to maintain or grow its client base. If the Group is unable to maintain high quality services, maintain or reduce its service fee rate, or continue to introduce new products and services that address the needs of its clients, the Group may lose its existing clients or fail to attract new clients. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Changes which impact the competitive environment in the PRC securities industry may have a material and adverse effect on the Group's business.

If the PRC Government gradually deregulates the PRC securities industry, it may attract new competitors to the securities industry or allow the Group's current competitors to expand their business scope into new business lines. The deregulation of the PRC securities industry could also attract more foreign financial institutions to enter the PRC market to conduct investment banking and other related businesses. These institutions are currently subject to PRC regulatory limitations and restrictions on their business activities.

In March 2015, the CSRC stated that it was evaluating a proposal to open up the PRC securities industry to other financial institutions such as commercial banks, but did not provide a timetable on when the new policy would be implemented. The Group believes that allowing PRC commercial banks to enter the securities industry will intensify market competition in securities brokerage, equity underwriting and other businesses, as commercial banks generally have greater financial resources, wider branch networks and larger client bases compared with securities companies.

In recent years, internet financial services companies have entered the PRC financial industry with large client bases and advantages in providing innovative services through the internet. Their services may be considered by the Group's clients or potential clients as a favourable alternative for managing their funds or fulfilling their needs for investments.

Any of the above changes in the competitive environment in the PRC securities industry may increase the level of competition. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Guarantor contributed capital to China Securities Finance in response to government measures for stabilising the PRC stock market, which may increase the Guarantor's exposure to market and other risks.

Due to the significant fluctuations in the A share market in 2015, the PRC Government introduced measures to stabilise the market. As a result, the Guarantor and 20 other major securities companies in the PRC issued a joint announcement on 4 July 2015, pursuant to which each securities company undertook that: (i) they would contribute an amount of no less than 15% of their net assets value as at 30 June 2015 to China Securities Finance for investment in the PRC blue chip ETFs; and (ii) they would not reduce the position of their A share proprietary trading portfolio to a level below the position as at 3 July 2015, if the SSE Composite Index is below 4,500. On 1 September 2015, the Guarantor and 49 other securities companies decided to raise their total contribution to China Securities Finance to an amount of 20% of the respective net assets as of 31 July 2015. The Guarantor's two contributions to China Securities Finance amounted to RMB17,014.0 million in the aggregate. These contributions are under the control of China Securities Finance through a designated account. The Guarantor bears the risks and enjoys the gains in proportion to its contributions. Currently, the Guarantor cannot control the way in which China Securities Finance uses its contributions and when it can redeem its contributions. The Guarantor may incur losses due to the disposal or impairment of such contributions in the future, and the Guarantor's financial condition may fluctuate due to the revaluation of its contributions at the end of a period, both of which may materially and adversely affect its results of operations and financial condition. As at 31 December 2020, the fair value of the Guarantor's contribution was RMB13,308 million, based on investment account statements provided by China Securities Finance. Going forward, the Guarantor may also incur additional losses from similar contributions that are required or decided to be made in response to government measures for stabilising the PRC stock market during market fluctuations.

RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

The recent outbreak of COVID-19 may adversely affect the Group's business, financial condition, results of operations and prospects.

Beginning in December 2019, an outbreak of the Coronavirus Disease 2019 ("**COVID-19**") emerged and expanded around the world in the following months. COVID-19 is considered highly contagious and may pose a serious threat to the health and well-being of the public. Between January and March 2020, in response to the COVID-19 outbreak in China, the PRC Government introduced a series of measures including but not limited to lockdown of cities with high risks of infection, restrictions on resumption of business and traffic control between cities and provinces, resulting in disruptions of the business activities of companies in various industries in China during this period, including the Group's individual, institutional and corporate customers.

As at the date of the Offering Circular, the outbreak of COVID-19 had spread around the world, and had not been fully contained. The World Health Organisation declared the outbreak of COVID-19 a Public Health Emergency of International Concern on 30 January 2020, and later characterised the outbreak of COVID-19 as a global pandemic in March 2020. The fatalities resulting from COVID-19 and the restrictive measures adopted to contain it, are likely to have an adverse effect on the livelihood of people and the economic conditions of the regions affected. In addition, such outbreaks may result in prolonged restrictions on travel and public transport and closures of workplaces which may have a material adverse effect on the global economy. This has significantly disrupted many aspects of the economy globally, resulting in a negative economic impact. A number of governments revised GDP growth forecasts downward for 2020 in response to the economic slowdown caused by the spread of coronavirus, and it is possible that the outbreak of coronavirus may cause a prolonged global economic crisis or recession.

The COVID-19 pandemic has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures to mitigate the impact of the COVID-19 outbreak on the Group's operation, including but not limited to: (i) formulating plans to guide its branches in different regions to arrange operations and services according to different pandemic levels under the guidance of local governments and regulatory agencies, using financial technologies to provide customers with online services, and, in coordination with other branches, to offer "Partner Custody Services（夥伴托管服務）" for those branches which were unable to offer customer services effectively due to the pandemic, so as to minimise the impact of the pandemic; (ii) preventing and controlling the pandemic in office premises, requiring each business unit to adopt minimum post deployment, group rotation and remote working under the premise of ensuring normal operation, thus effectively ensuring the normal development of its various businesses; and (iii) utilising its professional services to stabilise customer confidence and support the fight against the pandemic, and notifying its customers of the impact of the pandemic in a timely manner through the release of research reports, teleconferences, online roadshows and online communications with listed companies, and launched more than 40 online services and improved online investment services for customers.

Whilst the overall impact of the COVID-19 pandemic on the Group's financial position and financial performance has been limited thus far, the extent to which the COVID-19 pandemic may further impact the Group's results of operations in the future will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and the actions to contain its spread or treat its impact, among others. In addition, the Group cannot foresee whether the outbreak of the COVID-19 pandemic will be effectively contained worldwide, nor can the Group predict the severity and duration of its impact. If the pandemic is not effectively controlled or continues to worsen, the Group's business operations and financial condition may be adversely affected to a certain degree due to deteriorating market outlook and sentiments, slowdown in national and global economic growth, weakened financial condition of the Group's customers, or other factors that the Group cannot foresee.

The Group's investment banking business has a number of inherent risks which may reduce its underwriting and sponsorship fees, subject the Group to regulatory penalties and adversely affect the Group's liquidity.

For the years ended 31 December 2018, 2019 and 2020, the total revenue and other income of the Group's investment banking business was RMB1,678.0 million, RMB2,060.4 million and RMB3,347.8 million, respectively, accounting for 5.4%, 5.3% and 7.2% of the Group's total revenue and other income, respectively. The Group's investment banking business may be materially and adversely affected by the following risks:

Uncertainty of regulatory approval. The offering of securities, especially IPOs, and certain types of M&A of listed companies, are subject to the review and approval by various regulatory authorities. The result and timing of these reviews and approvals are beyond the Group's control, and may cause substantial delays to, or the termination of, the securities offerings underwritten by the Group or M&A advised upon by the Group. The Group cannot assure prospective investors that regulatory approvals for securities offerings or M&A will be granted in a timely manner or at all. For example, there was a short halt of approvals of A share IPOs by the CSRC in the second half of 2015, primarily due to market volatility. A significant decline in the approval rate of such transactions could reduce the Group's revenue from investment banking business, as the Group normally receives most of its fees only after the completion of a transaction.

Risks in relation to sponsorship and underwriting and financial advisory. When acting as sponsors and underwriters in IPOs or financial advisers in M&A transactions, the Group may be subject to domestic or overseas regulatory sanctions, fines, penalties, investor compensation or other disciplinary actions and other legal liabilities if the Group's due diligence or its ongoing supervision is inadequate, or an issuer, its agents, other sponsors and underwriters or the Group's employees commit fraud or misconduct, or there is a misstatement or omission in the disclosure documents, or there is another illegal or improper activity during the course of the sponsorship and underwriting or advisory process.

Market conditions and hard underwriting. Unfavourable market conditions and capital markets volatility may cause delays to, or the termination of, initial public offerings or other securities offerings underwritten by the Group and M&A advised upon by the Group, or may generally result in fewer financing and M&A activities, which may in turn materially and adversely affect revenue from the Group's investment banking business. In addition, if the Group enters into hard underwriting arrangements with its clients, the Group may be required to purchase the entire unsubscribed portion for the Group's own account, which may materially and adversely affect the Group's liquidity, or cause the Group to incur significant financial losses.

The performance of the Group's proprietary trading business is subject to a number of inherent uncertainties which may lead to a decrease in the Group's investment returns or an investment loss.

A significant portion of the Group's business operations includes proprietary trading in equities, derivative financial investments and FICC. The business, financial position and results of operations of the Group's proprietary trading activities may be materially and adversely affected by the following risks:

Market volatility. The Group conducts trading activities in equity and fixed-income securities and market-making activities for its own account, which are subject to volatility in the securities markets and are exposed to market risks such as adverse changes in interest rates, exchanges rates and stock prices. The results of the Group's trading activities generally correlate with the performance of the PRC securities markets. Since 2019, the comprehensive deepening of reform and opening up of capital markets has brought new development opportunities to the PRC securities markets. After a downward cycle from 2015 to 2018, the PRC securities markets have returned to an upward trend, with steady growth in asset scale and significant improvement in performance.

Risks in relation to derivative financial instruments. The derivative financial instruments transactions the Group enters into include stock options, treasury futures and stock index futures. The Group generally uses derivative financial instruments to hedge against the risk of price volatility in its investment portfolio or to adjust the risk exposure of the Group's investment portfolio. However, currently, the types of financial investment products available in the PRC securities market remain limited which makes it difficult for the Group to fully hedge against fluctuations in the value of the Group's investment portfolio, and the derivative financial instruments that the Group uses may not be as effective as the Group expects. In addition, the Group is exposed to risks associated with derivatives contracts the Group enters into, which could result in losses. Since the derivative financial instruments markets in the PRC are developing, the Group's experience in managing new products or trading derivative financial products may be inadequate and the Group may be subject to losses.

Regulatory limitations. Changes in securities-related regulations may lead to limitations on the Group's trading activities. For example, since September 2015, the regulators have raised margin requirements for stock index futures and treated opening daily positions of more than ten contracts by an investor on a single stock index future as "abnormal trading". The regulators have also increased the fees for settling positions. Since February 2017, the regulators have lowered the margin requirements and the fees for settling positions for stock index futures. These measures impact short-selling and block trading activities, which may affect the Group's ability to hedge its proprietary trading positions.

Incorrect investment decisions and judgement. The performance of the Group's proprietary trading is determined by its investment decisions and judgement based on its assessment of existing and future market conditions. If the Group makes mistakes in its investment decisions, or the actual changes in market conditions differ from the Group's projections, or the concentration risks resulting from the Group's investment decisions, including risks from holding particular assets or asset classes, the Group's proprietary trading activities may suffer and not achieve its anticipated investment returns.

The Group may not be able to maintain its brokerage fee for and commission income and interest income from its retail brokerage business.

The Group relies heavily on its retail brokerage business, whose financial position and results of operations may be materially and adversely affected by the following risks:

Volatility in market trading volumes. The Group's brokerage fee and commission income is dependent on market trading volumes, which is in turn affected by investor sentiment, volatility in financial markets and deteriorating investor sentiment can therefore have an adverse impact on the Group's retail brokerages' results of operations.

Decrease in brokerage trading commission rates. The downward trend of brokerage trading commission rates could materially and adversely affect the Group's retail brokerage business. Some of the Group's competitors have actively promoted their online brokerage services and continued to lower their retail brokerage commission rates in recent years. If more competitors expand their online brokerage businesses, retail brokerage commission rates in the industry will likely further decrease.

Increase in supply of securities brokerage services. The securities brokerage industry in China is highly competitive. In April 2015, China Securities Depository and Clearing Corporation Limited revoked the long-standing "one investor one account" restriction for PRC investors and allowed an individual to open up to 20 securities accounts with different PRC securities companies. Although such policy was revised from 20 securities accounts to three securities accounts in October 2016, the Group cannot assure prospective investors that such limitation will not be lifted in the future. The changes in the number of permissible securities accounts held by investors may lead to a decrease in the number of clients who use the Group's brokerage services and/or the volume of trades by such clients, which pose a significant challenge for the Group in retaining existing clients and attracting new clients.

A significant decrease in the Group's AUM or management fee rate, or unsatisfactory investment performance, may materially and adversely affect the Group's asset management business.

The Group receives asset management fees based on the size of each asset management scheme under its management. In addition, the Group may earn performance fees for certain asset management schemes. Investment performance affects the Group's AUM, and is one of the most important factors in attracting its clients and competing for new asset management business. Limited investment options and hedging strategies as well as high market volatility in the PRC, could adversely affect the Group's ability to provide stable returns for its clients, which in turn could affect the Group's ability to retain them.

The Group's asset management fees or market share may decrease due to the increased competition from other securities companies, fund management companies, insurance companies, trust companies, commercial banks and other financial institutions in China. In addition, the recent introduction of Mainland-Hong Kong Mutual Recognition of Funds will allow approved fund products to be offered abroad, which in turn may increase competition. Market volatility, adverse economic conditions, or the Group's failure to outperform its competitors or the market in terms of investments returns, may reduce the Group's AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management or performance fees the Group receives.

The Group may fail to realise returns from its principal investments, or lose part or all of the Group's investments.

The Group's principal investment business generally involves investments in private companies and in private equity funds with the Group's own funds. The Group and its private equity funds aim to earn returns from dividends paid by portfolio companies and the listing or the disposal of portfolio companies. The Group may fail to identify fraudulent, inaccurate or misleading information about a target company in the course of its due diligence, which may cause the Group to make unsound investment decisions or overvalue the target company. Material and adverse changes in the target company's industry, business and financial condition after the completion of the investment could negatively affect the Group's investment return. Market volatility may also materially and adversely affect the equity investments made by the Group's private equity funds.

The Group's portfolio companies may take longer than expected to become suitable for a listing or sale. Failure to list or sell the Group's portfolio companies for any reason may adversely affect the value of the Group's investment. If the Group cannot exit its private equity investments in the anticipated period or at acceptable prices, the Group will not be able to achieve its expected investment returns.

The Group and its private equity funds have limited control over its portfolio companies. Those companies may make business, financial or management decisions with which the Group does not agree, which may subject the Group to further risks. Furthermore, the Group's portfolio companies may fail to abide by their agreements with the Group, for which the Group has limited or no recourse. Any of the foregoing incidents could significantly reduce the value of the Group's investments and adversely affect the Group's financial condition and results of operations.

The business of the Group is subject to concentration risks due to significant holdings of financial assets or significant capital commitments.

Some of the Group's business lines are capital intensive, such as its investment banking, proprietary trading, principal investment, margin financing and securities lending, which may result in the Group having significant holdings of selected asset classes or bank and other borrowings. Such capital commitments expose the Group to concentration risks, including market risk, in the case of its holdings of concentrated or illiquid positions in a particular asset class as part of its proprietary trading and principal investment activities, and credit risk, in the case of its margin financing and securities lending businesses. Any decline in the value of the asset holdings of the Group may reduce its income or result in losses.

The Group may suffer significant losses from credit exposures from its clients and counterparties.

The Group's margin financing and securities lending business, securities-backed financing business, derivatives and commodities brokerage business, proprietary trading business and derivative contracts are subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

In addition, the Group has exposure to credit risk associated with its available-for-sale investments and held-to-maturity financial assets. These investments may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect the financial condition and results of operations of the Group.

The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business and prospects.

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions, such as fund management companies, trust companies and commercial banks. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's international business may not produce the intended results.

The Group conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments in Hong Kong, primarily through Guotai Junan International. The Group has also built an international business platform around Guotai Junan Financial Holdings and has expanded its business presence to the United States, Europe and South-east Asia. According to the Group's business strategies, the Group expects to further expand its international business, which may expose the Group to additional risks, including:

- difficulties in managing international operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licenses;
- challenges in providing products, services and support, in recruiting in these overseas markets, and in managing the sales channels and overseas distribution networks effectively;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If the Group is unable to effectively manage these risks, the Group's ability to expand its international business will be impaired, which could have a material and adverse effect on the Group's business, financial condition and results of operations.

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

The Group is committed to expanding its product and service offerings. New products and services may expose the Group to stricter regulatory scrutiny as well as additional licence and approval requirements. The Group's clients or potential clients may not be receptive to the Group's new product and service offerings. In addition, the Group may have insufficient resources to handle the additional challenges brought by the new products and services in relation to (i) experience or expertise, (ii) qualified personnel, (iii) funding and (iv) risk management capabilities.

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

The Group's business might be affected by the operational failure of its employees.

The Group faces the risk of the operational failure of its employees, which mainly includes accidents or errors that take place in the course of the day-to-day operation of proprietary trading, securities-backed financing, retail brokerage, margin financing and securities lending, wealth management and asset management businesses. Although the Group has implemented internal control measures, including strengthened transaction review and enhanced standard operation training to prevent against the risk of employee operational failure, the Group may not be able to completely avoid the occurrence of, or timely detect, any operational failure. Any future operational failure of employees or any termination of employment relationships in relation to operational failure could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

The Group's risk management policies as well as internal control systems and procedures may not fully protect the Group against its risk exposure.

The Group has established risk management policies as well as internal control systems and procedures to manage risk exposure. Such policies, systems and procedures may not cover all the risks that the Group is exposed to. In addition, any deficiency in the Group's policies, systems and procedures may adversely affect the Group's ability to accurately and timely record, process, summarise and report financial and other data or identify any non-compliance with laws and regulations.

Some aspects of such policies, systems and procedures may require continuous monitoring, maintenance and improvement by the Group's senior management and staff. Despite the Group's efforts to implement risk management policies and internal control systems, the Group may not be able to fully prevent or timely identify the occurrence of any non-compliance incident. The Group's businesses and prospects could be adversely affected if its efforts to apply, maintain and improve these policies, systems and procedures are ineffective or inadequate.

The Group's business may be materially and adversely affected if the Group is unable to retain or hire management team members and professional personnel.

The Group needs to ensure the continuity of its management team as well as attract and retain professional personnel who possess in-depth knowledge and understanding of the securities and financial markets. If the Group loses any of its management team members or fails to attract and retain professional personnel, the Group may not be able to execute its existing business strategies effectively or deliver excellent services to its clients. These professional personnel include experienced investment and trading managers, sponsor representatives, risk management officers, research analysts and IT specialists. However, the market for quality professionals is increasingly competitive, which may require the Group to offer more competitive compensation and other benefits. If the Group fails to attract or retain its management team members or professional personnel, the Group's business, reputation, financial condition and results of operations could be materially and adversely affected.

The Group relies on IT systems to deliver its services to the clients and form business decisions.

The Group's operations rely heavily on its IT systems to timely record and accurately process a large number of transactions across numerous markets and different business segments. A disruption to, failure of, or error in, the Group's information processing or communications systems may limit the Group's ability to timely and accurately process transactions. This would also impair the Group's ability to execute trades on behalf of clients and for the Group's own account, particularly in the Group's retail brokerage and prime brokerage businesses, which could materially and adversely affect its business, reputation, financial condition and results of operations.

The Group makes many important business decisions, including those relating to brokerage fee rates, branch locations, investment portfolios, marketing of investment or financing products and new product designs based on information collected and analysed by the Group's IT systems. Any error or flaw in the Group's IT systems may cause its business decisions to be made with inaccurate, incomplete or misleading information, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, the securities industry is characterised by rapidly changing technology. Online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among its customers due to their convenience and user-friendliness. The Group relies heavily on technology, particularly the internet, to provide high-quality online services. However, the technology operations of the Group are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, technology of the Group or external technology that allows its customers to use its online products and services could harm its business and its reputation.

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

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

A significant decrease in the Group's liquidity could adversely affect the Group's business and reduce client confidence in the Group.

Maintaining adequate liquidity is crucial to the Group's business operations as the Group continues to expand the Group's margin financing and securities lending, securities-backed financing, proprietary trading, investment banking and other business activities with substantial cash requirements. The Group meets its liquidity needs primarily through cash generated from operating activities and debt financing. Reduced liquidity could affect the Group's ability to develop its business, reduce the confidence of the Group's clients or counterparties in the Group, and result in a loss of business and customer accounts.

In addition, the CSRC and the SAC impose regulatory requirements on PRC securities companies' liquidity-related ratios. Failure to comply with these requirements may result in the CSRC and the SAC imposing penalties on the Group, or taking disciplinary actions against the Group, which could, in turn, have a material and adverse effect on the Group's financial condition and results of operations.

Factors that may adversely affect the Group's liquidity position include a significant increase in capital requirements for the Group's intermediary businesses, more stringent regulatory requirements for capital, substantial investments, loss of market or client confidence, and other regulatory changes. When cash generated from the Group's operating activities is not sufficient to meet the Group's liquidity or regulatory capital needs, the Group must seek external financing. When the conditions in the credit and capital markets are not favourable or there are changes in the regulatory environment, potential sources of external financing could be limited, and the Group's borrowing costs could increase and financing may not be available on terms acceptable to the Group, or at all.

If the Group pursues acquisitions or establishes joint ventures that present unforeseen integration difficulties or costs, the Group may not enhance its business as it expects.

The Group has in the past pursued acquisitions or established joint ventures, aimed at developing its expertise in specific areas and expanding the scope and scale of the Group's business. Acquisitions or the establishment of joint ventures involve a number of risks and present financial, managerial and operational challenges. Such challenges include potential disruption to the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increased complexity arising from the scope and geographic diversity of the Group's business operations. The Group may not be able to realise any anticipated benefits or achieve the synergies the Group expects from these acquisitions or joint ventures. The Group's clients may react unfavourably to its strategies for acquisition or establishment of joint ventures, and the Group may incur additional liabilities due to acquisitions and the establishment of joint ventures.

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

As the Group continues to expand its business scope and client base, it is critical for the Group to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within the Group's business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

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

Various laws, regulations and rules require the Group to protect the personal data and confidential information of its customers. The relevant authorities may issue sanctions or orders against the Group if it fails to protect the personal information of its customers, and it may have to provide compensation for economic loss arising from its failure to protect the personal information of its customers in accordance with relevant laws and regulations. Incidents of mishandling the personal information or failure to protect the confidential information of its customers could create a negative public or customer perception of its operations or its brand name, which may materially and adversely affect its reputation and prospects.

The Group has not obtained title certificates to some of its properties, which may materially and adversely affect the Group's right to use such properties.

As at 31 December 2020, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB365,469 thousand. Any claim or dispute related to the title of the properties owned or leased by the Group may result in the relocation of the Group's operating premises and offices. The Group cannot guarantee that the legality of its use and occupation of the relevant land and buildings will not be challenged, or that the Group will be able to secure alternative properties for its business if the Group is required to relocate. If the Group or its landlords cannot obtain the relevant building certificates in a timely manner and the Group's legal right to use or occupy the relevant properties is challenged, the Group may have to find alternative properties, incur additional relocation costs, or the Group's business operations may be disrupted, any of which may have a material and adverse effect on the Group's business, financial condition and results of operations.

The use of "Guotai Junan" as a trade name by Guotai Junan IM may expose the Group to reputational risks if it takes actions that damage the "Guotai Junan" brand name.

"Guotai Junan" is one of the Group's registered trademarks in China. It is approved to be used for securities and bonds brokerage, stock exchange quotations, futures brokerage, capital investment, fund investment, financial information, issuance of securities, financial services, financial analysis and financial evaluation. Although Guotai Junan IM also uses "Guotai Junan" as part of its registered company name, it does not own any trademark rights in respect of "Guotai Junan".

The business scope of Guotai Junan IM includes asset management, enterprise investment and enterprise advisory, which significantly differs from the Group's main businesses where the Group uses the "Guotai Junan" trademark. However, given that Guotai Junan IM uses "Guotai Junan" in its company name for purposes of the same or similar services as the Group's businesses, it may create confusion among the relevant public, and may infringe the Group's exclusive trademark right. In addition, if Guotai Junan IM takes any action that damages the "Guotai Junan" brand name, or any material and adverse publicity is associated with Guotai Junan IM, the Group's reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may have a material and adverse effect on the Group's business, financial condition and results of operations.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may severely disrupt the Group's business, and materially and adversely affect the Group's financial condition and results of operations. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and harm business activities in affected areas, which could, in turn, severely disrupt the Group's operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC Government or other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities, may also seriously interrupt the Group's operations or those of the Group's clients and counterparties, which could have a material and adverse effect on the Group's financial condition and results of operations.

RISKS RELATING TO LEGAL, COMPLIANCE AND REGULATORY MATTERS

The Group is subject to extensive and evolving regulatory requirements.

As a financial institution, the Group is subject to extensive regulatory requirements. Regulatory authorities regulate the Group's business activities by imposing capital requirements, determining the types of products and services the Group may offer, and limiting the types of securities the Group may invest in. They also conduct periodic inspections, examinations and inquiries with respect to the Group's compliance with relevant regulatory requirements. The regulatory requirements which the Group is subject to have also been modified in recent years. These recent modifications include the changes made to the Securities Law of the People's Republic of China (中華人民共和國證券法) in 2019 and the adoption of the Civil Code of the People's Republic of China (中華人民共和國民法典) on 1 January 2021, which impose more stringent requirements on the Group's operation. The PRC regulatory authorities have also in recent years increased the extent of their enforcement on PRC securities businesses, which has increased compliance risks in the Group's operation. Failure to comply with the applicable regulatory requirements could result in sanctions, fines and penalties, and limitations on the Group's business activities. Other disciplinary actions may include a downgrade of the Group's regulatory rating, which may cause the Group to be subject to a higher risk capital reserve ratio, a higher ratio for the Group's securities investor protection fund and difficulties in obtaining relevant permits or approvals for new businesses and products. For example, on 18 June 2020, the Group's subsidiary, Guotai Junan Securities (Hong Kong) Limited ("**Guotai Junan Securities (Hong Kong)**"), was reprimanded and fined HK$25.2 million by the Securities and Futures Commission of Hong Kong ("**SFC**") due to the lack of internal anti-money laundering policies and measures, insufficient monitoring of third-party transfers, failure to fully understand customers' backgrounds and sources of subscription funds in share placement transactions, inadequate internal monitoring procedures and system management for after-hours' supervision, and failure to promptly report to the SFC the issues found and other situations during the period from 2014 to 2016. Guotai Junan Securities (Hong Kong) has since adopted various rectification measures in respect of the above issues: overhauling its systems, optimising the internal control procedure, increasing compliance investment, establishing a decision-making mechanism for regular meetings, increasing compliance training, engaging third-party consultants to review and assess and other measures. These measures not only resolved the issues raised by the SFC as the punishment, but also improved Guotai Junan Securities (Hong Kong)'s compliance management ability in various aspects, such as staffing, monitoring systems, internal control structures, process management, record keeping and timely reporting. In addition, Guotai Junan Securities (Hong Kong) also held serious accountability to relevant front, middle and back office employees and those responsible for management and leadership.

Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may directly impact the Group's business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on the Group's business scope, changes to the Group's business practices or additional costs or taxes, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

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

The Group faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to sales or underwriting practices, trademarks, product design, fraud and misconduct, as well as protection of personal and confidential information of the Group's customers. As at 31 December 2019 and 2020, the contingent liabilities due to pending litigations amounted to RMB274,702 thousand and RMB713,831 thousand, respectively. The Group may also be subject to inquiries, inspections, investigations and proceedings by regulatory and other governmental agencies. The Group or the Group's employees have, from time to time, been involved in incidents of regulatory non-compliance and received notices, warnings and regulatory measures suspending certain business for a limited period of time, or been fined by the relevant regulatory authorities. Some of these non-compliance incidents may lead to the deduction of the Group's regulatory points.

Litigation, arbitration, regulatory investigations and other proceedings brought against the Group, the Group's Directors, management or employees may result in settlements, injunctions, fines, penalties or other results adverse to the Group, including damage to the Group's reputation and disruption to the Group's business. Any of these results may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant.

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

The Group is exposed to fraud or other misconduct committed by its employees, agents, customers or other third parties that could subject the Group to financial losses and regulatory sanctions, and adversely affect the Group's reputation.

The Group's internal control procedures are designed to monitor the Group's operations and ensure their overall compliance. However, the Group's internal control procedures may be unable to identify all non-compliance incidents or suspicious transactions in a timely manner or at all. In addition, it is not always possible to timely detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. The Group's failure to prevent or detect fraud and other misconduct may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

The Group may fail to detect money laundering and other illegal or improper activities in the Group's business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in the jurisdictions where the Group operates. These laws and regulations require the Group to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting obligations. The Group is also required to perform "Know Your Client" procedures and to monitor transactions for suspicious activity. Although the Group has adopted relevant policies and procedures, they may not be comprehensive and completely eliminate instances in which the Group may be used by other parties to engage in money laundering, sanctioned activities and other illegal or improper activities. In the past, certain on-site inspections conducted by the regulators have revealed that the Group had insufficient internal monitoring in certain aspects of the anti-money laundering internal control system and inadequate anti-money laundering training at certain branches. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze the Group's assets or impose fines or other penalties on the Group.

There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may materially and adversely affect the Group's business reputation, financial condition and results of operations.

The Group's substantial amounts of deferred tax assets and financial assets are subject to the uncertainties of accounting estimates.

In the application of the Group's accounting policies, the Group's management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. The Group believes that the substantial amounts of its deferred tax assets and financial assets are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

The Group's deferred tax assets were RMB1,289.1 million, RMB1,251.0 million and RMB1,761.6 million as at 31 December 2018, 2019 and 2020, respectively. Based on the Group's accounting policies, deferred tax assets are recognised where there are timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realisation of a deferred tax asset mainly depends on the Group's management's judgement as to whether sufficient profits or taxable temporary differences will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated, the Group's deferred tax assets would be impaired.

For financial reporting purposes, the Group categorises fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement. As at 31 December 2018, 2019 and 2020, the Group had RMB147.9 billion, RMB198.3 billion and RMB252.1 billion of level 2 financial assets, respectively. Compared to level 1 financial assets, level 2 financial assets are not quoted in an active market, and the Group uses valuation techniques to estimate the fair value of these assets. When estimating fair value using these valuation techniques, the Group considers observable inputs and market data, such as the yield curve of interest rate products and foreign exchange rates, among other things. Changes in these factors will affect the estimated fair value of the Group's level 2 financial assets and therefore these assets will face uncertainty in accounting estimation. As at 31 December 2018, 2019 and 2020, the Group had RMB7.7 billion, RMB11.3 billion and RMB15.3 billion of level 3 financial assets, respectively, the scale of which is much smaller than level 2 financial assets.

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

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

The Group's international businesses are highly regulated in Hong Kong.

The Group's international business are subject to various applicable laws, regulations and codes of relevant regulatory authorities, in particular, the relevant regulatory authorities in Hong Kong. From time to time, the Hong Kong regulatory regime for the financial services industry (for example, the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Money Lenders Ordinance (Cap. 163) of Hong Kong) has implemented changes in such rules and regulations, some of which have resulted in additional costs to or restrictions on the Group's international business activities. If the Group fails to comply with the applicable rules and regulations, it may become subject to enquiries and/ or investigations by the relevant regulatory bodies and if the results of any investigations or enquiries are severe or proved to involve serious misconduct, the Group may be subject to penalties including fines and/or restrictions on its international business activities. In extreme cases, it may be hampered or prevented from conducting its international business in a normal manner and some or all of its operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, there may also be an adverse impact on the Group's reputation and financial position, and in some cases, there may be material and adverse impact on its business, financial condition, results of operations and prospects.

The Group may be affected by the Financial Institutions (Resolution) Ordinance.

On July 7, 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorized institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may in the future include members of the Group operating in Hong Kong (a "**FIRO Group Entity**"), such as Guotai Junan International. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilize and secure continuity for a failing authorized institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Group is unable to assess the full impact of FIRO on the financial system generally, the Group's counterparties, the Group, any of its consolidated subsidiaries, the Group's operations and/or its financial position.

RISKS RELATING TO THE PRC

The PRC Government and the Shanghai municipal government have no legal obligations under the Bonds.

The PRC Government (including the Shanghai municipal government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer or the Guarantor. Bondholders shall have no recourse to the PRC Government (including the Shanghai municipal government) in respect of any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by the MOF Circular and the Joint Circular. Both circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

The Shanghai SASAC, as a PRC Government and an ultimate controlling shareholder of the Issuer and the Guarantor only has limited liability in the form of its equity contribution in the Issuer and the Guarantor. As such, the PRC Government (including the Shanghai SASAC) has no payment obligations under the Bonds. The Bonds are solely to be repaid by the Issuer and the Guarantor as an obligor under the relevant transaction documents and as an independent legal person.

Investors should base their investment decision on the financial condition of the Issuer, the Guarantor and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC has experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 slowed down to 6.0 per cent. on a year-on-year basis, compared to 7.3 per cent. in 2014. On 24 May 2017, Moody's Investors Service downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, Standard & Poor's Ratings Services cut China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. For example, the U.S. government has imposed various tariffs on Chinese goods, which then led the PRC to respond with similar tariffs on U.S. products. The effect of such tariffs on the economy of the PRC and the U.S. is yet to be seen, but any trade war may severely damage the economy and market confidence of both countries. There is also substantial uncertainty relating to the United Kingdom's withdrawal from the European Union in January 2020, commonly referred to as Brexit, or its impact on the economic conditions of other parts of the world, such as China, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

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

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

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

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to, or the introduction of, measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Uncertainty with respect to the PRC legal system could affect the Group.

The Group's core business is conducted in the PRC and most of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, China has not developed a fully integrated legal system and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis, or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Guarantor and the Guarantor's management.

The Guarantor and a number of the Guarantor's subsidiaries are incorporated in the PRC. A substantial portion of the Guarantor's assets are located in the PRC. In addition, most of the Guarantor's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Guarantor's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Guarantor, the Issuer, any of their respective directors, supervisors or senior management in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned（關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排）(the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing.

On 18 January 2019, the Supreme Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019**

Arrangement”). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People’s Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a “written choice of court agreement” has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

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

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

Government control of currency conversion may adversely affect the value of Bondholders’ investments.

Most of the Group’s revenue is denominated in Renminbi, which is also its reporting currency. Renminbi is not a freely convertible currency. A portion of the Group’s cash may be required to be converted into other currencies, particularly U.S. dollars, in order to meet its foreign currency needs, including cash payments on declared dividends, if any, on its Bonds. Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, the Group will have sufficient foreign currencies to meet the Group’s demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Parts of the foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE. If the Group fails to obtain such approval from SAFE to exchange Renminbi into any foreign currencies, the Group's capital expenditure plans, and even the Group's business, operating results and financial condition, may be materially and adversely affected.

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

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

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Notes and the Guarantee are unsecured obligations.

As the obligations under the Notes and the obligations under the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively, the repayment of the Notes and, in case of non-payment, the payment under the Guarantee may be compromised if:

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

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Notes and also the Guarantor's assets may not be sufficient the pay the obligations under the Guarantee.

The Notes may not be a suitable investment for all investors.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

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

A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Guarantor's payment obligations are structurally subordinated to liabilities, contingent liabilities and obligations of the Guarantor's subsidiaries.

The Guarantor owns assets and conducts its business operations through its subsidiaries. The Notes will not be guaranteed by any current or future subsidiaries. The Guarantor's primary assets are ownership interests in, and its loans to, its subsidiaries. Accordingly, the Guarantor's ability to make payments under the Notes will depend upon the receipt of principal and interest payments on the intercompany loans and distributions of dividends from the Guarantor's subsidiaries.

Creditors, including trade creditors of the Guarantor's subsidiaries and any holders of the preferred shares in such entities, would have a claim on the Guarantor's subsidiaries' assets that would be prior to the claims of the holders of the Notes. As a result, the Guarantor's payment obligations under the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries, and all claims of creditors of the Guarantor's subsidiaries will have priority as to the assets of such entities over the Guarantor's claims and those of the Guarantor's creditors, including holders of the Notes.

If the Issuer and/or the Group is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer and/or the Group is unable to comply with the restrictions and covenants in the Notes, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Group contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer and/or the Group under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the Group's assets and cash flows would be sufficient to repay all of the Issuer's and/or the Guarantor's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer and/or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer and/or the Guarantor.

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

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions of the Notes, which in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions of the Notes which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or actual breach of, or any failure to comply with, any of the provisions of the Notes, the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or the Terms and Conditions of the Notes (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, giving notice to the Issuer and the Guarantor pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions of the Notes and taking action and/or steps and/or instituting proceedings pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Noteholders to take such actions and/or steps and/or institute such proceedings directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes.

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of individual Noteholders.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands and the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

The Issuer may be unable to redeem the Notes upon the due date for redemption thereof.

The Notes will be redeemed at their principal amount upon their maturity, or following the occurrence of an event triggering the Noteholders' right to require the Issuer to redeem all, but not some only, of such Noteholder's Notes. In such circumstances, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in any of such circumstances may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Notes may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Notes at its option, in whole but not in part, at a redemption price equal to an Early Redemption Amount (as described in Condition 6(b) of the Terms and Conditions of the Notes), together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Notes), as further described in Condition 6(c) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Notes.

If the Issuer redeems the Notes prior to their Maturity Date, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Notes may reduce the market price of the Notes.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

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

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the first Tranche of Notes for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any subdivision or authority therein or thereof having power to tax. Although, pursuant to the Terms and Conditions of the Notes, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it, or the Guarantor, as the case may be, has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC (only where such tax or withholding is in excess of the rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes.

Any failure to complete the relevant registrations or filings with the NDRC relating to the issue of the Notes may have adverse consequences for the Guarantor, the Issuer and/or the investors of the Notes.

According to the NDRC Circular issued by the NDRC on 14 September 2015, PRC enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 working days after the date of issuance or drawing. Thus, the Guarantor shall make the registration of the Notes to be issued prior to the issue date of the relevant tranche of Notes (the "**NDRC Pre-Issue Registration**") and file the requisite information relating to the issue of the Notes with the NDRC within the prescribed timeframe after the relevant issue date (the "**NDRC Post-Issuance Filing**"). In the worst case scenario, failure to complete the NDRC Pre-Issue Registration or the NDRC Post-Issuance Filing may result in it being unlawful for the Guarantor or the Issuer to perform or comply with any of its obligations under the Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

The Guarantor will undertake under the Terms and Conditions of the Notes to perform the issuance registration and filing as required by laws and regulations as applicable to it from time to time. A failure to complete any applicable registration and filing procedure will not only constitute a breach of the relevant laws and regulations (which may carry administrative penalties), but will also constitute an event of default pursuant to which the Notes could be accelerated.

If the Guarantor fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

If the Guarantor fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee. The Guarantor will enter into a Deed of Guarantee in respect of each Tranche of Notes issued under the Programme. Pursuant to such Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under such Tranche of Notes and the Trust Deed. The Guarantor is required to submit for registration the relevant Deed of Guarantee and other documents to the relevant branch of SAFE for registration in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees(跨境擔保外匯管理規定(匯發[2014]29號)) within the prescribed timeframe after the execution of such Deed of Guarantee. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor. The Guarantor undertakes to complete the registration of the relevant Deed of Guarantee on or before the Registration Deadline (as defined in the Terms and Conditions of the Notes).

Following the occurrence of a No-Registration Event (as defined in the Terms and Conditions of the Notes), the holder of any Notes of the relevant Tranche will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date.

The administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定(匯發[2014]29號)) may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the relevant Deed of Guarantee with SAFE can be completed by the Guarantor or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the relevant Deed of Guarantee in the PRC.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing System(s).

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer or, failing which, the Guarantor, will discharge its payment obligations under the Notes by making payments to the relevant Clearing System(s) for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the Issuer and the Guarantor in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes which may subject the Issuer to PRC income taxes on its worldwide income and interest payable by the Issuer or the Guarantor to foreign investors in respect of the Notes or under the Guarantee may be subject to withholding taxes under PRC tax law.

Under the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得稅法)(the "**EIT Law**") and its implementing rules effective on 1 January 2008 and as amended on 24 February 2017 and 29 December 2018, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management(國家稅務總局關於境外注册中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued by the SAT on 22 April 2009, as revised in 2013 and 2017 ("**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. Circular 82 also provides that the determination of "de facto management body" shall be governed by the principle of substance being more important than form. On 27 July 2011, the SAT issued the Provisional Administrative Regulations of Enterprise Income Taxation of a Chinese-Controlled Foreign Resident Enterprise(境外注冊中資控股居民企業所得稅管理辦法), as revised in 2015, 2016 and 2018 ("**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways in which a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" would be treated as a resident enterprise: first, the foreign enterprise may decide on its own whether its de facto management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise; second, the tax authority may determine that such foreign enterprise is a resident enterprise after its active investigation.

The Group takes the position that the Issuer is currently not a PRC resident enterprise for tax purposes, and as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that the Issuer is considered as a "resident enterprise" for EIT purposes. However, there is no assurance that the tax authorities will agree with the Group's position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, **provided that** there are no tax treaties between the PRC and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, payments of interest and certain other amounts on the Notes to a non-resident individual holder may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the Individual Income Tax Law of the PRC, as revised in 2011 and 2018 ("**IIT Law**") and its implementation rules, **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Further, the payments of the interest and other interest like earnings on the Notes to a non-resident enterprise or a non-resident individual holder may be subject to withholding of PRC enterprise income tax or individual income tax in the event that the Guarantor is required to discharge its obligations under the Guarantee, subject to applicable tax treaties between the PRC and those countries or regions which exempt or reduce such withholding of tax. In addition, if the Issuer or the Guarantor fails to do so, it may be subject to fines and other penalties.

Pursuant to the Circular of Full Implementation of Business Tax to VAT Reform（關於全面推開營業稅改征增值稅試點的通知）(Caishui [2016] No. 36) issued by the Ministry of Finance and the SAT on 23 March 2016 and revised on 11 July 2017, 25 December 2017 and 1 April 2019, as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services etc（財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知）jointly issued by the Ministry of Finance of the PRC and the SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016 (together, "**Circular 36**") and other related rules and regulations, income derived from the provision of financial services which previously was subject to business tax is after 1 May 2016 subject only to VAT which replaced the business tax. According to Circular 36, entities and individuals providing services within the PRC shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer. VAT is unlikely to apply to the Issuer's payments of interest and other amounts on the Notes to investors who are located outside of the PRC, but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. However, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee as the Guarantor is located in the PRC. In addition, pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax（中華人民共和國城市維護建設稅暫行條例 (2011修訂)）issued by the State Council on 8 February 1985 and revised on 8 January 2011, Interim Provisions on the Collection of Educational Surcharges（徵收教育費附加的暫行規定(2011修訂)）issued by the State Council on 28 April 1986 and revised on 8 January 2011, Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges（財政部關於統一地方教育附加政策有關問題的通知）issued by the Ministry of Finance on 7 November 2010, certain surcharges on VAT may also be applicable and will be required to be withheld by the Issuer or the Guarantor, as the case may be, if the Issuer or the Guarantor is required to withhold PRC VAT from interest payments made to the holders of the Notes who are located outside of the PRC.

If the Issuer or the Guarantor is required under the EIT Law, IIT law, Circular 36 or other related PRC tax laws to withhold PRC income tax or VAT or related surcharges on VAT from interest payments made to the holders of the Notes who are "non-resident enterprises" or who are located outside of the PRC, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes, as well as its profitability and cash flow. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

Gains on the transfer of the Notes may be subject to income tax or VAT under PRC tax laws.

Under the EIT law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as income derived from sources within the PRC. Under the EIT law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, capital gain realised by a non-resident enterprise from the transfer of the Notes may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a PRC tax of up to 10 per cent., **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, any capital gain realised by a non-resident individual holder from transfer of the Notes may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the IIT Law, **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. There remains uncertainty as to whether the gains realised from the transfer of the Notes between entities or individuals located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was promulgated on 21 August 2006, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

Under the Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or the buyer of Notes is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and there is uncertainty as to the applicability of Circular 36 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT or related surcharges on VAT on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

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

The Terms and Conditions of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) issued on 3 July 2008 and effective on 1 August 2008, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

The ratings of the Programme may be downgraded or withdrawn.

The Programme is expected to be rated Baa1 by Moody's. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's or the Guarantor's ability to access the debt capital markets.

Any downgrading of the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

The Guarantor is currently assigned a rating of "BBB+" by S&P and a rating of Baa1 from Moody's. Any adverse revision to the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a Benchmark.

The value of, and return on, Floating Rate Notes linked to or referencing LIBOR or other similar indices may be adversely affected in the event of a permanent discontinuation of LIBOR or other similar indices.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Furthermore, if a Successor Rate or an Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes provide that the Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or an Alternative Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, (iii) if the Independent

Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be or (iv) if the Independent Adviser determines that no such industry standard is recognised or acknowledged which the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or an Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or an Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or the Independent Adviser has failed to determine a Successor Rate or an Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or an Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or an Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or an Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed Rate Notes and Floating Rate Notes (as defined in the Terms and Conditions of the Notes) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing securities do.

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Guarantor and the Group. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

For the past three decades, the PRC Government authorities have implemented economic reform measures to emphasise the utilisation of the market as a fundamental factor in resource allocation. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. From time to time, the PRC Government authorities implement various macro-economic and other policies and measures to sustain economic stability and utilise new sources of economic growth. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country, as economic reform is a developing process. As a result, the Group may not continue to benefit from all, or any, of these measures. In addition, it cannot be accurately predicted whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial condition and results of operations. For instance, the United States and China have recently been involved in controversy over trade barriers that have threatened a trade war between the countries. Both countries have implemented or proposed to implement tariffs on certain imported products from the other. Sustained tension between the United States and China over trade policies could significantly undermine the stability of the global and China's economy. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect its business, financial condition and results of operations. From a global perspective, any further tightening of liquidity in the global financial markets may negatively affect the Group's liquidity, to the extent the Group is looking for expansion overseas.

Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Noteholder may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may materially and adversely affect the market price of the Notes and the Issuer's and the Guarantor's ability to access the debt capital markets.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the People's Bank of China ("**PBOC**") promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法)(the "**PBOC FDI Measures**") on 13 October 2011, which was amended on 5 June 2015, as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC issued a circular setting out the operational guidelines for FDI, which was amended on 5 June 2015. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment(關於跨境人民幣直接投資有關問題的公告)(the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 February 2015, the SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment(關於進一步簡化和改進直接投資外匯管理政策的通知)("**Circular 13**"), which was amended on 30 December 2019, to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by the SAFE and the registration rights will be delegated from the SAFE to the qualified banks from 1 June 2015. Under the Circular 13, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. Under Circular 13, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On 30 March 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises(國家外匯管理局關於改革外商投資企業外匯資本金結算管理方式的通知)("**Circular 19**"), which was amended on 9 June 2016 and 30 December 2019 and relaxed the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015.

On 9 June 2016, the SAFE further promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items(國家外匯管理局關於改革和規範資本項目結匯管理政策的通知)("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across the PRC to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular 16.

In addition, pursuant to the Notice of SAFE on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control(國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知)("**Circular No. 3 [2017]**") promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than U.S.$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years under the applicable laws. On 24 March 2017 and 27 April 2017, the SAFE respectively posted two series of questions and answers on its official website, in order to further explain the Circular No. 3 [2017].

On 5 January 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation(關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知)("**Circular No. 3 [2018]**"), which supports enterprises to use Renminbi in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in the PRC, banks shall review relevant materials as required before processing cross-border Renminbi settlement and ensure free remittance of profits of foreign investors in accordance with the law.

As these are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance their obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business(關於人民幣業務的清算協議) (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely (i) when Renminbi Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer or the Guarantor (as the case may be) cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or the Trust Deed. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by Guotai Junan Holdings Limited 國泰君安控股有限公司 (the "**Issuer**") and guaranteed by Guotai Junan Securities Co., Ltd.(國泰君安證券股份有限公司)(the "**Guarantor**"), and are constituted by a Trust Deed dated 12 April 2021 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement dated 12 April 2021 (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as issuing and paying agent, The Bank of New York Mellon, Hong Kong Branch as the CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, any other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being are referred to below respectively as the "**Issuing and Paying Agent**" (which expression includes any successor Issuing and Paying Agent appointed from time to time in connection with the Notes), the "**CMU Lodging and Paying Agent**" (which expression includes any successor CMU Lodging and Paying Agent appointed from time to time in connection with the Notes), the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and the Paying Agent and any successor Paying Agents appointed from time to time in connection with the Notes), the "**Registrar**" (which expression includes any successor Registrar appointed from time to time in connection with the Notes), the "**Transfer Agents**" (which expression shall include any successor Transfer Agents appointed from time to time in connection with the Notes) and the "**Calculation Agent(s)**" (which expression includes any successor Calculation Agents appointed from time to time in connection with the Notes) and collectively, the "**Agents**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Each Tranche (as defined below) of Notes will have the benefit of a deed of guarantee dated on or about the relevant date of issue of the Notes (the "**Issue Date**") (as amended, restated and/or supplemented from time to time, each a "**Deed of Guarantee**") entered into between the Guarantor and the Trustee.

Copies of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time, Monday to Friday other than public holidays) upon prior written request and proof of holding and identity satisfactory to the Trustee, or as the case may be, the Issuing and Paying Agent at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Issuing and Paying Agent.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments (the "**Receiptholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest on them, the timing for submission of the NDRC Post-Issuance Filing (if applicable) and the timing for completion of the Cross-Border Security Registration).

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or the Trust Deed.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes, Transfers of Registered Notes and Certificates

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may, subject to Conditions 2(b) and 2(f) and the terms of the Agency Agreement, be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes (which shall be in a Specified Denomination) represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in a Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder following written request and provision of proof of holding and identity satisfactory to the Registrar.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Registered Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within seven business days of receipt of a duly completed form of transfer or Put Exercise Notice (as defined in Condition 6(d)) or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate (but free of charge to the holder and at the expense of the Issuer, failing whom the Guarantor) to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or any other Transfer Agent, but upon (i) payment by the relevant Noteholder of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent being satisfied that the Regulations have been complied with.

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of seven business days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(c)), (iii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer pursuant to Condition 6(c) or Condition 6(e); or (iv) after any such Note has been put for redemption pursuant to Condition 6(d) or Condition 6(f).

3 Guarantee and Status

(a) **Guarantee**: The Guarantor will, in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee, unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and, if applicable, the Receipts and the Coupons (the "**Guarantee**"). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Notes and any Receipts and Coupons relating to them constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Covenants

(a) **Undertakings relating to the Guarantee/NDRC Circular**:

(i) For the benefit of each Tranche of the Notes to be issued in accordance with these Conditions and the Trust Deed, the Guarantor shall execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed on the relevant Issue Date.

(ii) In relation to each Tranche of Notes where the NDRC Circular is applicable,

(a) The Guarantor undertakes (i) to file or cause to be filed with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents, within the prescribed timeframe after the issue date of the Notes and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time (the "**NDRC**

Post-Issuance Filing") and to comply with all applicable PRC laws and regulations in relation to the issue of the Notes and the relevant Guarantee; and (ii) to register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange of the PRC ("**SAFE**"), the relevant Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees（跨境擔保外匯管理規定）promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall submit for registration the relevant Deed of Guarantee within the prescribed timeframe after execution of the relevant Deed of Guarantee. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the relevant Guarantee; and

(b) The Guarantor shall, within ten PRC Business Days after completion of both the submission of the NDRC Post-Issuance Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (x) the completion of the NDRC Post-Issuance Filing and the Cross -Border Security Registration; and (y) that no Event of Default or Potential Event of Default has occurred; and (ii) copies of the NDRC Post-Issuance Filing setting out the particulars of filing, SAFE registration certificates and any other document evidencing the registration issued by SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the certificate and documents referred to in (i) and (ii) in this Condition 4(a)(ii)(b), the "**Registration Documents**"). In addition, the Guarantor shall procure that within ten PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issuance Filing and the Cross-Border Security Registration.

(iii) In relation to each Tranche of Notes where the NDRC Circular is not applicable,

(a) The Guarantor undertakes to register or cause to be registered with the relevant branch of SAFE, the Cross-Border Security Registration. The Guarantor shall submit for registration the relevant Deed of Guarantee within the prescribed timeframe after execution of the relevant Deed of Guarantee. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the relevant Guarantee; and

(b) The Guarantor shall, within ten PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (x) the completion of the Cross-Border Security Registration; and (y) that no Event of Default or Potential Event of Default has occurred; and (ii) copies of the SAFE registration certificates and any other document evidencing the registration issued by SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the certificate and documents referred to in (i) and (ii) in this Condition 4(a)(iii)(b), the "**SAFE Registration Documents**"). In addition, the Guarantor shall procure that within ten PRC Business Days after the SAFE Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration.

(b) **Rating Maintenance**: If specified hereon, so long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, the Issuer and the Guarantor undertake that they will use all reasonable endeavours to maintain a rating on the Notes by a Rating Agency.

(c) **Trustee Reliance**: The Trustee shall have no obligation or duty to monitor, assist with or ensure the completion of the Cross-Border Security Registration with SAFE on or before the Registration Deadline and/or the NDRC Post-Issuance Filing with the NDRC within the timeframe specified in Condition 4(b) or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing, the Cross-Border Security Registration, the Registration Documents or the SAFE Registration Documents, or to procure that any documents in relation to or in connection with the NDRC Post-Issuance Filing, the Cross-Border Security Registration, the Registration Documents or the SAFE Registration Documents which is not in English is translated into English or, if any English translation of any document is provided or retained, to verify the accuracy or completeness of the translation into English of any such certificate, confirmation or other document or to give notice to the Noteholders confirming the completion of the NDRC Post-Issuance Filing and the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

In these Conditions:

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Circular**" means the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately and any implementation rules as issued by the NDRC from time to time;

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

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

"**Rating Agency**" means (A) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); or (B) Fitch Ratings; or (C) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and their respective successors or any other reputable credit rating agency of international standing;

"**Registration Deadline**" means the day falling 150 days after the relevant Issue Date; and a "**Subsidiary**" of any person means (A) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (B) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes**:

(i) **Interest Payment Dates**: Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Rate of Interest for Floating Rate Notes**: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time in the case of CNH HIBOR) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time, in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer shall request, select and appoint, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Issuer with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question, and such offered quotations shall be notified by the Issuer to the Calculation Agent. If two or more of the Reference Banks provide the Issuer with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Issuer determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Issuer by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Issuer with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Issuer it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, and such offered rates shall be notified by the Issuer to the Calculation Agent, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination

Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Benchmark Discontinuation

(x) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iii)(C)(y)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(C)(aa)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iii)(C) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iii)(C).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(C)(x) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(iii)(C)(x).

(y) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(C)); or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(C)).

(z) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(aa) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(C) and the Independent Adviser, determines (1) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iii)(C)(bb), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the relevant Deed of Guarantee and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(b)(iii)(C)(bb), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) or the relevant Deed of Guarantee (including, for the avoidance of doubt, any supplemental deed of guarantee) in any way.

Notwithstanding any other provision of this Condition 5(b)(iii)(C), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(b)(iii)(C) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

(bb) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iii)(C) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, to Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

(1) confirming (i) that a Benchmark Event has occurred, (ii) the relevant Successor Rate or, as the case may be, the relevant Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of any relevant Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(C); and

(2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without investigation and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(b)(iii)(C), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation

Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(b)(iii)(C), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(cc) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(b)(iii)(C)(x), Condition 5(b)(iii)(C)(y), Condition 5(b)(iii)(C)(z) and Condition 5(b)(iii)(C)(aa), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(D) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum Rate of Interest/Minimum Rate of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the jurisdiction(s) of such currency.

(h) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, the Guarantor, each of the Paying Agents, each of the Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser determines, is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(iii) (if the Independent Adviser determines that no such spread is customarily applied), the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iv) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(b)(iii)(C)(y) is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

“**Benchmark Amendments**” has the meaning given to it in Condition 5(b)(iii)(C)(aa).

“**Benchmark Event**” means:

(i) the Original Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the “**Specified Future Date**”); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified future date (the “**Specified Future Date**”), be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will, by a specified future date (the “**Specified Future Date**”), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be, by a specified future date (the “**Specified Future Date**”), no longer representative of its relevant underlying market; or

(vi) it has, or will by a specified date within the following six months, become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) or (v) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents or any other Agent shall have any responsibility for making such determination and none of them shall be liable to Noteholders of any other person for any such determination.

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and in each (if any) Additional Business Centre; and/or

(ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a "**TARGET Business Day**") and in each (if any) Additional Business Centre; and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1))}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2\text{-}Y_1)]+[30\times(M_2\text{-}M_1)]+(D_2\text{-}D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2\text{-}Y_1)]+[30\times(M_2\text{-}M_1)]+(D_2\text{-}D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(b)(iii)(C)(x).

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified thereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Issuer or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note or Coupon is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Noteholders in accordance with Condition 16 (which such notice shall be irrevocable) and in writing to the Trustee and the Issuing and Paying Agent at their Early Redemption Amount (as described in Condition 6(b) above) together with interest accrued up to but excluding the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in Condition 6(c) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event they shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders.

(d) **Redemption for Relevant Events**: If Redemption for Relevant Events is specified hereon, at any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No-Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Put Exercise Notice**") by not later than 30 days following the occurrence of a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No-Registration Event) after the expiry of such period of 30 days as referred to above.

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

The Issuer shall give notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by the Noteholders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

Neither the Trustee nor the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and none of them shall be liable to any Noteholders or any other person for not doing so. The Trustee shall not be required to investigate or verify the accuracy, content, completeness or genuineness of any document provided to it by the Issuer or the Guarantor or any other person as part of or in connection with or to enable satisfaction of the Registration Conditions, and may rely conclusively on any such document, and shall not be responsible for or liable to the Noteholders, the Receiptholders, the Couponholders, the Issuer, the Guarantor or any other person for any loss or liability arising from any failure to do so.

For the purposes of these Conditions:

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

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

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

(iii) any Person or Persons, acting in concert, acquires Control directly or indirectly or in combination (through Subsidiaries) of the Guarantor, other than where Control is acquired by SASAC or its local counterparts or its successor or entities controlled (directly or indirectly) by SASAC or its local counterparts, or any Person directly or indirectly controlled by the central or local government of the PRC.

"**Control**" means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor, or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors (excluding independent directors) or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of the Guarantor and the terms "**controlling**" and ""**controlled**" have meanings correlative to the foregoing;

a "**No-Registration Event**" occurs when the Registration Conditions are not satisfied in full on or before the Registration Deadline;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

"**Registration Conditions**" means the receipt by the Trustee of (in the case where Condition 4(a)(ii) applies) the Registration Documents or (in the case where Condition 4(a)(iii) applies) the SAFE Registration Documents;

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

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

(e) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (in accordance with Condition 16) and in writing to the Trustee and the Issuing and Paying Agent (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee and the Issuing and Paying Agent, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) specified hereon at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form for the time being current, obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(h) **Purchases**: The Guarantor, the Issuer, and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Guarantor, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding (as defined in the Trust Deed), *inter alia*, for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 12(a) and 14.

(i) **Cancellation**: All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) and Condition 7(f)(vi)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank;

(ii) in the case of Notes denominated in Renminbi, by transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(c), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System or, in the case of Renminbi, in Hong Kong.

(b) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Registered Notes**:

(i) Payments of principal and premium (if any) (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(c)(ii).

(ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

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

Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in the Global Certificate is credited as being held by the CMU Service at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU Service shall discharge the obligations of the Issuer in respect of that payment.

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law, regulation or official guidance implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholders or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(b) above.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Payment Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Additional Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the applicable tax rate as at the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer, or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

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

(b) *Surrender More Than 30 Days after the Relevant Date*: where the relevant Note or Coupon or Receipt is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note, Receipt or Coupon for payment on the last day of such period of 30 days; or

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

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or, any Noteholder, Receiptholder or Couponholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Note, Receipt or Coupon without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

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

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

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

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Notes (other than where it gives rise to a redemption pursuant to Condition 6(d)), the relevant Deed of Guarantee or the Trust Deed and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) being a default which in the opinion of the Trustee is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries and is not discharged within 60 days; or

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

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

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

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

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

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

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

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

In this Condition 9, "**Material Subsidiary**" means any Subsidiary of the Issuer or the Guarantor:

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

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

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

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

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

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

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

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

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

10 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall (subject as provided in Condition 7(f)(i)) be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer, the Issuing and Paying Agent and/or the Registrar in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 Meetings of Noteholders, Modification and Waiver

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee upon request in writing from Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any Early Redemption Amount in respect of, or any premium payable in respect of, or interest, on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the relevant Deed of Guarantee (other than as provided in Condition 12(b), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (x) in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Notes for the time being outstanding, or (y) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agreements and Deeds**: The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Noteholders as soon as practicable thereafter. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(b)(iii)(C) without the consent of the Noteholders, Receiptholders or Couponholders.

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

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

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest on them, the timing for submission of the NDRC Post-Issuance Filing (if applicable) and the timing for completion of the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if such supplemental documents and/or additional documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

14 Enforcement

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

15 Indemnification of the Trustee

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

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Noteholders, the Receiptholder, the Couponholder or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders, the Receiptholder or the Couponholder or in the event that no direction is given to the Trustee by the Noteholders, the Receiptholder or the Couponholder.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same in these Conditions or under the Trust Deed, the Agency Agreement and/or the relevant Deed of Guarantee and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, the Receiptholder, the Couponholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee or these Conditions, and shall not be liable to the Noteholders, Receiptholders, Couponholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

16 Notices

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the expense of the Issuer, failing whom the Guarantor, in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal) and/or in such manner which complies with the rules and regulations of that stock exchange or such relevant authority. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). If any such publication is not practicable, notices required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

17 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Receipt or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Receipt or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Receipt or Coupon, the Issuer and the Guarantor jointly and severally shall indemnify it against any loss sustained by it as a result. In any event, the Issuer and the Guarantor jointly and severally shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it shall be sufficient for the Noteholder, Receiptholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantor, respectively, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue to be in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Jurisdiction

(a) **Governing Law**: The Notes, the Receipts, the Coupons and the Talons, the relevant Deed of Guarantee, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with them, are all governed by and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts, the Coupons or the Talons, the relevant Deed of Guarantee, the Agency Agreement or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons or the Talons, the relevant Deed of Guarantee, the Agency Agreement or the Trust Deed ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process**: Pursuant to the Trust Deed, the Issuer has irrevocably appointed the Guarantor (currently at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong) to receive service of process in any Proceedings in Hong Kong based on the Notes, the Trust Deed and the relevant Deed of Guarantee.

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms of Conditions of the Notes".

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee of the Common Depositary for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relevant Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer or the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular principal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a Temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(d) or 6(f) may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 13 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant Certification.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided in the paragraph titled "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an aggregate principal amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive Certificate, such definitive Certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an aggregated principal amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons (and, where appropriate, Talons) in respect of interest or/and Receipts in respect of Instalment Amounts that have not already been paid on the Global Note).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Note, the first day following the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) is located and (where relevant) in the city in which the relevant clearing system is located.

Amendment to the Terms and Conditions of the Notes

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**Payment Business Day**" set out in Condition 7(h) of the Terms and Conditions of the Notes but (in the case of Notes lodged with the CMU) shall also require such day to be a day (other than a Saturday, Sunday or public holiday) on which the CMU is operating.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January or, in the case of Notes lodged with the CMU, a day on which the CMU is operating and open for business.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal or interest shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the Issuer's obligations in respect of that payment. For these purposes, a notification from the CMU shall be conclusive evidence of records of the CMU (save in the case of manifest error). Save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims in respect of principal and interest in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 of the Terms and Conditions of the Notes).

Meetings

The holder of the Notes represented by a Permanent Global Note or a Global Certificate shall (unless the Permanent Global Note or the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of the Notes represented by a Permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a Permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate may be exercised by the holder of the Permanent Global Note or the Global Certificate giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) (i) (in the case of the Permanent Global Note) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation accordingly in relevant schedule of such Permanent Global Note or (ii) (in the case of the Global Certificate) within the time limits set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised.

Notices

Notices required to be given in respect of the Notes represented by a Global Note or Global Certificate may be given by their being delivered, (i) except as provided in (ii) below (so long as this Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system) to Euroclear, Clearstream or such other clearing system, as the case may be, rather than by (in the case of a Global Note) publication as required by the Terms and Conditions of the Notes or (in the case of a Global Certificate) mailing to the addresses in the Register as required by the Terms and Conditions of the Notes or (ii) (so long as this Global Certificate is held on behalf of the CMU) to the CMU, rather than by (in the case of a Global Note) publication as required by the Terms and Conditions of the Notes or (in the case of a Global Certificate) mailing to the addresses in the Register as required by the Terms and Conditions of the Notes, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global

Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*][1] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*][1]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[•]/[; (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")][2]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

---

1 The ICMA proposed proportionate "professional investors" only product governance approach envisages that a negative target market will be unlikely. At the time of the programme establishment/update, consider what types of bonds may be issued and whether the flexibility to include a negative target market may be needed for a particular issuance. Note that a programme which only envisages vanilla issuance (this will be the majority of the deals we do in Asia) is unlikely to require a negative target market placeholder. If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]."

2 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA [•]/[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA][2]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ["prescribed capital markets products"]/[capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][3]

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

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

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

This Pricing Supplement, together with the Offering Circular (as defined below), includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][4]

---

3 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer

4 Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

Pricing Supplement dated [•]

Guotai Junan Holdings Limited 國泰君安控股有限公司

Legal entity identifier (LEI): 254900LPP2WWVAHJTP31

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

Guaranteed by

Guotai Junan Securities Co., Ltd.
(國泰君安證券股份有限公司)

under the U.S.$3,000,000,000 Medium Term Note Programme

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.][5]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [•] 2021 [and the supplement to it dated [•]] ([together], the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [original date] [and the supplemental offering circular dated [•]] ([together], the "**Offering Circular**")], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	(i)	Issuer:	Guotai Junan Holdings Limited 國泰君安控股有限公司
	(ii)	Guarantor:	Guotai Junan Securities Co., Ltd.(國泰君安證券股份有限公司)
2	(i)	Series Number:	[•]

5 Delete this language from the pricing supplement if the "Prohibition of Sales to EEA Retail Investors" legend is included in the pricing supplement (because the Notes potentially constitute "packaged" products and no key information document will be prepared) and the "Prohibition of Sales to EEA Retail Investors" is specified to be "Applicable".

	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 33 below, which is expected to occur on or about [date]]/[Not Applicable]
3		Specified Currency or Currencies:	[•]
4		Aggregate Principal Amount:	
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
5	(i)	Issue Price:	[•] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii)	[Net proceeds:	[•]] [*Delete for unlisted issuances*.]
	(iii)	[Use of Proceeds	[•]]
6	(i)	Specified Denominations:	[•][6]
	(ii)	Calculation Amount:	[•]
7	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8		Maturity Date:	[*Fixed rate – specify date/Floating rate* –Interest Payment Date falling in or nearest to [*specify month and year*]][7]
9		Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [Dual Currency] [*specify other*] (further particulars specified below)

[6] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies). If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000."

[7] Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

10	Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid][Instalment] [specify other]
11	Change of Interest Basis or Redemption/ Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
12	Put/Call Options:	[Investor Put][8] [Issuer Call] [(further particulars specified below)] [Not Applicable]
13	Rating Maintenance Covenant (Condition 4(b)):	[Applicable/Not Applicable]
14	(i) Date of [Board] approval for issuance of Notes and Guarantee obtained:	[•] [and [•], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
	(ii) Regulatory approval for issuance of Notes obtained:[9]	[[•]/None required][Date] (*N.B. Only relevant where registration with the NDRC is required for the particular tranche of Notes*)
15	Listing:	[Hong Kong Stock Exchange/*specify other*/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
16	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

17	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]

8 For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

9 If pre-issue registration with the NDRC is required, the date of the NDRC Pre-Issuance Registration Certificate should be included.

(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/*not adjusted*] (*N.B.: This will need to be amended in the case of long or short coupons*)
(iii)	Fixed Coupon Amount(s):	[•] per Calculation Amount[10]
(iv)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)[11] or [*specify other*]]
(vi)	Determination Date(s):	[•] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]

18 Floating Rate Note Provisions — [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i)	Interest Period(s):	[•] [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[•] in each year [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]

10 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

11 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(iii)	Interest Period Date:	[Not Applicable]/[•][in each year [, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]] (*Not applicable unless different from Interest Payment Date*)
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/(*specify other*)]
(vi)	Additional Business Centre(s):	[•]
(vii)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(viii)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[Principal Paying Agent/(*specify other*)]
(ix)	Screen Rate Determination:	
	Reference Rate:	[•] (*Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
	Interest Determination Date(s):	[•] (*Second London business day prior to the start of each Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi, second Hong Kong business day prior to the start of each Interest Accrual period if the Specified Currency is Renminbi and CNH HIBOR, first day of each Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR and the day falling two TARGET Business Days prior to the start of each Interest Period if euro)*
	Relevant Screen Page:	[•] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

(x)	ISDA Determination:	
	Floating Rate Option:	[•]
	Designated Maturity:	[•]
	Reset Date:	[•]
(xi)	Linear Interpolation:	[Note Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xii)	Margin(s):	[+/-] [•] per cent. per annum
(xiii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiv)	Maximum Rate of Interest:	[•] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] *(See [Condition 5] for alternatives)*
(xvi)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
19	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Amortisation Yield:	[•] per cent. per annum
(ii)	Day Count Fraction:	[•]
(iii)	Any other formula/basis of determining amount payable:	[•]
20	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[give or annex details]

	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[Principal Paying Agent/(*specify other*)]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

Provisions Relating to Redemption

21	Call Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/specify other/see Appendix]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period (if other than as set out in the Conditions):	*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
22	Put Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/specify other/see Appendix]

	(iii) Notice period (if other than as set out in the Conditions):	[•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
23	Final Redemption Amount:	[[•] per Calculation Amount/specify other/see Appendix]
24	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[•] per Calculation Amount/specify other/see Appendix]
25	Relevant Events Put	[Applicable/Not Applicable]
	General Provisions Applicable to the Notes	
26	Form of Notes:	**[Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice[12]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] **[Registered Notes**: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
27	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(iii) and 19(vii) relate)*
28	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

12 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [•] days' notice.

29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
30	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
	(iii) Minimum Instalment Amount:	[•]
	(iv) Maximum Instalment Amount:	[•]
31	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*]
32	Consolidation provisions:	[Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
33	Other terms or special conditions:	[Not Applicable/*give details*]
	Distribution	
34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Date of Subscription Agreement	[•]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
36	U.S. Selling Restrictions:	[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/ TEFRA not applicable[13]]
37	Additional selling restrictions:	[Not Applicable/*give details*]
38	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*N.B. If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

13 "TEFRA not applicable" is only available for Bearer Notes with a with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

36	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*N.B. If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
	Operational Information	
40	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
41	Delivery:	Delivery [against/free of] payment
42	Additional Paying Agent(s) (if any):	[•]
43	(i) ISIN:	[•]
	(ii) Common Code:	[•]
	(iii) (insert here any other relevant codes such as a CMU instrument number)	[•]
44	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars):	[Not applicable/U.S.$[•]]
45	Ratings:	The Notes to be issued have been rated: [[•]: [•]] [[•]: [•]] [[•]: [•]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)
46	Private Bank Rebate/Commission:	[Not Applicable/*give details*]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager in this Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date of the relevant Tranche of Notes. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$3,000,000,000 Guaranteed Medium Term Note Programme of Guotai Junan Holdings Limited 國泰君安控股有限公司.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________
Duly authorised

Signed on behalf of the Guarantor:

By: ______________________________
Duly authorised

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used for the refinancing of existing debt obligations and for general corporate purposes of the Group in accordance with relevant NDRC and SAFE rules and their requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2020. This table should be read in conjunction with the Audited Financial Statements and the accompanying notes, which are included elsewhere in this Offering Circular.

	As at 31 December 2020	
	Actual	
	(RMB thousand)	*(U.S.$ thousand)*[3]
Current interest-bearing borrowings		
Loans and borrowings	9,769,331	1,497,215
Short-term debt instruments	48,724,368	7,467,336
Bonds payable[1]	24,744,699	3,792,291
Total current interest-bearing borrowings	**83,238,398**	**12,756,843**
Non-current interest-bearing borrowings		
Bonds payable[1]	66,947,715	10,260,186
Total non-current interest-bearing borrowings	**66,947,715**	**10,260,186**
Equity		
Share capital	8,908,448	1,365,279
Other equity instruments	11,071,661	1,696,806
Treasury shares	(776,909)	(119,067)
Reserves	71,645,598	10,980,168
Retained profits	46,504,462	7,127,121
Attributable to equity holders of the Company	137,353,260	21,050,308
Non-controlling interests	8,884,558	1,361,618
Total equity	**146,237,818**	**22,411,926**
Total capitalisation[2]	**296,423,931**	**45,428,954**

(1) In January 2021, the Guarantor issued in the PRC local currency bond markets (i) two tranches of short-term corporate bonds each with a nominal amount of RMB4 billion, and (ii) one tranche of RMB3 billion subordinated bonds. On 4 March 2021, Guotai Junan International issued U.S.$400,000,000 2.00 per cent. Notes due 2026.

(2) Total capitalisation equals the sum of the current interest-bearing borrowings, the non-current interest-bearing borrowings and the total equity.

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

From time to time, the Guarantor may issue debt or other securities in various currencies and tenor depending on market conditions. Except as otherwise disclosed above, there has been no material adverse change in the Group's capitalisation since 31 December 2020.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a BVI business company with limited liability incorporated under the BVI Business Companies Act, 2004 (as amended). It was incorporated in the British Virgin Islands on 3 March 2010. The Issuer is an indirectly wholly-owned subsidiary of the Guarantor.

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 no par value shares of a single class and one share has been issued to Guotai Junan Financial Holdings Limited. None of the equity securities of the Issuer are listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

BUSINESS ACTIVITY

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not directly sell any products or provide any services and has undertaken no business activities since the date of its incorporation, save for its holding as to approximately 73.25% of the shares at the date of this Offering Circular of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a limited liability company incorporated in Hong Kong in March 2010, the shares of which are listed on the HKSE (stock code: 1788) and other than entering into arrangements for the issue of the 3.875 per cent. guaranteed bonds in the aggregate principal amount of U.S.$500,000,000 due 2022.

Guotai Junan International is a forerunner and leader in the internationalisation of PRC securities companies. In July 2010, Guotai Junan International became the first PRC securities company conducting business in Hong Kong to be listed in Hong Kong through an IPO. In March 2011, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite Index. In September 2015, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite MidCap Index. As of 31 December 2020, the market capitalization of Guotai Junan International was approximately HK$10.0 billion. For more details, see "*Description of the Group – The principal business lines of the Group – International Business*".

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are sufficient to show and to explain its transactions and which will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DIRECTORS AND OFFICERS

The directors of the Issuer as at the date of this Offering Circular are Fung Yim, Jian Yu and Lebin Xie. The registered office of the Issuer is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. From 2007 to 2020, the Group's net profit ranked among the top four in the industry for fourteen consecutive years. From 2011 to 2019, the Group's operating revenue and total assets ranked among the top three and four in the industry respectively, for nine consecutive years. The Group's net assets, net capital, operating revenue and net profit in 2020 ranked third, first, second and fourth in the industry respectively. As of 31 December 2020, both of the Group's total assets and net assets ranked third in the industry while the net capital ranked first in the industry, and for the year ended 31 December 2020, the Group's operating revenue and net profit ranked second and fourth in the industry respectively. The Guarantor also has a rating of BBB+ by Standard & Poor and a rating of Baa1 from Moody's Investors Service, Inc., which is the highest international rating amongst companies in the PRC securities industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. In addition, the Group is committed to achieving quality growth and maintaining a balance between business scale, profitability and risk management. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for thirteen consecutive years from 2008 to 2020.

The Group's vision is to become an integrated financial services provider rooted in China with global coverage and strong influence. Leveraging its strong competitive advantage in the PRC, the Group aims to promote its internationalisation by building up its global network and international execution capabilities, so that it can meet its clients' demand for cross-border financial services. According to the Group's Three-year Development Strategy Plan from 2019 to 2021, the Group's phased objective for this planning period is to develop the Group into "an integrated financial services provider with an across-the-board leading position in China and international competitiveness according to higher standards and with more depth".

The Group derives its success from the consensus of its culture among its employees, and the continuous implementation of such culture:

Its Values: The Group regards its clients as its first priority and balances the interests of all stakeholders.

The Group prioritises its clients and aim to create value for them through its professional services. The Group believes that it can only further the interests of its Shareholders and employees through creating value for its clients. The Group also believes that the pursuit of long-term goals can lead to the achievement of short-term objectives, and the Group is committed to striking a balance between business scale and profitability.

Its Approach to Profession: The Group adopts a culture of risk management and excellence.

The Group believes that risk management creates value and future development relies on compliant operations. The Group seeks to identify the best people for all positions, and to provide the best quality services and deliver the best results to its clients.

Its People Culture: The Group is a people business and it promotes collaboration and cooperation.

The Group views its employees as the cornerstone of its survival and growth. The Group places strong emphasis on its culture and heritage. The Group gives its best employees opportunities for career advancements. Its people culture is based on both shared responsibilities and shared rewards.

Its Code of Conduct: The Group excels by innovation and cherishes its reputation.

The Group believes that innovation is the driver for its future growth and the key to a sustainable leading position. The Group always cultivates a sense of crisis and takes forward-looking and pre-emptive actions. The Group cherishes its reputation, honours professional ethics, and commits to its status as a well-respected company. Its vision is to become an integrated financial services provider with roots in China, global coverage and strong influence.

For the years ended 31 December 2018, 2019 and 2020, the Group's total revenue and other income was RMB31,229.4 million, RMB39,049.6 million and RMB46,445.3 million, respectively, and the Group's profit attributable to equity holders of the Group for the same periods was RMB6,708.1 million, RMB8,637.0 million and RMB11,122.1 million, respectively. As of 31 December 2020, its total equity attributable to equity holders of the Guarantor was RMB137,353.3 million and the Group's total assets were RMB702,899.2 million.

The Group's business segments are as follows:

- **Institutional Finance**: The Group's institutional finance business comprises investment banking and research and institutional services. The Group strives to capture market opportunities through collaboration between these two business lines:

  - The investment banking business segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients; and

  - The research and institutional services business segment, which primarily includes institutional brokerage, asset custody and outsourcing as well as research services to institutional clients.

- **Trading and Investment**: The Group's trading and investment business segment primarily includes investment transactions in stocks, fixed income, foreign exchange, commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management.

- **Credit**: The Group's credit business segment primarily includes stock-pledged financing, agreed securities repurchase and margin financing and securities lending services to clients.

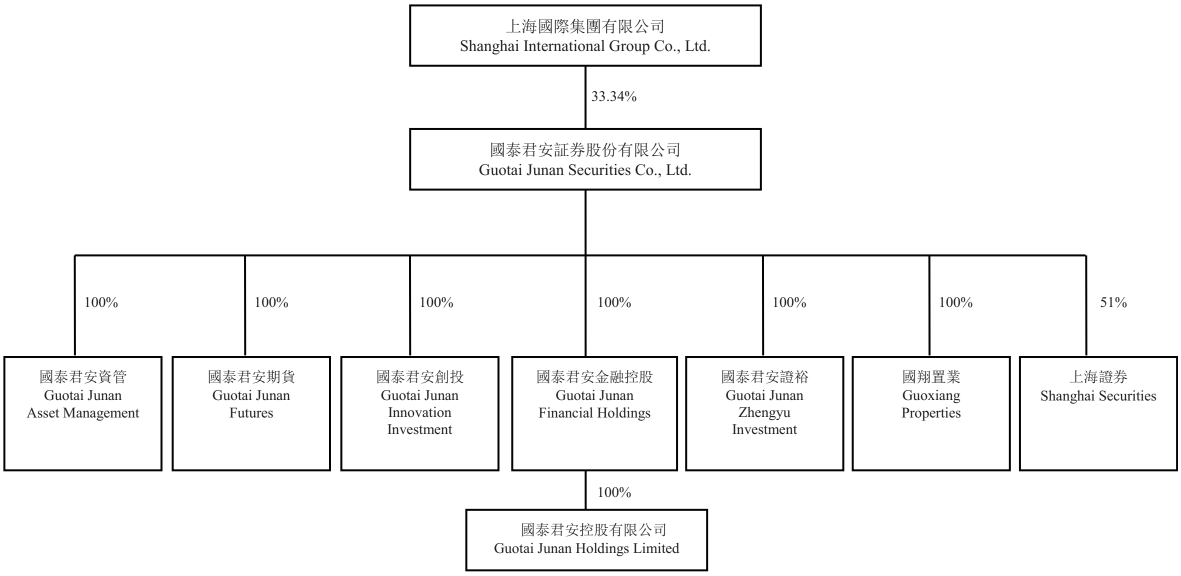
- **Wealth Management**: The Group's wealth management business segment primarily includes securities and futures brokerage, financial products, investment advisory and other services to individual clients.

- **Investment Management**: The Group's investment management business segment primarily includes asset management, fund management services to institutions and individuals, and also includes equity investment business.

- **International Business**: The Group's international business segment represents the business operation of overseas subsidiaries of the Group, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses.

GROUP STRUCTURE

The following chart provides an overview of the shareholding structure of the Group and key operating subsidiaries of the Guarantor as at 31 December 2020.



* In February 2021, the registered capital of Shanghai Securities increased from RMB2.61 billion to RMB5.33 billion. The Guarantor's shareholding in Shanghai Securities reduced from 51% before the capital increase to 24.99%, and therefore Shanghai Securities ceased to be the controlled subsidiary of the Guarantor.

HISTORY AND DEVELOPMENT

With the approval of the CSRC, the Group was founded in Shanghai as a joint-stock limited company on 18 August 1999 through the merger of Guotai Securities and Junan Securities. Guotai Securities and Junan Securities, the two predecessors of the Group, were established on 25 September 1992 in Shanghai and on 12 October 1992 in Shenzhen, respectively. The Group was established by 136 promotors amongst whom the Shanghai Municipal Finance Bureau, Shenzhen Investment Management Co., Ltd.(深圳市投資管理公司)and State Electronic Power Corporation(國家電力公司)were the major promoters.

In October 2001, the Shanghai Municipal Finance Bureau transferred its entire 16.38% shareholding in the share capital of the Group to Shanghai State-owned Assets Operation Co., Ltd.(上海國有資產經營有限公司)at nil consideration. In April 2007, Shenzhen Investment Management Co., Ltd.(深圳市投資控股有限公司)contributed its entire 11.15% shareholding in the share capital of the Group into the founding capital of Shenzhen Investment Holdings Co., Ltd.(深圳市投資控股有限公司)for its establishment. In June 2007, State Electronic Power Corporation(國家電力公司)transferred its 4.22% shareholding in the share capital of the Group to State Grid Corporation of China(國家電網公司)at nil consideration, and in April 2011 State Grid Corporation of China(國家電網公司)transferred its entire 4.22% shareholding in the share capital of the Group to Shanghai Municipal Investment (Group) Corporation(上海城投(集團)有限公司).

Milestone Events

The milestone events in the Group's development history are set out below:

1992	•	Guotai Securities and Junan Securities, the predecessors of the Guarantor, were established in Shanghai and Shenzhen, respectively. Both companies were among the first batch of national large-scale integrated securities firms established in China.
1993	•	The Group obtained its asset management license, which was among the first in the industry.
1995	•	The Group set up its securities business in Hong Kong, which was among the first in the industry.
1999	•	The Group was founded and established through the merger of Guotai Securities and Junan Securities, with a registered capital of RMB3,727.18 million, and became the largest securities firm by asset size in China at that time.
2001	•	The Group disposed of assets relating to the non-securities business and split into two independent companies, namely itself and Guotai Junan IM. The Group carried on its business operation as the continuing company and held the securities businesses related assets, and substantially increased the Guarantor's Net Capital through asset swaps, laying the foundation for future development.
2004	•	The Group qualified as a primary dealer in the open market granted by PBOC and a market maker for the interbank bond market.
2005	•	The Group passed the review by the SAC and became one of the pilot securities firms conducting innovative businesses.
	•	The Group obtained support from the government in deepening the reform and establishing a modern financial enterprise system and received a capital injection of RMB1 billion from Central Huijin Investment Ltd.
2007	•	The Group obtained direct investment qualification and IB stock index futures qualification, which was among the first in the industry.
2008	•	The Group received the regulatory rating of Class A Grade AA from the CSRC, and have maintained such rating record for 13 consecutive years since then.
	•	The Group was among the first batch of securities companies to obtain the financial futures settlement qualification, and was among the first in the industry to engage in QDII business.
2010	•	Guotai Junan International (stock code: 1788) became the first PRC-owned securities firm in Hong Kong to undergo an initial public offering and listing on the HKSE.
2012	•	International Group became the Group's Shareholder, and it directly and indirectly held 46.74% of the Guarantor's Shares.
2013	•	The Group became the first company to join the payment system of the PBOC in the securities industry and started to implement innovative plans for integrated wealth management services.
2014	•	The Group acquired a 51% equity interest in Shanghai Securities to further expand the Guarantor's business scale.

- The Group became the first company to obtain the qualifications for sale and purchase of foreign exchange in the securities industry and subsequently obtained the China Interbank FX Market membership and derivatives membership qualifications. The Group then began to undertake transactions of spot sale and purchase of foreign exchange and RMB and foreign exchange related derivative business.

2015 . . . .
- The Group completed the initial public offering and listing of its A-Shares (stock code: 601211) on the Shanghai Stock Exchange, and were subsequently selected as one of the constituent stocks of the CSI 100 Index, SSE 50 Index, SSE 180 Index and CSI 300 Index.
- The Group was among the first batch of securities companies which were admitted into the independent accounting and auditing unit of the PBOC, and commenced free trade account business in the China (Shanghai) Pilot Free – Trade Zone.

2016 . . . .
- The Group summarised its 24 years of development history and refined it as the "Guotai Junan Consensus" to articulate its core values and corporate mission.

2017 . . . .
- In April 2017, with the approval of the CSRC and the HKSE, the Guarantor issued 1,040 million H-Shares through an initial public offering, and further issued 48.9338 million additional H-Shares upon the exercise of an over-allotment option. The registered capital of the Guarantor increased to RMB8,713.9338 million.
- As approved by the CSRC, the Guarantor publicly issued convertible bonds with an issuance size of RMB7 billion on 7 July 2017. The convertible bonds were listed on the Shanghai Stock Exchange on 24 July 2017 and can be converted into ordinary A-Shares of the Guarantor from 8 January 2018.

2018 . . . .
- The Guarantor received "Letter of Reply of CSRC regarding the Cross-border Business Related Matters Carried out by the Guotai Junan Securities Pilot Program", which clarified that the Guarantor is entitled to sign the OTC financial derivatives master agreement and its supplemental agreement with both domestic and foreign counterparties. In August 2018, the Guarantor was qualified as a primary dealer for OTC options. The Group also obtained CDS clearing qualification, cross-border business qualification and was among the first in the industry to become a mutual funds settlement party.

2019 . . . .
- In April 2019, with the approval of the CSRC, the Guarantor completed the placing of 194 million H-Shares at a price of HKD16.34 per share under a general mandate. The registered capital of the Guarantor increased to RMB8,907.947954 million.

2020 . . . .
- In March 2020, the Guarantor was among the first to qualify for CSRC's consolidated supervision pilot program.

RECENT DEVELOPMENTS

Matters Related to the Solution for the Issue of Same-industry Competition with Shanghai Securities

In order to solve the same-industry competition issue between the Guarantor and Shanghai Securities Co., Ltd. ("**Shanghai Securities**"), in August 2019, at the 16th extraordinary meeting of the fifth session of the Board of the Guarantor, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議採取上海證券有限責任公司定向增資方式解決同業競爭問題的議案》) was considered and approved, pursuant to which it was agreed that the issue of same-industry competition would be solved by the targeted capital increase of Shanghai Securities.

In January 2020, the Guarantor convened the 21st extraordinary meeting of the fifth session of the Board at which the Proposal on Consideration and Approval of the Specific Plan for Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議上海證券有限責任公司定向增資具體方案的議案》) was considered and approved, pursuant to which, Bailian Group Co., Ltd. and Shanghai Municipal Investment (Group) Corporation agreed to subscribe for the newly issued capital of Shanghai Securities by way of non-public capital increase, while the existing three shareholders of Shanghai Securities, including the Guarantor, waived their first refusal right to subscribe for the newly issued capital. Upon completion of the capital increase, the shareholding of Bailian Group Co., Ltd. in Shanghai Securities will be 50.00%, and it will become the controlling shareholder of Shanghai Securities, while the Guarantor's shareholding in Shanghai Securities will be reduced from 51% before the capital increase to 24.99%. As such, there will be no same-industry competition between the Guarantor and Shanghai Securities. In January 2020, the above matter was approved by Shanghai State-owned Assets Supervision and Administration Commission, and approved by the CSRC in December 2020. In February 2021, the registered capital of Shanghai Securities increased from RMB2.61 billion to RMB5,326.532 million, and its legal representative was changed from Mr. Li Junjie to Mr. He Wei. The Guarantor's shareholding in Shanghai Securities reduced from 51% before the capital increase to 24.99%, and therefore Shanghai Securities ceased to be the controlled subsidiary of the Guarantor.

COMPETITIVE STRENGTHS

The Group believes that by capitalizing upon the following competitive strengths, the Group will continue to seize the growth opportunities in the PRC capital markets and maintain its long-term, consistent and across-the-board leadership position.

Strong Support from the Government and Shareholders

In light of the strategic importance of some of the Group's businesses and operations, in particular in Shanghai and Shenzhen, the Shanghai and Shenzhen governments support the sustainable development of the Group, and the Group expects to continue to be supported by having close collaboration with the government as one its key shareholders. The Shanghai and Shenzhen governments have provided, and continue to provide, strong support to the Group. As at 31 December 2020, International Group and Shenzhen Investment Holdings, which are both shareholders of the Guarantor, controlled a total of approximately 33.34% and 6.84% of the Group's issued share capital, respectively. International Group is the state-owned capital operation platform under the Shanghai SASAC, and the Shenzhen Investment Holdings is the largest state-owned company in Shenzhen, which is a comprehensive licensed financial holding platform under the Shenzhen SASAC.

The Group has also previously received financial support from the government in the form of equity injections. Following the Guarantor's initial public offering of H-Shares on HKSE in 2015, the International Group and Shenzhen Investment Holding (either by themselves or through their subsidiaries) have increased their holdings of H-Shares in the Guarantor.

Deeply Rooted Culture of Risk Management and Excellence

Since its inception, the Group has developed the operational philosophy and corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practises a sound risk culture and market-oriented performance culture, and promotes high-quality development based on comprehensive reforms, thereby further enhancing its cohesiveness and culture recognition.

The Group firmly believes that risk management is the core competency of securities companies. The Group has established a comprehensive and effective risk management and internal control system, covering risks across all its business lines and operations, including market risk, credit risk, liquidity risk, operational risk and compliance risk. With comprehensive risk management system, scientific risk management models and methods and advanced risk management methods to accurately identify and effectively manage risks, the Group can maintain its long-term stable development. Meanwhile, the Group uses advanced risk management tools and technologies to manage its overall risk exposures in a proactive way by layered authorisation, quantitative management and real-time monitoring and analysis. This team is embedded in its business divisions and holds the authority to review and approve all strategic and day-to-day business decisions. The risk management personnel for its key business functions have in-depth understanding of its business, which is conducive to preventing risk events. Compliance and risk management is also an important factor for determining the promotion and remuneration of its employees. The Group's comprehensive and effective risk management and internal control system has helped it attain excellent regulatory ratings from the CSRC. In March 2020, the Guarantor was among the first to qualify for CSRC's consolidated supervision pilot program. The Group has been granted the industry's highest regulatory rating of Class A Grade AA from the CSRC for thirteen consecutive years from 2008 to 2020.

The Group's culture of excellence is embedded in its day-to-day management and operations, and is well reflected in its talent selection, training and its approach to client services:

- The Group is committed to identifying the best people for all positions. The Group has a rigorous talent development system. The Group tends to promote people internally to lead its business divisions in order to best inspire teamwork and pass on its corporate culture. The Group has also established a large external talent database to continuously track the most talented individuals in the market to complement and enhance its team. As a result of the market reputation of the Group's high-calibre team, good career development paths and a market-oriented incentive system, the Group's employees are proud to work for the Group. As at 31 December 2020, the Group adheres to a market-oriented performance culture, continues to promote market-oriented institutional reforms, and selects and motivates talents through market-oriented enrolment mechanism and performance appraisal mechanism, promoting the continuous improvement of the Group's competitiveness. As at 31 December 2020, the Group has strengthened its talent advantage by increasing its efforts in reform, promoting reform in the investment banking business unit, implementing the Restricted Share Incentive Scheme of A Shares, to further strengthen the incentive and retention of core staff. The Group also strengthens the long-term incentive and restraint mechanism for core talents by establishing a post value and competence oriented and performance related remuneration system to achieve "inside fairness and outside competition", improve the utility efficiency of remuneration resources and motivate excellent employees for the purpose of attracting and retaining excellent talents.

- In order to improve the professional skills of its employees, the Group has provided its employees with diversified internal and external training programs. Affected by the COVID-19 pandemic for the year ended 31 December 2020, the Group actively adapted to the requirements for the pandemic's prevention and control, by strengthening the construction of its online staff learning platform and curriculum library, with the total number of courses reaching 12,599, covering a total of 22 categories, and completed the initial establishment of a basic online curriculum system, with the staff network learning time achieving more than 920,000 hours and the per capita learning time reaching up to 89.15 hours. Meanwhile, the Group actively promoted modular and systematic transformation of training courses for its staff, and provided various multi-module and long-cycle course series, such as field manager training camps, asset allocation training camps, investment banking professional training camps, and international talent training camps, to effectively enhance the systematicness, comprehensiveness and completeness of the Group's training work.

- The Group is committed to providing the highest quality services to and achieving the best results for its clients. The Group gains trust from its clients through high quality services, which are crucial to enhancing the loyalty of existing clients, expanding its client base and maintaining its premium pricing. For example, the Group's quality services have built up an excellent reputation in the industry, and its personal finance client accounts grew from approximately 12.70 million as of 31 December 2018 to approximately 14.49 million as of 31 December 2020.

The Group firmly believes that its culture of risk management and excellence is deeply rooted among its employees and is the most fundamental factor that has made it a long-term and consistent leader in the PRC securities industry.

The Group also maintains long-term relationships with various financial institutions, including, without limitation, policy banks such as China Development Bank, Agricultural Development Bank of China, The Export-Import Bank of China, as well as commercial banks such as Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, China Construction Bank, Bank of Communications, Postal Saving Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank Co., Ltd., and Bank of Shanghai.

The Group also maintains sufficient bank credit lines. The Group's used bank credit lines were approximately RMB60 billion and RMB85.8 billion, and the unused credit lines were approximately RMB360 billion and RMB356.6 billion, as at 31 December 2019 and 2020, respectively.

Across-the-board Leader in the PRC Capital Markets

The Group is a consistent leader in terms of business scale and has strong profitability. From 2007 to 2020, the Group's net profit ranked among the top four in the industry for 14 consecutive years. From 2011 to 2019, the Group's operating revenue and total assets ranked among the top three and four in the industry respectively, for nine consecutive years. The Group's net assets, net capital, operating revenue and net profit in 2020 ranked third, first, second and fourth in the industry respectively. As of 31 December 2020, both of the Group's total assets and net assets ranked third in the industry while the net capital ranked first in the industry, and for the year ended 31 December 2020, the Group's operating revenue and net profit ranked second and fourth in the industry.

The Group has a comprehensive and balanced combination of businesses, and its principal businesses rank at the top of the industry:

Institutional Finance

Investment Banking

- Ranked third in terms of the number of lead underwriting of securities during the years 31 December 2019 and 2020, respectively;

- Ranked fourth and third in terms of the lead underwriting amount of securities during the years ended 31 December 2019 and 2020, respectively;

- Ranked fourth in terms of lead underwriting of equity financing during the year ended 31 December 2020;

- Ranked third in terms of lead underwriting of corporate bonds during the year ended 31 December 2020;

- Ranked fifth in terms of lead approved M&A and restructuring projects during the year ended 31 December 2020; and

- Ranked first in terms of the scale of managed public offering funds during the years ended 31 December 2019 and 2020.

Institutional Investor Services

- Ranked third and fourth in terms of margin loans for stock-pledged financing during the years ended 31 December 2019 and 2020, respectively;

- Ranked second in terms of amount of the aggregate products of its asset custodian and outsourcing business during the year ended 31 December 2019;

- Ranked second in terms of the number of private funds under custodianship during the year ended 31 December 2020;

- Ranked first in terms of assets under custody from mutual funds during the years ended 31 December 2019 and 2020;

- Ranked second in terms of the market share of Bond Connect being over 8% and was awarded "Excellent Bond Connect Market Maker" during the year ended 31 December 2020;

- Ranked first in terms of cumulative trading volume of interest rate swaps during the years ended 31 December 2019 and 2020;

- Ranked "the Top 10 ESP Trade Pattern of Inter-bank Foreign Exchange Market" during the year ended 31 December 2019;

- Received First Prizes for Best Domestic Research Teams, for Most Influential Research Institutes in 2016 and 2017; received Top Five Gold Bull Teams prize in the eighth Gold Bull Analysts in China Securities Industry during the year ended 31 December 2017; received the first prize for Most Influential Research Institute in the eleventh Crystal Ball Sell-side Analysts Awards during the year ended 31 December 2017; and

- The first batch of Exchange-traded options acquired the qualification for the market making operator of the CSI 300ETF options and the CSI 300 Index options, and positions and trading amount of the options continued to maintain an industry-leading position during the year ended 31 December 2019.

Personal Finance

- Ranked first in terms of the net revenue from securities brokerage business (including seat leasing) during the years ended 31 December 2019 and 2020;

- Ranked third and fourth in terms of balance of margin financing and securities lending during the years ended 31 December 2019 and 2020, respectively;

- Ranked third and second in terms of trading volume of financial futures traded by Guotai Junan Futures at China Financial Futures Exchange during the years ended 31 December 2019 and 2020, respectively;

- Ranked second in terms of monthly customers activeness of the Group's Jun Hong APP during the years ended 31 December 2019 and 2020;

- Ranked third in terms of the number of investment consultants during the year ended 31 December 2020;

- Ranked second in the Dalian Commodity Exchange in terms of the trading volume of commodity futures during the year ended 31 December 2020; and

- Ranked third and second in terms of the scale of customer equity during the years ended 31 December 2019 and 2020, respectively.

Investment Management

- Ranked second in terms of monthly average scale of assets under discretionary management during the year ended 31 December 2020; and

- Ranked third in terms of scale of asset management during the year ended 31 December 2019.

International Business

- Ranked second in terms of the underwriting amount of High Yield Bonds issued by PRC companies during the year ended 31 December 2020; and

- Ranked among top Chinese security dealers in Hong Kong in terms of major operating indicators during the year ended 31 December 2020.

The Group's leading positions in its business lines have led to its outstanding brand as well as abundant cross-selling opportunities. Leveraging its clients' recognition of its high quality one-stop integrated services, the Group is able to capture a larger share of revenue in the market. In addition, its diversified businesses have resulted in a more stable revenue structure that can help mitigate the impact of market volatility.

In addition to the pursuit of business scale and industry ranking, the Group also emphasises the quality of business growth as well as the control of risk exposure:

- With respect to its investment banking business, the Group imposes a rigorous criterion for selecting clients and does not expand its business hastily;

- With respect to its securities brokerage and asset management businesses, the Group focuses on providing value-added services; and

- With respect to its margin financing and securities lending business, the Group adjusted its exposure ahead of its peers in the volatile market during the first half of 2015. As a result, the Group did not incur losses from forced liquidation in 2015.

The balance the Group strikes between business scale and quality has enabled the Group to consistently achieve better capital utilisation and return on net assets than the industry averages. The Group's net assets as of 31 December 2020 ranked third in the industry, while both of the Group's operating revenue and net profit as of 31 December 2020 ranked second and fourth in the industry respectively.

Leader of Technology and Innovation in the PRC Securities Industry

The Group believes that IT is critical to the future growth of securities companies. The Group makes strategic investments in IT and continuously promote proprietary financial technology innovation. The Group is a frontrunner in the application of financial technology in the securities industry:

- In 2003, the Group was the first securities company in the industry to implement centralised trading, centralised risk management and centralised financial management;

- The SAC has granted Securities and Futures Industry Technology Awards to 14 of the Group's technological achievements, making the Group the most frequent recipient of this award and the only securities company to receive the first prize of this award;

- In 2014, the Group established a new data centre, which is the only high grade, high capacity and independent data centre park in the securities industry. When the daily trading volume of stocks and funds of the market increased sharply to nearly RMB2.5 trillion in 2015, the Group's ability to process 50,000 transactions per second ensured efficient trading, clearing and settlement; and

- In April 2018, the Group won awards for four projects in total in the 6th Science and Technology Awards Regarding Securities and Futures, ranking first in the industry.

- From 2017 to 2019, the Group's IT system investment scale ranked first in the industry for three consecutive years and, it is also the only securities firm that has passed CMMI4 certification.

- During the year ended 31 December 2019, the Group deepened the application of artificial intelligence and knowledge maps, constantly promoted the construction of intelligent investment research, built a comprehensive asset management system, initially set up a technology platform for OTC derivatives business, laid out a big trading system and increased the independent research and development rate of major trading systems.

- In 2019, Guotai Junan was the first company to launch the online reservation on the science and technology innovation board and also one of the first batch of companies to obtain the permission to trade on the science and technology innovation board. The construction of the Guarantor's operation and management system has been completed, the informatization and digitalization of operation and management has reached a new level, and the financial technology capability has constantly strengthened.

- During the year ended 31 December 2019, the Group continued to increase investment in science and technology, deepened technology-enabled initiatives, launched Daohe (道合) App and Matrix system, and optimised the "five ends and one micro" digital wealth management platform. The Daohe App was listed on "China Fintech Pioneer List of 2019 China Fintech Creative List" by the Securities Times.

The Group proactively deploys leading information technologies to guide its business decisions, enhance client experience and improve its management capabilities:

- The Group has built client profiles with more than 500 labels and accurately analyse them to guide the formulation of its strategies in key areas such as brokerage commission rate, business network structure, new product design, as well as investment and financing product promotion;

- The Group's mobile APP has rich functions that focus on strengthening the Internet experience, providing intelligent analysis tools and delivering tailored investment advice and financial services to clients. These app functions, based on big data analysis, also enhance the capabilities of its clients in stock selection, market timing, asset allocation and risk management, and their abilities in investment and wealth management. In recent years, by actively advocating the concept of "Open up Securities", the Group accelerated the implementation of a financial technology strategic plan, and continued to optimise the digital wealth management platform with Jun Hong APP as the core and the institutional customer service platform with Daohe APP as the core, accelerated the construction of professional trading systems and increased the independent research and development rate of major trading systems. As of 31 December 2020, the Jun Hong App ranked second in the industry with 36.56 million mobile terminal users and 5.06 million annual average monthly active users; and

- The Group's advanced financial management information system and risk management information system timely track its financial data, liquidity data, risk exposure and various risk management indicators. This tracking allows the Group to monitor and report on a daily basis the asset allocation, business scale and risk limits of each business line, enables its management to timely respond to changes and provides solid support for the stable operation of its business.

Innovation is a key pillar of the Group's industry-leading position. The Group's strong innovation capabilities enable it to continue to proactively introduce innovative products and services to meet the increasing demands of client for financial services and differentiate it from its competitors. The crisis-management and forward-thinking approach of its management enables it to capture market trends with first-mover advantages:

- *Investment banking business:* the Group is skilled in designing optimal financial solutions tailored to the needs of its clients, and has pioneered a number of new products and new deal structures in the PRC market, which have helped to broaden the financing channels of its clients, including the first CDR in the A-share market, the first domestic entire enterprise listing through H-Share conversion and merger by absorption, the first warrant issuance, the first credit assets securitization, the first corporate assets securitization, the first commercial bank hybrid capital bond issuance and the first preferred share issuance;

- *Research and Institutional business:* the Group was the first securities company to establish a securities research institute and to set up a comprehensive prime brokerage service system. The Group continued to rank first among securities companies in terms of scale of mutual fund custody in respect of its research and institutional business. In addition, the Group has continued to expand its product and service offerings to institutional investors and was the first in the industry to obtain the Shanghai Gold Exchange International Class A membership, one of the first batch of companies to become a precious metal spot contract broker and to obtain the accounting settlement business qualification in the China (Shanghai) Pilot Free-Trade Zone, one of the securities companies to obtain the foreign exchange settlement and sales business license and to form an industry-leading FICC business system;

- *Trading and investment business:* the Group built the "Guotai Junan Hedging (國泰君安避險)" program, and built an OTC financial cloud system, resulting in a rapid growth of the OTC derivatives business. In July 2020, the Group filed with the State Administration of Foreign Exchange in respect of the foreign exchange settlement and sale business for customers engaged in cross-border investment and financing transactions, and became one of the first batch of CME Shanghai gold futures market makers and one of the first batch of companies allowed to access China's bill trading system;

- *Credit business:* the Group was among the first batch of securities companies to obtain margin financing and securities lending pilot qualification and the financial futures and options brokerage qualification, and was also the first securities company to obtain a payment license. The Group began to shift from the traditional securities brokerage business model towards a comprehensive wealth management business model as early as 2011, which has enhanced the experience and convenience of its individual clients, and enabled it to achieve a considerable pricing premium and diversify its revenue source;

- *Wealth management business:* the Group has strived to build a digital wealth management platform, and was among the first batch in the industry to qualify for pilot investment advisory service in funds, and to officially start a business in this field; Guotai Junan Asset Management was among the first batch to be granted with the pilot qualifications to conduct large-scale mutual funds reconstruction and completed the reconstructions for five large-scale collective products participating in mutual funds and gained the approval of qualification for mutual fund business from CSRC;

- *Investment management business:* the Group was among the first in the industry to establish an asset management subsidiary and to obtain the bond-pledged quotation and repurchase business qualification. The Group has strong product development capabilities and successfully applied arbitrage strategies and structured products to client asset management as early as 2003. The Group also launched the first hedge fund product, the first statistical arbitrage product and the first broker classified hedging product in China, which enabled it to better meet the demands for investment products from high-net-worth clients;

- *International business:* the Group was among the first in the industry to provide its clients with an online trading platform and online overseas trading system, which improved the convenience of trading and overseas investment. The Group is also among the first in the industry to engage in the QFII business back in 2003 and to obtain the RQFII qualification, and it is the first securities company to issue RQFII products. Moreover, the Group led the industry in promoting the internationalisation of domestic enterprises, and acted as a sponsor for the first H-Share listing of an A-Share-listed company, as a sponsor for the first H-Share listing of an A-Share- and B share-listed company, and the sole sponsor for the first conversion of B shares into H-Shares and listing. The Group also became one of the first companies to obtain the Bond Connect market-maker qualification, and was allowed to conduct pilot cross-border business and liquidation agency business of RMB interest rate return swaps. The Group completed the strategic integration of its subsidiaries in Vietnam, steadily advancing its overseas layout.

These innovative and precedent-setting products and services offer distinctive features that meet specific risk preferences and needs of different investors and clients. They enable the Group to achieve a distinctive pricing premium, enhance its brand recognition, reinforce the loyalty of its clients, establish its first-mover advantages and better capture market opportunities. Continuous innovation has also brought it further diversified income growth.

Experienced Management Team with a Highly Proficient Professional Workforce

The success of the Group is attributable to the sound leadership of its directors and senior management. The majority of the Guarantor's directors, including its chairman, and members of its senior management, including its general manager, deputy general manager, chief financial officer and general compliance officer, have an average of 25 years of experience in the PRC financial and securities industries.

The Group believes that the strategic vision of its senior management team has distinguished it from its competitors and has allowed it to capture business opportunities arising from product innovation and globalisation of the PRC securities industry. The directors of the Group believe that the retention of key employees is attributable to its well-recognised brand name, business prospects, successful recruitment and customised professional training programmes.

BUSINESS STRATEGIES

The Group aims to be an integrated financial services provider with an across-the-board leading position in China and international competitiveness. The Group has put forward and intends to intends to steadily implement the medium and long term development strategy of "Nine-Year Strategic Plan in 3 Three-Year Steps". In the first three-years, from 2020 to 2022, the Group will focus on laying the foundation, strengthening weakness, and consolidating the Group's leading position among securities companies in the market. In the second three-years, from 2023 to 2025, the Group will focus on enhancing the capacity, reinforcing advantages, and maintaining the industrial leading position in respect of core indicators. In the third three-years, from 2026 to 2028, the Group will focus on the totalization and internationalization, to become "a prestigious modern investment bank with an overall leading position and international competitive edge".

The Group also plans to implement the following business strategies in relation to its business segments:

Institutional Finance: Providing Integrated Financial Solutions to Institutional Clients

The Group intends to enhance its integrated institutional financial service system based on the three dimensions of client, sector and product. The Group aims to moderately expand its balance sheet and grow its capital intermediary business, to better meet the needs of its institutional clients:

- *Client*: The Group's account manager team is critical to the development of its integrated financial services business. The Group intends to institutionalise client relationship with multi-point coverage of the same institutional client. The Group's account manager team is responsible for exploring client needs and leading the sector and product teams to provide tailored services;

- *Sector*: Organising the Group's businesses by sector is the key to enhancing its professional competence and market influence. The Group implements this initiative across its investment banking, research and proprietary trading businesses. This will help the Group identify key industries and corporate clients, enhance its ability to provide professional advice to its clients and strengthen its pricing and sales capabilities; and

- *Product*: Enhancing product development capability is the basis for the Group to provide its clients with value-added services. By taking the lead in obtaining the relevant business licenses, the Group has built a new FICC business platform and can provide high value-added trading and risk management services to its institutional investor clients, and customised solutions to its corporate clients.

Personal Finance: Enhancing Client Stickiness

Client stickiness is the key to the effective expansion of its client base. The Group aims to be customer-centric and intends to enhance client experience and stickiness through investing in financial technologies, enhancing its products pool and upgrading its integrated wealth management service system:

- The Group will increase investment in the use of financial technologies, such as big data and artificial intelligence through proprietary development and acquisitions to provide its clients with bespoke services;

- The Group will improve its product development, product introduction and product evaluation system. The Group will also establish a multi-asset class, multi-market and multi-strategy product pool, and strengthen its ability to customise investment portfolios for its clients; and

- The Group will optimise and upgrade its integrated financial service model that combines online and offline channels. The Group will also improve its online platform which integrates its comprehensive services such as trading, wealth management, financing and payment, and further enhance the service of its investment adviser team for high-end clients.

Investment Management: Expanding AUM

Expanding the Group's AUM will result in not only significant brand-and-market influence, but also strong bargaining power and opportunities for additional revenue. The Group intends to expand the scale of its AUM through the following steps:

- The Group will expand the scale of its AUM through inorganic growth and improve its multi-tiered and multi-product asset management system;

- The Group will rapidly expand its high-value-added and non-discretionary funds, focusing on fixed income funds, asset-backed securities and FOF asset management products; and

- The Group will expand its direct investment business and form an asset management product system centered around specific sectors.

International Business: Focusing on the Demand of Domestic Clients for Global Asset Allocation

Leveraging its large domestic client base, the Group is committed to the growth of the following businesses which the Group believes have great growth potential:

- *International asset management business*: The Group intends to build a cross-border asset management platform through strategic cooperation to rapidly enhance its product development capability;

- *Global securities brokerage services*: The Group intends to improve its advanced global brokerage service technology platform to meet the significant demand of domestic clients for overseas discretionary investment, and meet the needs of its institutional investor clients for professional trading; and

- *Cross-border M&A services*: The Group intends to connect domestic capital and overseas projects by providing financial advisory, financing and risk management services through organic growth or strategic cooperation with leading international investment banks.

THE PRINCIPAL BUSINESS LINES OF THE GROUP

The Group has established a comprehensive and balanced combination of businesses. Through its matrix management structure with both geographic line and business line reporting, the Group integrates the diverse businesses, products and service offerings, provides comprehensive financial services to institutional, corporate and individual clients, and promotes cooperation and cross-selling across its business lines and between its domestic and overseas businesses.

The following table sets forth a breakdown of the Group's total revenue and other income by principal business lines for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions, except for percentages)					
Institutional finance	14,889.0	47.7%	19,480.9	49.9%	21,604.6	46.5%
Personal finance	10,584.2	33.9%	11,976.6	30.7%	16,872.6	36.3%
Investment management	2,509.4	8.0%	2,969.3	7.6%	2,639.7	5.7%
International business	2,488.2	8.0%	3,928.9	10.1%	4,676.3	10.1%
Others[(1)]	**758.6**	**2.4%**	**693.9**	**1.8%**	**652.1**	**1.4%**
Total	**31,229.4**	**100%**	**39,049.6**	**100%**	**46,445.3**	**100%**

(1) Segment total revenue and other income from others primarily consist of government grant.

Institutional Finance

The Group's institutional finance business comprises investment banking and institutional investor services businesses in the PRC. For the years ended 31 December 2018, 2019 and 2020, the Group's revenue and other income generated by the Group's institutional finance business was RMB14,889.0 million, RMB19,480.9 million and RMB21,604.6 million, respectively, representing 47.7%, 49.9% and 46.5% of the Group's total revenue and other income, respectively.

The following table sets forth a breakdown of its total revenue and other income from institutional finance business for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions, except for percentages)					
Investment banking	1,678.0	11.3%	2,060.4	10.6%	3,347.8	15.5%
Institutional investor services	13,211.0	88.7%	17,420.5	89.4%	18,256.8	84.5%
Total	**14,889.0**	**100%**	**19,480.9**	**100%**	**21,604.6**	**100%**

Investment Banking

The Group's investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients. The Group's investment banking business covers all major PRC regions and all major industries. In particular, the Group has accumulated extensive experience in the finance, energy, infrastructure, IT, consumer goods and healthcare industries. The Group also focuses on emerging industries and closely tracks companies with significant growth potential in those industries.

The Group's investment banking business has a solid client base. The Group focuses on building and maintaining long-term relationships with, and providing one-stop, full life cycle investment banking services to, its corporate clients. Through close coordination between its M&A advisory business and its equity and debt financing businesses, the Group develops deep relationship with its clients, in order to satisfy their various needs, and to grow together with them. For the years ended 31 December 2019 and 2020, the Group's net revenue of Investment Banking business was RMB2,592.8 million and RMB3,734.9 million, respectively.*

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

The Group highly values its continuous innovation in the investment banking business and has maintained a leading position in terms of innovation capabilities. The following table sets forth the significant achievements by its investment banking business, which were first-of-a-kind:

Year	Issuer	Highlights
2020	Ninebot Limited	First red-chip company listed on the Science and Technology Innovation Board
2019	Amlogic (Shanghai) Co.,Ltd.	Obtained "Approval Letter No. 001" on the Science and Technology Innovation Board issued by the Shanghai Stock Exchange for the supervision of the issuer's initial public offering
2018	Shanghai Electric Power Co., Ltd.	First M&A project involving Pakistan in the A-share market
2018	WuXi AppTec Co., Ltd.	First "unicorn" company that has returned to A shares and has global influence
2018	HongShi Holding Group Co., Ltd.	First "Belt and Road" corporate bonds publicly issued in the PRC
2014	Agricultural Bank of China Limited	First preferred share issuance in the PRC
2012	China International Marine Containers (Group) Co., Ltd.	First conversion of B shares into H-Shares and listing
	China Communications Construction Company Limited	First merger by absorption of an A-Share listed company through issuance of A-Shares by an H-Share listed company and concurrent secondary offering
2008	China Zheshang Bank Co., Ltd.	First asset securitization based on small and medium enterprises mortgage loans in the PRC
2006	Industrial and Commercial Bank of China	First A-Shares and H-Shares concurrent listing Limited
	Industrial Bank Co., Ltd.	First hybrid capital bond issuance by a commercial bank in the PRC
	Shanghai International Port (Group) Co., Ltd.	First listing of the entire enterprise through H-Share conversion and merger by absorption after the PRC Shareholders structure reform
	Shanghai Pudong Road & Bridge Construction Co., Ltd.	First corporate asset securitization in the PRC

Year	Issuer	Highlights
2005	Baoshan Iron & Steel Co., Ltd	First warrant issuance as part of the PRC shareholders structure reform
	China Development Bank Corporation	First credit asset securitization in the PRC
1999	Sinopec Maoming Refining and Chemicals Co. Ltd.,	One of the first convertible bond issuances in the A-Share market

The Group has earned an excellent market reputation and influence. The following table sets forth major awards its investment banking business and investment banking team received during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2019	Outstanding Corporate Bond Underwriter, Outstanding Innovation Institution for Bond Business, Outstanding Local Government Bond Underwriters, Outstanding Participating Institution for Product Innovation	Shanghai Stock Exchange
2018	Outstanding Local Government Bond Underwriters, Outstanding Corporate Bond Underwriter, Outstanding Innovation Institution for Bond Business, Outstanding Participating Institution for Product Innovation	Shanghai Stock Exchange
	Outstanding Non-Bank Underwriters, Best Contribution for Local Bond Non-Bank Underwriters	China Government Securities Depository Trust & Clearing

The Group's investment banking business is generally classified into the equity financing, debt financing, financial advisory and others business lines. For the years ended 31 December 2018, 2019 and 2020, the Group's lead underwriting amount of securities was RMB383.1 billion, RMB564.6 billion and RMB815.3 billion, respectively. For the year ended 31 December 2020, the Group's lead underwriting amount of securities ranked third in the industry, and the underwriting amount of equity interest was RMB102.4 billion, ranking fourth in the industry.

Equity Financing

The Group's equity financing business primarily comprises IPOs, refinancing and preferred share issuances. In response to its corporate clients' profiles and their differentiated requirements with respect to equity and capital structures, the Group offers various equity financing instruments and financial services to address their demand for equity capital at different stages of their life cycle.

While actively developing its IPO business, the Group is committed to the development of high value-added services. The Group focuses on exploring refinancing needs for its IPO clients and M&A clients, and emphasises refinancing mandates, including private placements, rights issuances and convertible bond issuances, as well as preferred share issuances. As a result, the Group is able to maintain the diversity of its equity financing products. For the year ended 31 December 2020, the underwriting amount of equity interest was RMB102.42 billion, ranking fourth in the industry. In terms of the Group's IPO business, the Group had underwriting amount of sponsorship of RMB21.69 billion, and sponsored and underwrote the first CDR project in the A-share market.

The following table sets forth an overview of the Group's equity financing business for the periods indicated:

	Year ended 31 December		
	2018	2019	2020
	(RMB in millions, except for the number of transactions)		
IPOs			
Number of transactions	4	9	22
Underwritten amount	2,869	6,960	21,690
Refinancing			
Number of transactions	16	21	41
Underwritten amount	46,018	68,800	80,740
Preferred shares issuance			
Number of transactions	1	–	–
Underwritten amount	26,000	–	–
Equity financing in total			
Number of transactions	21	30	63
Underwritten amount	74,887	75,760	102,430

Debt Financing

The Group has a strong debt financing business. The Group is a leader among domestic securities companies with the largest collection of debt financing business qualifications. The Group is a member of the MOF underwriting syndicate for treasury bonds as well as the underwriting syndicate for financial bonds issued by the Three Policy Banks. The Group is qualified to lead the underwriting of various debt financing instruments, including enterprise bonds, corporate bonds, financial bonds and private placement notes by non-financial enterprises. The Group has also acted as a lead underwriter for many large debt securities offerings by China Railway Corporation, State Grid Corporation of China, China National Petroleum Corporation, China Petrochemical Corporation and State Development & Investment Corporation. The Group proactively leverages the market trend of proliferating debt financing instruments, and leads in the underwriting of innovative bond instruments, including asset-backed securities, green financial bonds and panda bonds. For the year ended 31 December 2020, the underwriting amount of bonds was RMB712.83 billion, ranking third in the industry.

The table below sets forth an overview of the Group's debt financing business for the periods indicated:

	Year ended 31 December		
	2018	2019	2020
	(RMB in millions, except for the number of transactions)		
Corporate bonds			
Number of transactions	161	222	356
Underwritten amount	93,176	151,020	183,190
Enterprise bonds			
Number of transactions	5	24	51
Underwritten amount	4,879	18,860	34,420

Financial Advisory

The Group's financial advisory business focuses on corporate M&A and asset restructuring. For the year ended 31 December 2019, the M&A and restructuring projects approved by the CSRC in M&A and restructuring businesses involved a transaction amount of RMB15.6 billion, ranking fifth in the industry. In 2018, 2019 and 2020, fee and commission income from its financial advisory business was RMB359.1 million, RMB327.0 million and RMB296.4 million, respectively.

Others

The Group's investment banking business also includes NEEQ listing and financing. The Group was qualified as an NEEQ lead manager in 2006, and was the first securities company to complete a private placement for an NEEQ-listed company. The Group's NEEQ business ranked first in the "Practice Quality Assessment of Chief Agency Brokers" conducted by NEEQ in 2017. The Group focuses on the risk management of NEEQ listing projects by establishing an independent quality-control team, and actively controls the number, while striving to enhance the quality of NEEQ listing projects the Group works on.

Institutional Investor Services

The Group's institutional investor services business provides prime brokerage, stock-pledged financing and securities repurchase and research services to institutional investors. The Group also conducts proprietary trading in equities, derivative financial instruments and FICC. Its institutional clients primarily include sovereign wealth funds, NSSF, mutual funds, insurance companies, private funds, QFII/RQFII, trust companies and commercial banks. As of 31 December 2019 and 30 June 2020, the Group had 43,000 and 48,000 institutional customers, respectively, representing an increase of 11.8%.

Prime Brokerage

The Group offers institutional investors comprehensive, one-stop and customised services, including trading services, custody and outsourcing services, financing business, research services, product sales and support, derivative financial instruments services, fund performance evaluation and analysis, as well as investment strategy consulting. The Group also provides its clients with bespoke business solutions through its dedicated prime brokerage account managers. As at 31 December 2020, the transaction amount under PB system was RMB2.5 trillion, and the customer asset size was 290.9 billion.*

Trading Services

The Group leases trading seats to institutional investors, including mutual funds, insurance companies and the NSSF, which are not stock exchange members, enabling them to trade the securities in their investment portfolio on the stock exchanges. Through its customised prime brokerage trading system, the Group also provides fast and convenient securities trading services to private funds and other institutional investors. In 2017, the Group became one of the first companies to obtain the Bond Connect market-maker qualification, and to obtain the permission to conduct pilot cross-border business and the license of its foreign exchange client account system, and became the only option volatility surface market maker and nickel futures market maker in the industry. In 2020, the Group was awarded the "Excellent Bond Connect Market Maker" and had a market share of over 8% on Bond Connect, ranking second among securities companies in the overall market.

Custody and Outsourcing

The Group's custody business provides institutional investors with asset custody, fund clearing and settlement, investment monitoring, fund valuation, information disclosure and other services. The Group's outsourcing business provides institutional investors with basic services including fund unit registration and fund valuation as well as value-added services including performance review, contract drafting and information disclosure. In April 2013, the Group was qualified to pilot a comprehensive custody business for private funds. In May 2014, the Group was one of the first companies to be qualified for securities investment funds custody business. Since April 2015, the Group has been registered as a private fund business outsourcing service organisation. The custodian and outsourcing business has passed the ISAE3402 international certification for five consecutive years due to the Group's efforts to comprehensively promote the reconstruction of operational processes, and to enhance financial technologies and professional operation service capabilities.

---

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

The Group was among the first in the industry to launch an Internet-based fund operation platform, which covers hundreds of customizable functions for fund management, including product life cycle management, fund transfer, valuation and accounting, share registration, performance analysis, customised statements and information disclosure. The Group established an efficient fund settlement and transfer system and achieved direct processing of fund settlement. Through an advanced data analysis system, its fund performance analysis services allow fund managers to fully analyse their investment portfolio's performance and execute their investment strategies in six dimensions, namely product size, net value analysis, risk analysis, position analysis, attribution analysis and transaction analysis.

As of 31 December 2020, the aggregate products of the Group's asset custodian and outsourcing business amounted to 11,908. As of 31 December 2019 and 2020, the Group's asset custodian and outsourcing business amounted to the scale of RMB1,114.6 billion and RMB1,846.9 billion, respectively, representing an increase of 65.7% and ranked second in the industry as of both periods. As of 31 December 2019 and 2020, the Group's assets under custody from mutual funds amounted to RMB78.0 billion and RMB108.6 billion, respectively, ranking first in the securities company custody industry.

Proprietary Trading

The Group's proprietary trading business conducts trading of stocks, funds, bonds, derivative financial instruments, commodities, currencies and other financial instruments with its own funds or on behalf of institutional investors through buying and holding, trading and market-making. The assets for the Group's proprietary trading business are recorded on its consolidated statement of financial position primarily as financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets held under resale agreements with debt securities and others as underlying assets.

Stocks, Funds and Derivative Financial Instruments Trading

The Group trades stocks and funds for its own accounts and pursues absolute returns. The Group focuses on value investment in selected sectors and stocks. The Group selects stocks with long-term investment value, and decides on the timing to buy or sell based on macro-economic research, industry analysis, market-cycles analysis and its understanding of behaviour of market participants. The Group's decisions to buy or sell are also based upon its research of a target stock's industry, business models, financial condition and quality of the management team. The Group formulates diversified trading strategies and continuously adjusts them based on market trends and conditions to secure stable investment gains.

The Group follows the principle of diversified investment and implements a dynamically adjusted stop-loss and profit-taking mechanism. The Group aims to protect its investment gains by closely monitoring market risks and adjusting its warning and stop-loss limits accordingly. For both individual investments and investment portfolios, if the market prices of the securities the Group holds increase after its initial investment, the Group will move up the warning and stop-loss limits as appropriate, so that the Group can still protect its initial gains if the market price of the securities decreases afterwards. The Group has also established a limit for aggregated loss from its proprietary equity trading operations.

The Group engages in arbitrage and quantitative trading of derivative financial instruments in China. The Group adopts multiple strategies in multiple markets, utilising multiple financial products to identify and capture arbitrage opportunities and effectively hedge the risk from market fluctuations. Derivative financial instruments that the Group has used include CSI300 Index Futures, SSE50 Index Futures and SSE50 ETF Option. The Group's trading of derivative financial instruments has gradually expanded from traditional ETF arbitrage and stock market index futures arbitrage into Alpha strategy investment, market-making and trading of exchange traded options, equity return swaps, OTC options, structured notes and other OTC products. The Group adjusts its trading strategies and the scale of each type of hedging and quantitative trading activities from time to time, based on its assessment of the market conditions.

The Group also provides market-making services for financial products traded on stock exchanges. The Group is one of the major technical consultants for SSE50 ETF, the first ETF in China, as well as a liquidity service provider for one of the first cross-market ETF innovative products in China, a core member of SZSE100 ETF Major Innovation Alliance and a lead dealer of various ETFs, including SSE180 ETF. In 2015, the Group was qualified as a lead market-maker for SSE50 ETF Option. As of 31 December 2020, the Group obtained Grade A in the market-making evaluation of the funds listed in the Shanghai Stock Exchange. The Group's interbank open market and interest rate swap market-making ranked top among securities firms and were awarded the prize of "Outstanding Contributor to Auction Market" by Shanghai Gold Exchange. In January 2018, the Group obtained the qualification for business of liquidation agency of RMB interest rate return swap, and in August 2018, the Group obtained the qualification of first-class dealer for over-the-counter options.

As at 31 December 2019 and 2020, the net investment gains of the Group amounted to RMB8,837.4 million and RMB9,077.0 million, respectively.* For the year ended 31 December 2020, the Group's proprietary trading accurately grasped the opportunities of major asset allocation with good investment returns. The Group's customer demand-oriented services accelerated innovation, and created the "Guotai Junan Risk Hedging(國泰君安避險)" brand, resulting in a full development in the major asset hedging business and a rapid growth in the OTC derivatives business. For the year ended 31 December 2020, the newly increased asset scale was RMB425.80 billion, representing a year-on-year increase of 125.9%.

In respect of the equity business, the Group strengthened the use of risk management tools, optimised trading strategies and maintained a solid investment appetite for its equity investments. The position and trading volume of the market-making business of Exchange-traded options continued to maintain a leading position in the industry, and the Company obtained "A" in the market-making evaluation of the funds listed in the Shanghai Stock Exchange. While the OTC equity derivatives business was growing rapidly, the Group optimised the revenue structure and strengthened domestic and overseas interaction, thereby achieving a significant improvement in profitability. For the year ended 31 December 2020, the cumulative amount of additional nominal principal amount of OTC options amounted to RMB168.95 billion, representing a year-on-year increase of 69.0%, and the additional nominal principal amount of return swaps amounted to RMB46.83 billion, representing a year-on-year increase of 766.5%.

FICC Trading

The Group's FICC trading primarily involves fixed-income securities, commodities trading, including precious metals, as well as currencies. The Group proactively develops non-directional FICC trading and enhances its trading capabilities for major global financial assets. The Group has established an industry-leading comprehensive FICC operation system and has maintained its industry-leading position.

Among the PRC securities companies, the Group was one of the first to engage in the fixed-income trading business, and has obtained qualifications for fixed-income trading and investment business. The Group has been qualified as a primary dealer in the open market and on the stock exchanges granted by the PBOC. The Group is also qualified as a market maker for the interbank and stock exchanges bond market, interest rate swap business, bond-pledged quotation and repurchase business, carbon emission trading as well as a member of the underwriting syndicate for treasury bonds and financial bonds. The Group was also the first PRC securities company to qualify for interbank gold price inquiries. The Group was among the first batch of PRC securities companies that were admitted as members of Shanghai Gold Exchange and was also the first PRC securities company to join the International Emissions Trading Association (IETA).

The Group follows a prudent investment strategy for its FICC business with the objective to maintain a balance between income growth and earnings stability. Based on its research and assessment of China's economic situation and policy trends, the Group actively explores new investment products and opportunities in the market. The Group emphasises risk management and hedge interest rate risk through

---

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

derivative financial instruments, including interest rate swaps and treasury bond futures. Through diversified asset allocation, the Group seeks to reduce concentration risk of its portfolio and achieve long-term return while ensuring that the associated risks are measurable and manageable. The Group adjusts its fixed-income portfolio from time to time in light of changes in macro-economic conditions and monetary policies. In 2017, the Guarantor also became one of the first companies to obtain the Bond Connect market-maker qualification, and to obtain permission to conduct pilot cross-border business and the license of foreign exchange client account system and became the only option volatility surface market maker and nickel futures market maker in the industry. In 2020, the Group's credit derivatives business acquired the qualification for core trader of credit protection contract at the Shanghai Stock Exchanges and Shenzhen Stock Exchanges, and jointly released the first CDS index "CFETS-SHCH-GTJA High-grade CDS index" and jointly worked as the index manager with the Foreign Exchange Trading Centre and Shanghai Clearing House. The Group also launched an over-the-counter interest rate option business and linked interest rate options to interest rate swap transaction of LPR.

The Group's FICC trading business also includes market-making business in the PRC interbank bond market. The Group's market-making activities cover treasury bonds, financial bonds, short-term financing bills and medium-term notes.

Asset Management Products

According to the Group's overall asset allocation strategy and its need for cash management, the Group also invests in asset management products as part of its proprietary trading. Such products mainly include the asset management products offered by Guotai Junan Asset Management.

Stock-pledged Financing

The Group's stock-pledged financing business includes stock-pledged financing and securities repurchase.

The Group's stock-pledged financing business provides financing to clients and accepts pledges of stocks or other securities held by them as collateral, under agreement that they will repay the Group in exchange for the release of pledges in the future. In June 2013, the Group became one of the first batch of securities companies to participate in the pilot program of stock-pledged financing on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Under the Group's securities repurchase business, eligible clients sell securities to it at an agreed price and agree to repurchase these securities from it at an agreed price on a future date. As at the end of 31 December 2019 and 2020, the outstanding balance of the Group's stock-pledging business was RMB41,070 million and RMB36,080 million, respectively, among which the balance of margin loans was RMB32,850 million and RMB30,170 million, respectively*. As at 31 December 2019 and 2020, the interest income of stock-pledged financing amounted to RMB2,241 million and RMB1,804 million, respectively.*

Research

The Group conducts its research business primarily through Guotai Junan Securities Research Institute. The Group was the first securities company to establish a securities research institute in 1996. Guotai Junan Securities Research Institute has ranked top for years in the authoritative awards in the industry, including "New Fortune Best Analysts Awards," "Crystal Ball Sell-side Analysts Awards", "Gold Bull Analysts in China Securities Industry" and "Best Local Research Teams". From 2003 to 2017, Guotai Junan Securities Research Institute has continuously received "Best Domestic Research Team" and "Most Influential Research Institute" prizes awarded by New Fortune, ranked third in the overseas and

---

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

domestic comprehensive ranking, and second in the domestic ranking. The Guarantor was also awarded "Best Analyst" of research areas covering various industries on a total of 24 occasions, which was among the most frequently awarded institutions.

The following table sets forth major awards received by Guotai Junan Securities Research Institute during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2018	First Prize for Domestic Gold Medallion Research Team	The Twelfth Crystal Ball Sell-side Analysts Awards by Securities Market Weekly
	Top Five Gold Bull Teams, Most Valuable Gold Bull Analyst, Best Industrial Gold Bull Analyst Team	The Eighth Gold Bull Analysts in China Securities Industry by China Securities Journal

Guotai Junan Securities Research Institute has established a comprehensive research system and framework. Its major research fields include macroeconomics, strategies, fixed income, financial engineering, industry as well as small and medium market capitalisation companies. For the year ended 31 December 2018, 2019 and 2020, Guotai Junan Securities Research Institute has issued 5,605, 6,291 and 6,039 research reports, respectively.

Personal Finance

The Group's personal finance business provides, through both offline and online channels, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services in the PRC. Excluding the income the Group's wealth management business derived from selling asset management products developed by the Group, for the years ended 31 December 2018, 2019 and 2020, total segment revenue and other income of the Group's personal finance business was RMB10,584.2 million, RMB11,976.6 million and RMB16,872.6 million, respectively.

The Group's personal finance business is well regarded by the market and its clients. The following table sets forth major awards received by its personal finance business during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular.

Year	Award	Awarding Body
2020	All-round Securities Brokers in China, Top Ten Brand Apps in China's Securities Industry, China Securities Industry APP Junding Award, Top Ten Brand APPS Recognised by Investors, Integrated Service APP, Wealth Management Service APP, Investment Advisory Service APP	Securities Times
	Best Domestic Securities Company	New Fortune
2019	Best Domestic Securities Company	New Fortune
	Best Securities Company APP of the Year	2019 "Golden Tripod Award" By National Business Daily

Year	Award	Awarding Body
2018	Best Securities Company of the Year, Best Securities Company APP of the Year	The 16th China's Financial Annual Champion Awards by China Securities Market Research and Design Centre (SEEC) and Hexun.com
	Science and Technology Award of Securities and Futures for the Guotai Junan Jun Hong (國泰君安君弘)	CSRC
	First Prize for the Guotai Junan Jun Hong APP	Shanghai Financial Innovation Achievement Award by Shanghai Municipal People's Government

Clients

The Group's personal finance business has a high-quality and loyal client base. The Group manages these clients based on the accounts they open with it. As of 31 December 2019 and 2020, the number of its personal finance client accounts was 13.54 million and 14.49 million, respectively.

The Group has categorised client accounts for its personal finance business based on client relationships, risk tolerance, revenue contribution and investment preferences. The Group also introduced account lifecycle management and conducted differentiated value positioning to clients. As a result, the Group is able to design personalised core value service packages and ancillary service products for different types of accounts to enhance the allocation accuracy of its services and its pricing power.

Marketing Channels

The Group provides comprehensive financial services to its personal finance clients through both offline and online platforms.

Offline Network

The Group's securities branches in each province are centrally managed by the provincial branch company as one unit to allow efficient collaboration and resource sharing. As of 31 December 2020, the Group had 418 securities branch offices and 21 futures branches offices in the PRC.

As early as 2004, the Group launched a four-layer multi-core centralised trading system based on PC servers across its securities branches under a cloud computing model. This system is the first centralised trading system in the industry that supports more than 100 securities branches, which reduced setup and operating costs of its securities branches and improved their operating efficiency.

Online Platform

The Group was among the first batch of PRC securities companies to carry out online account registration and online trading. In April 2014, the Group obtained the pilot qualification for Internet securities business. The Group continues to upgrade its electronic trading platform and is gradually migrating its standardised business online. Currently, online account registration and online trading have become the main channel for its personal finance business.

The Group has established three innovative Internet financial platforms, including Jun Hong Financial Mall (君弘金融商城), a mobile APP group and the WeChat public account service platform, and formed a new service model based on the "Cloud Service" concept. The Group's Jun Hong Financial Mall is the first online financial mall operated by a domestic securities company. It provides intelligent and one-stop wealth management services. The Group's mobile APP, Guotai Junan Jun Hong, is one of the first mobile securities app launched by a domestic securities company which offers the best user experiences and most functions. The Group's professional Internet wealth management service platform, Fu Yi (富易), is one of the few trading computer software developed in-house by a domestic securities company. The services provided include full-market information, fast and convenient trading, one-click purchase of wealth management products and all-round account analyses. The Group also launched a series of products, tools and services with Internet features which provide its clients with comprehensive online financial services including online microfinance, transfer and payment and daily consumption. As of 31 December 2020, there are approximately 36.56 million users of its mobile APP.

Investment Adviser Team

The Group provides customised, diversified and integrated wealth management services to its affluent and high-net-worth clients through its investment adviser team.

In order to enhance the standard and efficiency by which its investment advisers serve their clients, the Group developed Jun Hong Bai Shi Tong (君弘百事通), a one-stop service platform for its employees, in May 2010. The Jun Hong Bai Shi Tong platform is built upon its client and product information database. It has streamlined and standardised key business flows and provided its investment advisers with practical tools, including account diagnosis and wealth management products allocation. Through client categorisation and coordinated communication, its investment advisers can send relevant product marketing and services information to appropriate clients through various means, including text messages, emails and system announcements.

Retail Brokerage

The Group's retail brokerage business comprises the securities brokerage and futures brokerage businesses the Group conducts in China.

The Group's retail brokerage business highly focuses on innovation and has pioneered various innovations in the industry:

- In March 2020, the Group obtained the first batch of pilot qualifications to conduct mutual fund investment and advisory business, and became one of the first batch agreed pilot brokers of securities refinancing on the science and technology innovation board;

- In November 2016, the Group was among the first to obtain the trading authorization for Hong Kong Stock Connect under Shenzhen-Hong Kong Stock Connect;

- In January 2015, the Group was among the first to qualify for stock option brokerage business;

- In October 2014, the Group was among the first to obtain the trading authorisation for Hong Kong Stock Connect under Shanghai-Hong Kong Stock Connect;

- In February 2014, the Group was among the first to qualify for the pilot program for spot contract agency and proprietary trading of precious metals including gold;

- In February 2013, the Group was qualified for agency sale of financial products;

- In 2013, the Group was the first to launch the account openings attestation services system and was among the first to launch an online account opening system;

- In 2012, the Group was qualified for the pilot program for cash management of client security deposit; and

- In 2010, the Group was among the first to qualify for futures IB business.

Securities Brokerage

The Group's securities brokerage business engages in securities trading on behalf of its clients. Among the PRC securities companies, the Group has one of the most extensive marketing and service networks and one of the largest client bases, with industry-leading service capability and market share. The Group also conducts securities brokerage business through its controlled subsidiary, Shanghai Securities. For the years ended 31 December 2020, the Group boasted a market share of 5.77% in net revenue from the securities brokerage business (including seat leasing), and continues to rank first in the industry.

The Group's securities brokerage business fully promoted construction of the retail customer service system, further optimising the account system and the intelligent customer service platform and maintaining its leading position in the industry. For the year ended 31 December 2020, the Group optimised the organisational structure, promoted transformation and upgrading, enhanced the sales of financial products, accelerated the creation of its investment and consulting team, increased the operation efficiency of online channels and the management standards of the branch offices, further strengthened the retail customer base and steadily improved the overall service capabilities.

As at 31 December 2018, 2019 and 2020, the Group's personal financial accounts amounted to approximately 12.70 million, approximately 13.54 million and approximately 14.49 million, respectively. The Jun Hong APP, with approximately 33.26 million and nearly approximately 36.56 million users as at 31 December 2019 and 2020, respectively, ranked second, in the industry in terms of monthly customers activeness.

The following table sets forth a breakdown of the trading volume and market share of the Group's securities brokerage business in China by product type for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Trading volume	Market share	Trading volume	Market share	Trading Volume	Market Share
	(RMB in billions, except for percentages)					
Stocks and funds[1]						
Stocks	8,792.1	4.87%	12,684.5	4.98%	19,647.7	4.75%
Funds	1,402.7	6.83%	530.8	2.90%	869.0	3.19%
Total[1]	**10,194.8**	**11.70%**	**13,215.3**	**7.88%**	**20,516.7**	**7.94%**

(1) Includes trading volume generated by institutional investors through the trading seats they leased from the Group, not including Spot bonds.

In 2017, with the revocation of the "one investor one account" policy with regards to A-Share accounts opened by individual investors and the development of Internet finance, competition between securities companies has further intensified. The Group proactively adapted to this market trend and devised diversified value-added service plans based on clients' asset balance and investment needs, including research, investment consulting, account analysis and wealth management. These value-added services have allowed it to charge differentiated brokerage commission rates which are higher than the average market rates.

Futures Brokerage

The Group primarily conducts its futures brokerage business in the PRC through Guotai Junan Futures. Guotai Junan Futures is a member of the Shanghai Futures Exchange, the Dalian Commodity Exchange, the Zhengzhou Commodity Exchange and the China Financial Futures Exchange. In addition, the Group also conducts its futures brokerage business in the PRC through Hicend Futures. For the year ended 31 December 2019, the Group's trading volume of treasury bond futures ranked third in the industry; and the trading volume of stock market index futures ranked third in the industry.

As of 31 December 2020, the Group has established 21 futures branches in China. The Guarantor and Shanghai Securities are both qualified to introduce clients to Guotai Junan Futures and Hicend Futures, respectively, for engaging in futures transactions. As of 31 December 2020, the Guarantor and Shanghai Securities had 342 and 76 securities branches, respectively, engaging in the above businesses.

The following table sets forth major awards received by Guotai Junan Futures and its products during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2020	Excellent Futures Companies in China 2020	Securities Times
2019	Best Futures Company in China, Best Financial Services of Futures Company in China, Best Integrity and Self-discipline Futures Company	The Twelve Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
2018	Futures Brand of the Year	The 16th China's Financial Annual Champion Awards
	Excellence Futures Institution	Golden Tie Awards of China Finance by Wallstreetcn.com
	Best Futures Company in China, Best Financial Services of Futures Company in China, Best Targeted Poverty Alleviation Award, Best Brand Development and Promotion, Best Service of Risk Management Subsidiaries, Best Operation Branch of Futures Company in China, Gold Medallion Management Team of China Futures Company and Gold Medallion Futures Research Institute of China	The Eleventh Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times

The following table sets forth an overview of the Group's futures brokerage business for the periods indicated:

	Year ended 31 December		
	2018	2019	2020
		(RMB in billions)	
Trading volume.	210,820	290,600	437,500
Fee and commission income from futures brokerage	492.2	548.6	713.5

For the years ended 31 December 2018, 2019 and 2020, the trading volume of Guotai Junan Futures accounted for RMB12.21 trillion, RMB20.70 trillion and RMB41.50 trillion, respectively.

For the year ended 31 December 2020, Guotai Junan Futures focused on the brokerage business and seized the opportunities of new commodity futures and loosening restriction on financial futures, promoted overall and balanced development and effectively improved its comprehensive service capabilities. For the six months ended 30 June 2020, the trading volume of stock index futures and treasury bond futures ranked third in the industry and its handling fee income from agency sales ranked second in the industry. Guotai Junan Futures was awarded an "AA" rating for two consecutive years in the classification rating of futures companies in 2018. As at 31 December 2020, while Guotai Junan Futures focused on its core customers, it created a new business model, concentrated on key products, enhanced the competitiveness of its commodity futures, and promoted the steady development of asset management, risk management and international business to strengthen professional service capabilities and improve customer service system, thus steadily improving its position in the industry. For the year ended 31 December 2020, the trading volume of commodity futures ranked second in the industry; the Group's customer equity also ranked second in the industry.

Margin Financing and Securities Lending

The Group's margin financing and securities lending business offers loans and lends listed securities with collateral to clients to finance their purchase or short-selling of listed securities. In March 2010, the Group was among the first to qualify for the CSRC-approved pilot program for margin financing and securities lending business.

As at 31 December 2019 and 2020, the interest income of margin financing and securities lending amounted to RMB4,562.1 million and RMB6,104.2 million, respectively.* As at 31 December 2018, 2019 and 2020, the balance of margin financing and securities lending in the market amounted to RMB755.7 billion, RMB1,019.3 billion and RMB1,619.01 billion, respectively. For the year ended 31 December 2020, on the basis of adhering to counter-cyclical adjustment in respect of the Group's margin financing and securities lending business, the Group optimised the floating interest rate management mechanism while keeping this business growing steadily. In order to expand the sources of securities for its refinancing securities business, the Group focused on professional investor securities lending services, thus rapidly increased the balance of securities lending. By increasing the reserve of institutional customers and high-net-worth customers, the Group established full range classification and grading service system, having steadily increased the percentage of the balance of the margin financing and securities lending from institutional customers.

As at 31 December 2018, 2019 and 2020, the balance of the Group's margin financing and securities lending amounted to RMB45.53 billion, RMB63.23 billion and RMB95.75 billion, with a market share of 6.0%, 6.2% and 5.91%, respectively.

The following table sets forth the scale of margin financing and securities lending business of the Group for the periods indicated.

	Year ended 31 December		
	2018	2019	2020
		(RMB in billions)	
Balance of margin loans	44.8	61.6	86.9
Market value of securities lending	0.7	1.6	8.9
Balance of margin refinancing	1.2	4.0	2.0
Balance of securities refinancing	0.1	1.6	10.8

The sources of funding and securities for the Group's margin financing and securities lending business primarily include:

- Equity securities held for proprietary trading;
- Operating cash;
- Proceeds from the issuance of corporate bonds, subordinated bonds and structured notes;
- Proceeds from the issuance of asset management schemes;
- Margin loans receivable-backed financing. The Group enters into contracts to sell its margin loans receivable to counterparties for financing and agrees to repurchase such receivable assets at an agreed future date; and

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

- Margin and securities refinancing. The Group borrows funds or securities from China Securities Finance and then lends them to its margin financing and securities lending clients. The Group qualified for the pilot margin and securities refinancing business in August 2012, and was among the first securities companies to qualify for the pilot securities refinancing business in February 2013.

Wealth Management

While maintaining and enhancing the competitiveness of its traditional securities brokerage business, the Group continues to expand the business and service scopes of its branch offices and endeavours to transform its retail brokerage business into a wealth management-centred business. In response to the asset balance and investment need of its clients, the Group provides them with diversified wealth management services, including sales of financial products and investment consultation.

Jun Hong Unified Accounts (君弘一戶通) is the core of the Group's wealth management business. Through Jun Hong Unified Accounts, the Group's clients can fully manage various types of assets under their accounts. Its clients can also conduct securities trading, futures trading, margin trading, fund subscription, purchase of wealth management products, fund remittance and transfer and consumption payment. In May 2013, the Group became the first securities company admitted to the PBOC's payment systems. As a result, the Group can provide a convenient, efficient and low-cost channel for its clients for the deployment of, and exit from, wealth management funds.

Meanwhile, the Group launched the Jun Hong Wealth Management Planning System (君弘理財規劃系統), through which the Group can customise reasonable and feasible wealth management plans for its clients by analysing and evaluating their financial condition and wealth management goals. Supported by Jun Hong Unified Accounts and Jun Hong Wealth Management Planning System, the Group aims to explore the asset allocation needs of its personal finance clients and establish loyal client relationships.

The Group's wealth management business primarily offers financial products developed by it, mainly collective asset management schemes developed by Guotai Junan Asset Management. The Group also distributes financial products developed by third parties.

The Group focused on optimising the organisational structure, accelerated transformation and upgrading, strengthened mid-to-high-end customer service, optimised product sales mechanism, promoted branch transformation and digital platform construction, strengthened investment advisory team building, and focused on "customers, products, teams and channels" to build a wealth management system as a whole and steadily improved comprehensive service capabilities. As at 31 December 2019 and 2020, the number of customers served by the investment consultants was 0.187 million, 0.02 million in each year. For the years ended 31 December 2019 and 2020, the size maintained by the agency sales of financial products of the Group was RMB161.9 million and RMB266.4 billion, respectively. As at 31 December 2020, the monthly average size was maintained RMB197.5 billion. As of 31 December 2019 and 2020, the net revenue of brokerage of the Group was RMB5,629.6 million and RMB8,432.8 million, respectively.*

Investment Management

The Group's investment management business provides asset management and fund management services to institutions and individuals in the PRC and also includes its direct investment business. The Group's direct investment business includes private equity investment and principal investment businesses.

---

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

Asset Management

The Group primarily conducts its asset management business through Guotai Junan Asset Management. Its asset management business charges management fees based on the AUM and performance fees based on business performance.

The Group's asset management services include collective asset management schemes, targeted asset management schemes, and specialized asset management schemes. For collective asset management schemes, the Group manages assets with diverse risk and return profiles for multiple clients through designated accounts. The Group's collective asset management schemes include: Jundeli Series（君得利系列）, which is a money market product ranked top among similar products by securities companies over the years; and Cash Keeper（現金管家）, a money market product developed for client deposits ranked top among similar products by securities companies over the years. As of 31 December 2020, the Group had collective asset management schemes with an aggregated AUM of RMB91,300 million. For targeted asset management schemes, the Group manages assets for a single client through a designated account pursuant to agreed methods, conditions, requirements and restrictions. For specialized asset management schemes, the Group manages assets for a client for a specific purpose. The Group's featured specialized asset management schemes include the Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme（華泰國君融出資金債權1號資產支持專項計劃）. This scheme, issued in August 2015, is the first asset-backed securities with margin loan receivables from securities companies as the underlying assets in China. The senior tranche of the scheme was rated AAA and listed on the Shanghai Stock Exchange. As of 31 December 2020, the Group had specialized asset management schemes with total AUM of RMB81,100 million.

According to the statistics of the SAC, as at 31 December 2018, 2019 and 2020, the scale of asset management business of securities companies was RMB12.91 trillion, RMB12.3 trillion and RMB10.4 trillion in aggregate.

In 2017, Guotai Junan Asset Management steadily enhanced its discretionary management capability. As a result, there was a significant increase in the scale of discretionary management from 2017 to 2019. Guotai Junan Asset Management accelerated its business transformation based on customer needs, created a multi-strategy product line represented by "Fixed-income +", and actively carried out ABS business, and the variety of the product lines was increasingly rich. In 2018 and 2019, Guotai Junan Asset Management focused on discretionary management, optimised product system and continuously promoted the transformation and upgrade of its business model with steady improvement of its discretionary management capacity. In 2020, Guotai Junan Asset Management accelerated the establishment of a high-quality investment and research framework system, and made breakthroughs in ABS, quantification, FOF and other innovative businesses. Guotai Junan Asset Management completed the reconstructions for five large-scale collective products participating in mutual funds, and obtained approval for the qualification of its mutual funds business from CSRC.

As at 31 December 2018, 2019 and 2020, the scale of asset management of Guotai Junan Asset Management was RMB750.7 billion, RMB697.4 billion and RMB525.8 billion, of which the scale of discretionary management products was RMB310.6 billion, RMB420.0 billion and RMB361.9 billion. The scale of discretionary asset management as a percentage of total asset management increased from 60.2% as of 31 December 2019 to 68.8% as of 31 December 2020. According to the statistics of the Asset Management Association of China, Guotai Junan Asset Management ranked second in the industry in terms of the monthly average scale of assets under its discretionary management in 2020.

The following table sets forth the scale of asset management of Guotai Junan Asset Management for the periods indicated.

	Year ended 31 December		
	2018	2019	2020
The scale of asset management business	750.7	697.4	525.8
Including: The scale of targeted asset management business	636.8	541.3	353.4
The scale of collective asset management business[(1)]	69.0	98.7	91.3
The scale of specialized asset management business	44.9	57.4	81.1
The scale of discretionary management business	310.6	420.0	361.9

(1) The calculation of the scale of collective asset management business is based on the net management asset.

Guotai Junan Asset Management was one of the first asset management companies approved in the securities industry. It has maintained an industry-leading position over the years. As of 31 December 2019, the AUM of Guotai Junan Asset Management ranked third in the industry. In January 2021, Guotai Junan Asset Management obtained the qualification of securities investment fund management business for public offering from the China Securities Regulatory Commission.

As at 31 December 2019 and 2020, the net revenue of asset management of Guotai Junan Asset Management was RMB1,665.5 million and RMB1,545.2 million, respectively.*

Guotai Junan Asset Management strives to balance the scale and quality of the AUM, and provides diversified asset management solutions based on the different requirements of clients in terms of risk appetite, return and liquidity. It has formed multiple product clusters with multiple asset classes, including stocks, funds, bonds, currencies and multiple strategies including quantitative, market value management and overseas investments. Guotai Junan Asset Management emphasises developing discretionary management capability and discretionary management products, aiming to achieve absolute returns for clients.

The Group's innovation capability is a distinguishing feature and strength of its asset management business. Innovative products of Guotai Junan Asset Management include:

- In 2016, issuance of "GD Power Ningxia New Energy Electricity On-grid Tariff Asset-backed Specialized Scheme(國電電力寧夏新能源電力上網收費權資產支持專項計劃)", the first asset-backed specialized scheme based on the economic interests of tariff from wind power as a green energy in the industry, which has been listed on the Shanghai Stock Exchange;

- In 2015, issuance of "Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme(華泰國君融出資金債權1號資產支持專項計劃)", the first asset-backed specialized scheme based on margin financing and securities lending receivables in the industry, which has been listed on the Shanghai Stock Exchange;

- In 2014, launch of "Junhui Wilshire Global Prime(君匯Wilshire全球尊享)", the first FOF-type QDII product in the industry;

- In 2012, issuance of "Junxiang Growth(君享成長)", the first statistical arbitrage product in China; and

- In 2011, issuance of "Junxiang Quantitative(君享量化)", the first hedge fund product in China.

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

The following table sets forth major awards received by Guotai Junan Asset Management during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2020	China Fund News Yinghua Award – Best Assets Management Securities Company of the Year, Best Fund Sales Broker of the Year, Best Private Equity Custodian Broker of the Year, Best Broker Asset Management of the Year	China Fund News
	Gold Bull Award "Best Asset Management Team Award", "Best Assets Management Securities Company of the Year"	China Securities Journal
2019	Gold Bull Award	China Securities Journal
	"Best Wealth Management Team Award"	
	Excellent Wealth Management Brand of China, Jun Ding Award for Fixed-Income Investment Team in China	China Wealth Management Jun Ding Award(中國財富管理君鼎獎)of Securities Times
2018	Excellent Manager of Asset-Backed Special Programs, Asset Securitization Comprehensive Innovation Award	Shanghai Stock Exchange
	Excellent Wealth Management Brand of China, Jun Ding Award for Fixed-Income Investment Team in China	China Wealth Management Jun Ding Award(中國財富管理君鼎獎)of Securities Times

Some of Guotai Junan Asset Management's asset management products are structured into senior and subordinated tranches. As part of its overall asset allocation strategy, the Group may, from time to time, uses its own capital to subscribe for a portion of the subordinated tranche of these asset management products in order to provide credit enhancement to these products.

Fund Management

The Group's fund management business primarily manages mutual funds and provides asset management services to high-net-worth individuals, commercial banks and other institutional investors. The Group primarily conducts its fund management business through HuaAn Funds.

HuaAn Funds

HuaAn Funds is among the first batch of fund management companies approved by CSRC. In 2020, HuaAn Funds optimised its product layout with significant increase in the scale of initial public offering of its products, and its assets under management hit a record high. HuaAn Funds has won the "Golden Bull Award" and the "Outstanding Contribution to 20 Years of China Fund Industry" Award. As of 31 December 2020, the total AUM of mutual funds under HuaAn Funds was RMB524.3 billion. In March 2021, the CSRC approved Shanghai Jin Jiang International Investment and Management Company Limited to transfer the 8% equity interest in HuaAn Funds it held to the Guarantor. Upon the completion of this transfer of equity interest, the shareholding in HuaAn Funds of the Guarantor will change from 20% to 28%.

Direct Investment

The Group conducts direct investment business, including private equity investment and principal investment, primarily through Guotai Junan Innovation Investment, which obtained a fund manager license in May 2018 and won the Golden Bull Award in China Equity Investment. Guotai Junan Innovation Investment and its fund management platform act as fund manager for private equity investment funds. Meanwhile, Guotai Junan Innovation Investment invests its own funds into the private equity investment funds and realizes profits through investment gains, performance incentives and management fees. The Group conducts financial or strategic principal investment in high-quality enterprises with its own funds primarily through Guotai Junan Innovation Investment.

Guotai Junan Innovation Investment and government-guided funds, industrial parks, industrial groups, listed companies, financial institutions and social capital jointly promote a series of investment funds, including NEEQ funds, project funds, industrial funds, M&A funds, debt funds and real estate funds. Guotai Junan Innovation Investment follows the philosophy of value investment, and focuses on the profitability and sustainable development of portfolio companies. It has rich investment experience in many sectors, including bio-medicine, IT, energy conservation and environmental protection, new materials, consumption and culture and media, and has established a layered investment project pipeline.

In October 2017, Guotai Junan Innovation Investment became one of the first normative platforms that obtained such accreditation. In February 2018, the incorporation of Guotai Junan Zhengyu Investment Co., Ltd., an alternative investment subsidiary of the Guarantor, was completed. In the year ended 31 December 2020, Guotai Junan Innovation Investment completed the establishment of three new funds, including Guotai Junan Fund of Funds, with a subscribed capital of RMB9.098 billion, focusing on five key industries to increase its high-quality project reserve, and completed divestment from 11 projects, and added two new investment project. In the year ended 31 December 2020, Guotai Junan Zhengyu actively carried out the equity investment business and promoted the co-investment of Sci-Tech Innovation Board projects. As of 31 December 2020, it had 24 investment projects in aggregate with a total investment amount of RMB1.64 billion.

The following table sets out an overview of the Group's private equity investment business for the periods and as of the dates indicated:

	Year ended/As of 31 December		
	2018	2019	2020
Number of managed funds	39	42	41
Cumulative committed capital of managed funds *(RMB in millions)*	33,345	34,720	42,860
Cumulative paid-in capital of managed funds *(RMB in millions)*	22,713	23,090	34,800
Cumulative number of investment projects	104	107	109
Investment amount *(RMB in millions)*	13,290	13,750	14,260

The following table sets out an overview of the Group's principal investment business for the periods indicated:

	Year ended/As of 31 December		
	2018	2019	2020
Cumulative number of investment projects	26	31	47
Cumulative investment amount *(RMB in millions)*	1,440	1,660	2,510

International Business

In Hong Kong, the Group primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses through Guotai Junan International. Meanwhile, the Group has built its international business platform around Guotai Junan Financial Holdings. The Group has expanded its business into the United States, Europe and South-east Asia, and is qualified to conduct M&A advisory business in the United States and asset management business in Singapore. As at 31 December 2020, the custody assets from customers amounted to

HK206.7 billion, among which the custody assets from wealth management customers amounted to HK28.8 billion.* As at 31 December 2020, the Group holds approximately 73.25% of the total issued shares of Guotai Junan International.

Guotai Junan International is a forerunner and leader in the internationalisation of PRC securities companies. In July 2010, Guotai Junan International became the first PRC securities company conducting business in Hong Kong to be listed in Hong Kong through an IPO. Guotai Junan International is one of the companies with the most comprehensive business varieties, the strongest comprehensive strength and best operating performance among PRC securities companies in Hong Kong. In March 2011, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite Index. In September 2015, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite MidCap Index. In 2019, Guotai Junan International continued its international expansion with the completion of its acquisition of Vietnam Investment Securities Co., Ltd.. As of 31 December 2020, the market capitalization of Guotai Junan International was approximately HK$10.0 billion.

The Group's international business has established a comprehensive business platform centered around Hong Kong, and provides diversified and integrated financial services to both domestic and overseas clients through close cooperation between its domestic and international business teams. With the Group's large client base in China, its international business proactively captures the business opportunities in overseas listing and financing, overseas investment and cross-border M&A from Chinese enterprises. The Group has enhanced the cross-border operation of its wealth management business by capturing cross-border investment opportunities provided by the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, and Mainland-Hong Kong Mutual Recognition of Funds, and through exploring in depth the cross-border wealth management demand of affluent and high-net-worth clients. Meanwhile, the Group has been actively developing its cross-border asset management services and products, primarily through QDII, QFII and RQFII asset management schemes, to provide domestic and foreign investors with tailored cross-border investment services.

For the years ended 31 December 2019 and 2020, the total revenue of Guotai Junan International was HKD4.2 billion and HKD4.9 billion, respectively. As at 31 December 2019 and 2020, the total assets of Guotai Junan International was HKD96.7 billion and HKD121.7 billion, respectively. The assets under management of wealth management client increased from HKD19.4 billion as at 31 December 2019 to HKD28.8 billion as at 31 December 2020. The cross-border equity OTC derivatives increased from RMB23.3 billion as at 31 December 2019 to RMB33.9 billion as at 31 December 2020.

The following table sets forth a breakdown of the revenue of Guotai Junan International by business lines for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(HK$ in millions, except for percentages)					
Fee and commission income						
Brokerage	455.0	15.0%	531.2	12.5%	649.5	13.3%
Corporate finance	595.0	19.7%	809.0	19.1%	591.9	12.1%
Asset management	16.7	0.6%	36.4	0.9%	153.5	3.2%
Income from loans and financing	1,307.3	43.2%	1,135.0	26.7%	1,007.7	20.7%
Gains from financial products, market making and investments	651.9	21.5%	1,773.8	40.8%	2,470.4	50.7%
Total	**3,025.9**	**100%**	**4,245.5**	**100%**	**4,873.0**	**100%**

* Derived from the Guarantor's financial statements prepared using PRC GAAP.

The following table sets forth major awards received by Guotai Junan International during the years ended 31 December 2018, 2019 and 2020 and up to the date of this Offering Circular:

Year	Award	Awarding Body
2020	The Most Valuable Listed Company	The 9th China Securities Golden Bauhinia Award
	Best Equity Deal (Hong Kong IPO), Best FIG Bond Deal, Gold Award – Corporate Governance and Investor Relations	The Asset
	Annual International Pioneer Financial Institution, Annual Poverty Alleviation Enterprise	IFNews
	The Most Socially Responsible Securities Dealer of the Year, The Most Influential Custodian Securities Dealer of the Year, Annual Financial Technology Innovation Award, Top 2 of the Brand Value List of Listed Companies of Chinese Securities Dealers	National Business Daily
	Best ECM House, Best DCM House, Best IPO House	New Fortune
2019	Best Equity Deal (Hong Kong IPO), Best FIG Bond Deal, Gold Award – Corporate Governance and Investor Relations	The Asset
	Outstanding Chinese Futures Broker Award	Hong Kong Exchange
	Best Investment Value award for Listed Companies	Ta Kung Pao
	Hong Kong House of the Year	Asia Risk
	Gold Award – Financial services – Brokerage, Gold Award – Financial services – Venture Capital, Honour Award – Asset Management	Mercomm Inc
	Gold – Financial – Capital Market, Gold – Financial – Diversified Services	League of American Communication Professionals
	Most Valuable Company in Financial Innovation	Snowball
	Best Corporate Governance, Star Investment Bank	China Financial Market
	Asia's Best CEO, Best Investor Relations Company	Corporate Governance Asia

Year	Award	Awarding Body
	Excellence Award in Wealth Management Platform, Excellence Award in Cross-border Financial Service, Outstanding Award in Derivatives Provider of the Year	Bloomberg Businessweek
	The Best Investor Relations Team award	Gelonghui
	No. 2 in Transportation and Industrials Sector, No. 3 in Transportation Sector, No. 3 in Transportation Sector	Refinitiv Starmine
	The Most Competitive Wealth Management Institution	Phoenix Finance
	The Best Information Disclosure award	Roadshow China
2018	Best Hong Kong Deal	Finance Asia
	Gold Award (Environmental, Social and Governance)	The Asset
	Best Investor Relations Company	Sina Finance
	Securities House of the Year 2018	Asia Risk
	Outstanding Hong Kong Enterprise	Economic Digest
	ARC Bronze Award	Mercomm Inc
	Vision Award – Gold	LACP
	Top Stock Pickers award in the Overall Analyst Awards and Top Stock Pickers award for the Automobiles industry in the Industry Analyst Awards category	Thomson Reuters Analyst Award by Thomson Reuters
	Asia's Best CEO and Best Investor Relations Company Wealth Management Jun Ding Award	The 8th Asia Excellence Award by Corporate Governance Asia
	Best Investor Relations Company	Quam IR
	Excellence Award in Risk Management, Excellence Award in Corporate Finance, and Outstanding Award in Derivative Provider of the Year	Financial Institution Awards 2018 by Bloomberg Businessweek

Brokerage

Guotai Junan International's brokerage business primarily comprises securities, futures, options, as well as leveraged foreign exchange trading and brokerage services. Guotai Junan International also provides insurance brokerage services.

Corporate Finance

Guotai Junan International provides corporate finance services to Hong Kong, PRC and international clients, including equity capital markets, debt capital markets, consulting and financial advisory services. Guotai Junan International has served as the sole or a joint sponsor in many landmark IPO deals. Guotai Junan International ranked fourth in terms of cumulative number for IPOs sponsored during the year ended 31 December 2019 in Hong Kong.

Asset Management

Guotai Junan International provides a range of asset management services, including portfolio management, investment advice and transaction execution to individual clients, private funds and mutual funds. In addition, Guotai Junan International also conducts fund management business.

Loans and Financing

The loans and financing business of Guotai Junan International comprises margin loans, term loans, securities borrowing and lending, IPO loans as well as other loans and bank deposits. The loans and financing business and brokerage business of Guotai Junan International complement each other.

Financial Products, Market Making and Investments

Guotai Junan International sells customised financial products and provides market-making services for debt securities and ETFs. The investment business of Guotai Junan International primarily comprises pre-IPO investments, investments in listed companies and prospective listed companies as well as investments in funds.

INTELLECTUAL PROPERTY RIGHTS

As of the date of this Offering Circular, the Group is not aware of any material alleged infringement of its intellectual property rights.

MARKET AND COMPETITION

The PRC securities industry is highly regulated and the PRC securities companies must comply with a large number of regulations in every aspect, including business license, scope of products and services, business development and risk management. Competition in the PRC securities industry has been and will likely remain intense. The Group's major competitors are other securities companies with similar service scope and business scale. The Group also competes with other financial institutions, including fund management companies, commercial banks, insurance companies and trust companies. The Group competes on many aspects, including market penetration, range of products and services, price, innovation capability, quality of service, marketing and sales channels, execution capability, reputation and employee compensation.

For its institutional finance business, the Group competes primarily with other securities companies as well as commercial banks (principally on debt underwriting business) in terms of brand recognition, product portfolio, marketing and underwriting capabilities, service quality, financial strength and pricing. For its personal finance business, the Group competes primarily with other securities companies in terms of pricing and the scope and quality of products and services. For its investment management business, the Group competes primarily with other securities companies, fund management companies, commercial banks and insurance companies in terms of the scope of products and services, pricing and quality of client services. For its international business, the Group mainly competes in Hong Kong with other securities companies in brand recognition, product portfolio, service quality and pricing. The Group is also exposed to intense competition from other foreign financial institutions as the Group plans to expand its international business.

Some of the Group's competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience, more advanced IT systems, wider geographic coverage, better understanding of local markets and the ability to offer more diversified financial product and services. In recent years, other financial institutions, such as domestic commercial banks, insurance companies and trust companies are using their advantages in capitals, channels and client resources to expand into traditional business segments such as investment banking, asset management and wealth management, and are seeking to tap into the securities industry through establishment of new business or M&A. If regulations on comprehensive operation changes in the future, the securities industry may face even greater competition. Moreover, as China gradually opens its securities industry to the world, increases the shareholding capital of foreign investors in securities companies and broadens the business scopes of foreign-invested securities companies, international investment banks with strong capital, advanced management and excellent business capabilities will participate in domestic markets more frequently, which will further increase the competitive pressure on the domestic securities companies. The Group believes that the financial service industry in China will become increasingly competitive, which will accelerate the transformation and differentiation of PRC securities companies.

The Group is also exposed to competition in attracting and retaining talents. Securities companies are also facing intense competition in needs for sponsor representatives, financial consultants, investment managers, research analysts and IT experts. The Group's ability to compete continuously and effectively in business is also subject to its ability to attract more talents and retain and motivate existing talents.

EMPLOYEES

As of 31 December 2020, the Group had 15,198 employees. The following table sets forth a breakdown of employees according to their business function as of the same date:

	Number	Percentage
		(%)
Business	10,126	66.6%
Business support	4,441	29.2%
Management	631	4.2%
Total	**15,198**	**100%**

The following table sets forth a breakdown of employees of the Group by education background as of 31 December 2020:

	Number	Percentage
		(%)
Doctor's degree or doctoral candidate	147	1.0%
Master's degree or postgraduate	4,204	27.7%
Bachelor's degree or undergraduate	8,209	54.0%
Associate's degree or below	2,638	17.4%
Total	**15,198**	**100%**

During the years ended 31 December 2019 and 2020 and up to the date of this Offering Circular, the Group has not experienced any strikes, protests or other material labour disputes that may materially impair its business and corporate image. The Group has established a labour union and the Group believes that the Group has maintained a good relationship with its employees, whom the Group values at all times.

INSURANCE

The Group maintains insurance coverage for certain of its assets, including IT equipment and motor vehicles. Consistent with customary industry practice in the PRC, the Group does not maintain any business interruption insurance.

LEGAL PROCEEDINGS

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board currently consists of 17 directors, amongst whom three are executive directors, eight are non-executive directors and six are independent non-executive directors. The Board is responsible, and has the general authority for, the management and operation of the Guarantor. The directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive directors shall not hold office for more than six consecutive years.

The following table sets out the current members of the Board of Directors, their respective positions and ages.

Name	Age	Title
Mr. He Qing (賀青)	49	Chairman of the Board and Executive Director
Mr. Wang Song (王松)	57	Vice chairman of the Board and Executive Director
Mr. Yu Jian (喻健)	56	Executive Director
Mr. Liu Xinyi (劉信義)	55	Non-executive Director
Ms. Guan Wei (管蔚)	49	Non-executive Director
Mr. Zhou Lei (周磊)	42	Non-executive Director
Mr. Zhong Maojun (鐘茂軍)	51	Non-executive Director
Mr. Wang Wenjie (王文杰)	51	Non-executive Director
Mr. Lin Facheng (林發成)	44	Non-executive Director
Mr. Zhou Hao (周浩)	50	Non-executive Director
Mr. An Hongjun (安洪軍)	45	Non-executive Director
Mr. Xia Dawei (夏大慰)	68	Independent non-executive Director
Mr. Shi Derong (施德容)	72	Independent non-executive Director
Mr. Chen Guogang (陳國鋼)	61	Independent non-executive Director
Mr. Ling Tao (淩濤)	66	Independent non-executive Director
Mr. Jin Qingjun (靳慶軍)	63	Independent non-executive Director
Mr. Lee Conway Kong Wai (李港衛)	66	Independent non-executive Director

Mr. He Qing (賀青), aged 49, is the chairman of the Board and has been an executive director since February 2020. Mr. He has worked at the Guarantor since September 2019. Mr. He served as a manager of the corporate financing department of the Shanghai Branch of Chase Manhattan Bank and in various positions in the Bank of Shanghai (a company listed on the Shanghai Stock Exchange (stock code: 601229)), including as a manager of the international business department and assistant to the president of the Pudong Branch, the general manager of the international business department, the general manager of the corporate financing department, an assistant to the president, a vice president, the chairman of Shanghai Minhang BOS Rural Bank (上海閔行上銀村鎮銀行股份有限公司) and as a director of BOSC Asset Management Co., Ltd. (上銀基金管理有限公司). Mr. He also held the positions of vice president, executive director and president of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601601)) and the Hong Kong Stock Exchange (stock code: 2601), director of the China Pacific Property Insurance Co., Ltd., director of the China Pacific Life Insurance Co., Ltd. and director of Pacific Property Asset Management Co., Ltd. Before that, Mr. He Qing also worked in the Shanghai Branch of the Industrial and Commercial Bank of China Limited. Mr. He obtained a master's degree in business administration and is an economist.

Mr. Wang Song (王松), aged 57, is the vice chairman of the Board, and has been an executive director and president since November 2016. Mr. Wang worked as a trainee in the headquarters, a clerk in the Yunxi branch under the Yue Yang central branch, and an officer in the investment and management department of the headquarters of the China Construction Bank (中國人民建設銀行) successively from July 1987 to October 1992; the deputy head of the Beijing office of Guotai Securities from October 1992 to March 1994. Mr. Wang Song was deputy general manager of the issuance department and the general manager of the bond department of Guotai Securities from March 1994 to August 1999; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Guarantor from August 1999 to October 2003; president assistant and the president of the fixed income securities head office of the Guarantor from October 2003 to August 2006; the vice president of the Guarantor from August 2006 to August 2015; the president of the Guarantor from August 2015 to September 2015; the vice chairman of the Board, an executive director and the president from September 2015 to May 2016; and an executive director and the president of the Guarantor from May 2016 to November 2016. Mr. Wang obtained a postgraduate diploma in industrial management engineering.

Mr. Yu Jian (喻健), aged 56, has been an executive director since May 2016, the secretary to the Board since June 2009 and the head of the office of the Board since January 2016. Mr. Yu served as the project head of the science department of the research institution under the Ministry of Aerospace (航空航天部所屬研究所) from July 1986 to March 1993; the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities from December 1993 to August 1999. Mr. Yu Jian has been deputy general manager of the investment banking department of the Guarantor from August 1999 to September 2000; the deputy division head, division head and the general manager of the corporate finance department of the Guarantor from September 2000 to May 2008; and the head of the listing office of the Guarantor from May 2008 to June 2009. Mr. Yu obtained a master's degree in business administration.

Mr. Liu Xinyi (劉信義), aged 55, is a non-executive director. Since July 1988, Mr. Liu has served as deputy director of the Airport Office of Shanghai Pudong Development Bank, vice president of the airport sub-branch (presided over), deputy general manager of Shanghai regional headquarters, director of the financial institutions division of Shanghai Financial Services Office (on a temporary basis), assistant director of Shanghai Financial Services Office (on a temporary basis), vice president and president of the Shanghai Branch of Shanghai Pudong Development Bank, vice president of Shanghai Pudong Development Bank, president and deputy secretary of the party committee of Shanghai Guosheng (Group) Co., Ltd., president, deputy secretary of the party committee and vice chairman of Shanghai Pudong Development Bank, and is now deputy secretary, director and president of the party committee of Shanghai International Group Co., Ltd. Mr. Liu obtained a master's degree in engineering and is a senior economist.

Ms. Guan Wei (管蔚), aged 49, is a non-executive director. Ms. Guan served in the financial management department of Shanghai Jiushi Company (上海久事公司) from July 1993 to July 2003. Ms. Guan served as the assistant manager of the financial management department of Shanghai Shentong Group Co., Ltd. (上海申通集團有限公司) from July 2003 to March 2004; the deputy manager and manager of the financial management department, member of the disciplinary committee, manager of the audit and supervision department, and supervisor of Shanghai Jiushi Company from March 2004 to August 2014. Ms. Guan served as the general manager and party branch secretary of Shanghai Metropolitan Tourism Card Development Co., Ltd. (上海都市旅遊卡發展有限公司) from August 2014 to August 2015; the chief financial officer of Shanghai Real Estate (Group) Co., Ltd. (上海地產(集團)有限公司) from August 2015 to December 2018; the chief financial officer of International Group since December 2018; the vice president of International Group since September 2019; and has been the director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), a listed company on the Shanghai Stock Exchange (stock code: 600000) since July 2019. Ms. Guan obtained a master's degree in management and is a senior accountant.

Mr. Zhou Lei (周磊), aged 42, is a non-executive director. Mr. Zhou worked as the project manager and the manager of the financing arrangement department of International Group Asset Operation from December 2003 to December 2008; the general manager and the vice president of project development of the financing arrangement headquarters of International Group Asset Management from December 2008 to August 2010; the deputy general manager and the head of risk compliance of Shanghai Aijian

Trust Investment Co., Ltd.(上海愛建信託投資有限責任公司)from August 2010 to December 2011; the general manager of Shanghai Aijian Trust Co., Ltd.(上海愛建信託有限責任公司)from December 2011 to March 2015; a director of Shanghai Aijian Trust Co., Ltd from November 2013 to March 2015; the deputy general manager of Shanghai SA from March 2015 to January 2016; the general manager and the vice chairman of Shanghai SA from January 2016 to May 2017; the chairman of Shanghai SA since May 2017; the chief investment officer of International Group since December 2018; and the vice president of International Group since September 2019. Mr. Zhou obtained a master's degree in business administration.

Mr. Zhong Maojun (鐘茂軍), aged 51, is a non-executive director. Mr. Zhong served as the general manager's assistant of the investment banking department and the deputy head of the reorganization office of Orient Securities Co., Ltd.(東方證券有限責任公司)from December to January 2003. Mr. Zhong then held several positions in Shanghai Municipal Financial Service Office(上海市金融服務辦公室)from January 2003 to January 2015, including the deputy head of the financial institution division, the deputy head of the financial stabilization division (in charge of execution), the head of the financial stabilization division, the head of the financial institution service division and the director of the municipal financial state-owned assets supervisory service division. Mr. Zhong subsequently served as chief operating officer and the general manager of the strategic research department of International Group from January 2015 to May 2016, and a director and the chief operating officer of International Group since May 2016 and the general manager of the capital operation department of International Group from May 2016 to August 2017. Mr. Zhong obtained a master's degree in law.

Mr. Wang Wenjie (王文杰), aged 51, is a non-executive director. Mr. Wang served as a clerk of the investment department of Guangzhou Planning Commission from July 1991 to July 1994; an economist and business manager of the investment development department of Shenzhen Investment Management Company(深圳市投資管理公司)from July 1994 to February 2001; the chief executive officer and deputy general manager of Shenzhen Shentou Technology Venture Capital Co., Ltd.(深圳市深投科技創業投資有限公司)from February 2001 to September 2002; and the deputy general manager of Shenzhen Lvpeng Agricultural Industry Co., Ltd.(深圳市綠鵬農科產業股份有限公司)from September 2002 to January 2005. Mr. Wang served as the deputy director of the general manager's office of Shenzhen Gas Group Co., Ltd.(深圳市燃氣集團有限公司)from January 2005 to June 2007; during such employment, Mr. Wang also served as the deputy general manager of Shenzhen Gas Investment Co., Ltd.(深圳市燃氣投資有限公司)and the general manager of Jiujiang Tongda Natural Gas Co., Ltd.(九江市通達天然氣有限公司). Mr. Wang served as the deputy general manager of Shenzhen Gas Investment Co., Ltd. from June 2007 to March 2009; during such employment, Mr. Wang also served as the general manager of Jiujiang Shenran Company(九江深燃公司). Mr. Wang worked in Shenzhen Gas Group Co., Ltd.(深圳市燃氣集團股份有限公司)from March 2009 to May 2018, and served successively as the head of the human resources department, general manager of the human resources department, deputy general manager, director and general manager. During such employment, Mr. Wang also served as the chairman of Tai'an Shenran Company(泰安深燃公司), the chairman of Wuzhou Shenran Company(梧州深燃公司)and the executive director of Zhaoqing Shenran Company(肇慶深燃公司). Mr. Wang has served as director and general manager of Shenzhen Investment Holdings Co., Ltd.(深圳市投資控股有限公司)since May 2018. Mr. Wang obtained a bachelor's degree in economics and is a senior economist.

Mr. Lin Facheng(林發成), aged 44, is a non-executive director. Mr. Lin served at the Audit Bureau of Shenzhen(深圳市審計局), where he was previously a clerk of the commercial audit division, a deputy director clerk of the audit division II under the Special Auditing Bureau for Economic Responsibility, a director clerk of the financial audit division and a deputy director of the fiscal audit division from July 1997 to May 2013. Mr. Lin also served as a director and chief financial officer of Shenzhen Urban Construction and Development (Group) Co., Ltd.(深圳市城市建設開發(集團)有限公司)from May 2013 to September 2017 and the head of the auditing department of Shenzhen Investment Holdings Co., Ltd.(深圳市投資控股有限公司)since September 2017. Mr. Lin obtained a master's degree in Economics and is a senior auditor.

Mr. Zhou Hao (周浩), aged 50, is a non-executive director. Mr. Zhou served as the secretary to the youth league general branch directly under Shanghai Zhuzong (Group) Corporation (上海住總(集團)總公司) from September 1989 to August 1995, a deputy director of the office of Shanghai New Jiangwan Development Co., Ltd. (上海市新江灣城開發有限公司) from August 1995 to October 2002, a senior manager of the administrative and human resources department of Shanghai Chengtou Corporation (上海市城市建設投資開發總公司) from October 2002 to October 2003, a director for construction of the New Jingwan City in Shanghai from October 2003 to February 2006, the general manager of the administration and human resources department of Shanghai Chengtou Corporation from February 2006 to August 2008, the secretary to the Discipline Inspection Commission, a vice president of Shanghai Chengtou Holding Co., Ltd (上海城控股股份有限公司) from August 2008 to October 2012 and the secretary to the Discipline Inspection Commission of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) from October 2012 to October 2017. Mr. Zhou has served as vice president of Shanghai Municipal Investment (Group) Corporation since October 2017. Mr. Zhou obtained a master's degree in business administration.

Mr. An Hongjun (安洪軍), aged 45, is a non-executive director. Mr. An had held various positions, including project manager, macro researcher and senior analyst, in Northeast Securities Co., Ltd (東北證券股份有限公司), and he served at the People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) and China Life Franklin Asset Management Company Limited (中國人壽富蘭克林資產管理有限公司) prior to May 2010. Mr. An joined New China Asset Management Co., Ltd. (新華資產管理股份有限公司) in May 2010 and successively served as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. Mr. An has been an executive director and the president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. Mr. An has also been an executive director and president of New China Capital Management Limited (新華資本管理有限公司) since September 2015. Mr. An has been a non-executive director and a member of Strategy and Investment Committee of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a listed company on the Hong Kong Stock Exchange with stock code of 0817, since November 2015. Mr. An obtained a doctorate degree in economics. Mr. An has intensive experience in the securities, insurance and investment sectors.

Mr. Xia Dawei (夏大慰), aged 68, is an independent non-executive director. Mr. Xia previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) from July 1985 to August 2000 and then served as the dean of Shanghai National Accounting Institute (上海國家會計學院) from September 2000 to August 2012. Mr. Xia has been a professor, a doctoral tutor and the academic committee director of the Shanghai National Accounting Institute since August 2012. Mr. Xia currently holds the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), vice chairman of the Accounting Society of China, the vice chairman of the China Association of Chief Financial Officers (中國總會計師協會), the chairman of the Shanghai Accounting Association (上海會計學會), the honorary professor of the Chinese University of Hong Kong (香港中文大學), the part-time professor of the School of Management of Fudan University (復旦大學) and a member of the listed company expert committee of the Shanghai Stock Exchange (上海證券交易所上市公司專家委員會), and enjoys the government allowance of the State Council. Mr. Xia has been serving as an independent director of various listed companies, including Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)(a company listed on the HKSE, stock code: 0980) since September 2004 and Juneyao Airlines Co., Ltd (上海吉祥航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603885), since July 2017. Mr. Xia has been the external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601166) since May 2016. Mr. Xia served as an independent director of Baoshan Iron & Steel Co., Ltd (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019), from April 2013 to September 2019. Mr. Xia obtained a master's degree in economics and is a professor and doctoral supervisor.

Mr. Shi Derong（施德容）, aged 72, is an independent non-executive director. Mr. Shi previously held the positions of the secretary of the Communist Youth League branch of Central Hospital of Luwan District of Shanghai（上海盧灣區中心醫院）from October 1974 to August 1982; the deputy youth league secretary of the youth league committee of Luwan District（上海盧灣區團委）, Shanghai from August 1982 to July 1983; the office director of Luwan District of Shanghai General Trade Union（上海總工會）from July 1983 to June 1984; head of the organization department of the party committee of Luwan District, Shanghai（上海市盧灣區委）from June 1984 to June 1986; the deputy secretary of the party committee of Luwan District, Shanghai from June 1986 to March 1992; the deputy chief and the deputy secretary of the party committee of Shanghai Civil Affairs Bureau（上海市民政局）from March 1992 to November 1995; the chief and secretary of the party committee of Shanghai Civil Affairs Bureau from November 1995 to April 2003; the president and the secretary of the party committee of Shanghai Shengrong Investment Co., Ltd.（上海盛融投資有限公司）from April 2003 to October 2009; the chairman of Shanghai Building Materials (Group) Corporation（上海建材（集團）有限公司）from December 2003 to October 2009; and the chairman and the secretary of the party committee of Shanghai Guosheng Group Ltd.（上海國盛（集團）有限公司）from July 2007 to May 2012. Mr. Shi has been the director and the chief investment officer of CDB Root-Well Industrial Investment Fund Management Co., Ltd.（國開熔華產業投資基金管理有限責任公司）since June 2013. Mr. Shi obtained a doctorate degree in engineering.

Mr. Chen Guogang （陳國鋼）, aged 61, is an independent non-executive director. Mr. Chen was an assistant professor at Xiamen University（廈門大學）from July 1984 to March 1985, and served as the deputy chief financial officer of Hong Kong Hino Co., Ltd.（香港鑫隆有限公司）in Hong Kong from July 1988 to July 1991. Mr. Chen served as the finance manager of the U.S. agrichemical subsidiary of China National Chemicals Import & Export Corporation（中國化工進出口總公司）from July 1991 to March 1994; the general manager of the petroleum accounting department of China National Chemicals Import & Export Corporation from March 1994 to January 1995; the vice chief of the finance department of China National Chemicals Import & Export Corporation from January 1995 to May 1997; the vice president of China International United Petroleum and Chemicals Co., Ltd.（中國國際石油化工聯合公司）from May 1997 to February 1999; the deputy chief accountant of China National Chemicals Import & Export Corporation from February 1999 to June 1999; the general manager of the finance department of China National Chemicals Import & Export Corporation from June 1999 to December 2000; and the chief accountant of Sinochem Group（中國中化集團公司）from December 2000 to April 2010, and successively as the chief financial officer and the vice-president and chief financial officer of New China Insurance Co., Ltd.（新華人壽保險股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 601336) and the Hong Kong Stock Exchange (stock code: 1336), from April 2010 to May 2015. Mr. Chen has served as the vice-president of China Minsheng Investment Co. Ltd.（中國民生投資股份有限公司）from May 2015 to August 2018. Mr. Chen has served as the chief executive officer of Shenzhen Qianhai Financial Assets Exchange Co., Ltd. since September 2018. Mr. Chen has served as an independent non-executive director of China Dongxiang (Group) Co., Ltd.（中國動向（集團）有限公司）, a company listed on the Hong Kong Stock Exchange (stock code: 3818), since June 2016. Mr. Chen served as an independent non-executive director of the YTO Express Group Co., Ltd.（圓通速遞股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600233), from October 2016 to October 2019. Mr. Chen obtained a doctorate degree in economics and is a senior accountant.

Mr. Ling Tao （淩濤）, aged 66, is an independent non-executive director. Mr. Ling held various positions including deputy institute head at the Research Bureau of The People's Bank of China（中國人民銀行研究局）from April 1989 to May 2000 and worked as the chief of Ningbo Central Branch of The People's Bank of China from June 2000 to July 2001; the deputy chief of Shanghai Branch of The People's Bank of China from August 2001 to December 2003; and the director of the Anti-Money Laundering Bureau of The People's Bank of China（中國人民銀行反洗錢局）from December 2003 to July 2005. Mr. Ling held various positions including deputy chief at the Shanghai Headquarters of The People's Bank of China from July 2005 to June 2014, and was the deputy head of the preparation group of Shanghai HuaRui Bank Co., Ltd.（上海華瑞銀行股份有限公司）from June 2014 to January 2015.

Mr. Ling was also been the chairman of Shanghai HuaRui Bank Co., Ltd. from January 2015 to January 2018, and has been the vice chairman of Shanghai Juneyao (Group) Co., Ltd.(上海均瑤(集團)有限公司) since June 2018. Mr. Ling obtained a doctorate degree in economics.

Mr. Jin Qingjun(靳慶軍), aged 63, is an independent non-executive director. Mr. Jin previously worked as a lawyer in Zhongxin Law Firm(中信律師事務所) from April 1989 to October 1993; and partner of Xinda Law Firm(信達律師事務所) from October 1993 to August 2002. Mr. Jin has also been serving as senior partner of King & Wood Mallesons since September 2002. Mr. Jin has been serving as an independent director of Invesco Great Wall Fund Management Company Limited(景順長城基金管理有限公司) since April 2003; an independent non-executive director of Times Property Holdings Limited(香港時代地產控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1233), since October 2015; an independent director of Sino-Ocean Group Holding Limited(遠洋集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3377), since March 2016; an independent director of Bank of Tianjin Co., Ltd.(天津銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01578), since March 2017; an independent non-executive director of Hengqin Life Insurance Co., Ltd.(橫琴人壽保險有限公司) since April 2017; an independent non-executive director of Zhong Fa Zhan Holdings Limited(中發展控股有限公司), a company listed on Hong Kong Stock Exchange (stock code: 0475), since October 2017; an independent non-executive director of Shenzhen Asiantime International Construction Co., Ltd.(深圳市亞泰國際建設股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002811), since September 2018; a director of Shenzhen Kondarl (Group) Co., Ltd.(深圳市康達爾(集團)股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000048), since September 2018; and an independent non-executive director of Goldstream Investment Limited(金涌投資有限公司), a company listed on Hong Kong Stock Exchange (stock code: 1328), since December 2019. Mr. Jin served as an external supervisor of China Merchants Bank Co., Ltd.(招商銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036) from October 2014 to June 2019; and an independent director of China South Glass Holdings Ltd.(中國南玻集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000012 (A Shares); 200012 (B Shares)), from December 2016 to April 2019. Mr. Jin obtained a master's degree in law.

Mr. Lee Conway Kong Wai(李港衛), aged 66, was appointed as an independent non-executive director in October 2016. Mr. Lee served as a partner of Ernst & Young from September 1980 to September 2009. Mr. Lee has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Chaowei Power Holdings Limited (stock code: 0951) since June 2010, West China Cement Limited (stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (stock code: 1117) since October 2010, Tibet 5100 Water Resources Holdings Ltd. (stock code: 1115) since March 2011, Gome Electrical Appliances Holdings Limited (stock code: 0493) since March 2011, NVC Lighting Holding Limited (stock code: 2222) since November 2012, Yashili International Holdings Limited (stock code: 1230) since November 2013, GCL New Energy Holdings Limited (stock code: 0451) since May 2014, WH Group Limited (stock code: 0288) since August 2014 and China Rundong Auto Group Limited (stock code: 1365) since August 2014. Mr. Lee served as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to 2017. Mr. Lee has been a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee obtained a postgraduate diploma in business.

BOARD OF SUPERVISORS

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

The following table sets out the current members of the Board of Supervisors of the Issuer, their respective positions on the Board of Supervisors and their ages.

Name	Age	Title
Mrs. Li Zhongning (李中寧)	58	Chairman of the Supervisory Committee
Mr. Wang Lei (王磊)	55	Vice chairman of the Supervisory Committee; Employee representative Supervisor
Mr. Shao Chong (邵崇)	61	Supervisor
Mr. Feng Xiaodong (馮小東)	54	Supervisor
Mr. Zuo Zhipeng (左志鵬)	51	Supervisor
Mr. Wang Weijie (汪衛傑)	58	Employee representative Supervisor
Mr. Liu Xuefeng (劉雪楓)	57	Employee representative Supervisor

Mrs. Li Zhongning (李中寧), aged 58, serves as the chairman of the Supervisory Committee. Mrs Li began her career in October 1980, and successively served as the deputy general manager of Shanghai Xuhui District company of the people's Insurance Company of China (中國人民保險公司); the deputy general manager of Shanghai South Branch Company of China Insurance Life Insurance Co., Ltd. (中保人壽保險有限公司); the director of the planning and finance department of Shanghai Branch of China Insurance Life Insurance Co., Ltd.; the general manager of the planning and finance department of Shanghai Branch of China Life Insurance Co., Ltd. (中國人壽保險股份公司), a company listed on the New York Stock Exchange (stock code: LFC), the Hong Kong Stock Exchange (stock code: 2628) and the Shanghai Stock Exchange (stock code: 601628); member of the party committee and deputy general manager of the Shanghai Branch; party committee record, chairman and general manager of Shanghai Anxin Agricultural Insurance Co., Ltd. (上海安信農業保險股份有限公司); deputy secretary of the party committee of Bright Food Group (光明食品(集團)有限公司) from December 2014 to March 2020; and deputy secretary of the party committee and vice chairman of Guangming Food Group from November 2015 to March 2020. Mrs. Li has worked at the Guarantor since March 2020. Mrs Li has been serving as the Supervisor of the Supervisory Committee since June 2020 and the Chairman of the Supervisory Committee since July 2020. Mrs. Li obtained a master's degree in business administration and is a senior economist.

Mr. Wang Lei (王磊), aged 55, is vice chairman of the Supervisory Committee and an employee representative Supervisor. Mr. Wang served in the Party School of CPC Jiangsu Provincial Committee and Jiangsu Administration College from July 1992 to July 1999; the Office of Shanghai Municipal People's Government (上海市政府辦公廳) from July 1999 to August 2004; and the the Office of the Chinese People's Political Consultative Conference Shanghai Committee (上海市政協辦公廳) from August 2004 to November 2007. Mr. Wang successively served as deputy general manager, deputy secretary of the party committee, chairman of the labour union, and secretary of the disciplinary committee of Shanghai Hengshan (Group) Corp. (上海市衡山(集團)公司) from November 2007 to August 2015; and a member of the party committee, secretary of the disciplinary committee and vice chairman of the board of supervisors of Bailian (Group) Co., Ltd. (百聯集團有限公司) from August 2015 to November 2018. Mr. Wang has served as a member of the party committee and secretary of the discipline committee of the Guarantor since November 2018; a member of the party committee, secretary of the Discipline Commission and vice chairman of the Supervisory Board of the Guarantor since June

2019; and a member of the party committee, secretary of the Discipline Commission and vice chairman of the Supervisory Board of the Guarantor since June 2019. Mr. Wang obtained a doctorate degree in law and is a senior political engineer.

Mr. Shao Chong(邵崇), aged 61, is a Supervisor. Mr. Shao worked as a cadre and then the deputy director of the Social and Economic Research Department of the National Bureau of Statistics Research Institute from August 1989 to December 1992 and the deputy director of the preparatory office of Shenzhen Energy Corporation Shenzhen Energy Investment Co., Ltd.(深圳能源總公司深圳能源投資股份有限公司)from January 1993 to June 1993, and held various positions consecutively in Shenzhen Energy Investment Co., Ltd.(深圳能源投資股份有限公司)including the secretary to the board of directors, general manager assistant, deputy general manager, director and deputy general manager, director and executive deputy general manager, director and chief economist from June 1993 to January 2008. He served as the deputy director of the preparatory office of Binhai Power Plant Construction Office(濱海電廠籌建辦公室)of Shenzhen Energy Group Co., Ltd.(深圳能源集團股份有限公司) between January 2008 and August 2008 and the director and the deputy general manager of CNOOC Shenzhen Natural Gas Co., Ltd.(中海石油深圳天然氣有限公司)from August 2008 and January 2015. Mr. Shao has served as the vice chairman of Great Wall Securities Co., Ltd.(長城證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002939) since April 2008 and the secretary of the board of Shenzhen Energy Group Co., Ltd.(深圳能源集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000027) since January 2015. Mr. Shao obtained a doctorate degree in economics and is a senior economist.

Mr. Feng Xiaodong(馮小東), aged 54, is a Supervisor. Mr. Feng served as the workers' supervisor and the deputy division head of the workers' division in labour department, and the business head and division head of the personnel management division in human resources department of China FAW Group Corporation(一汽集團公司)from July 1988 to December 2000; the department head of the personnel department in FAW Foundry Co., Ltd.(一汽鑄造有限公司)from December 2000 to July 2002; the deputy department head of the human resources department, deputy department head of the organizational and personnel department, head of the audit department and the head of the supervisory committee's office in China FAW Group Corporation from July 2002 to September 2017. Mr. Feng has served as an external director of FAW Jiefang Automotive Co., Ltd.(一汽解放汽車有限公司)from August 2016 to present. Mr. Feng has served as the supervisor of Guosen Securities Co., Limited, a company listed on the Shenzhen Stock Exchange (stock code: 002736) from October 2017 to present. Mr. Feng served as the head of the audit and compliance department and head of the supervisory committee's office of China FAW Group Co.,Ltd.(一汽集團有限公司)from September 2017 to April 2019; the general legal advisor and the head of the audit and compliance department of China FAW Group Co.,Ltd. from May 2019 to December 2019; and the general legal advisor and the general manager of the audit and compliance department of China FAW Group Co., Ltd. from December 2019 to present. Mr. Feng obtained a doctorate degree in management and is a senior economist.

Mr. Zuo Zhipeng (左志鵬), aged 51, is a Supervisor. Mr. Zuo served as the accountant of the finance division of Anqing Textile Factory(安慶紡織廠)from July 1989 to July 1994; and an assistant of the finance division head of AnHui HuaMao Textile Co., Ltd.(安徽華貿紡織有限公司)from July 1994 to July 1999. Mr. Zuo has held various positions in AnHui HuaMao Textile Company Limited(安徽華貿紡織股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000850), including as the chief financial officer, the general manager assistant, the deputy general manager and the board secretary since July 1999. Mr. Zuo has been serving as a director of Anhui HuaMao Group Co., Ltd.(安徽華貿集團有限公司)since March 2007 and the director and general manager of AnHui HuaMao Textile Company Limited since March 2016. Mr. Zuo obtained a master's degree in business administration and is a senior accountant.

Mr. Wang Weijie(汪衛傑), aged 58, is an employee representative Supervisor. Mr. Wang previously worked as the chief accountant of the financial department of Shenzhen Cigarette Factory(深圳卷煙廠) from February 1993 to December 1993, an accountant in the listing company department of Shenzhen

Jinpeng Accounting Firm (深圳市金鵬會計師事務所) from December 1993 to March 1994, in the finance department of Junan Securities from March 1994 to November 1994; as the general manager of the financial department of Shandong Province Securities Company (山東省證券公司) from November 1994 to January 1996; and successively served as the deputy director of the auditing office, the deputy general manager of the capital planning department, the general manager of Changsha sales department, and the general manager of the finance department of Junan Securities from January 1996 to August 1999. Mr. Wang held various positions in the Guarantor from August 1999, including the assistant general manager and manager of the planning and finance headquarters of the Shenzhen Branch, the general manager of the planning and finance headquarters, the executive chairman of the assets and liabilities management committee, team leader of the subsidiary management team, and the head of the Supervisory Committee office. Mr. Wang has been serving as the head of discipline inspection and the supervision office since November 2011; and the deputy secretary of the discipline inspection commission since February 2016. Mr. Wang obtained a master's degree in economics and obtained the title of senior political officer.

Mr. Liu Xuefeng (劉雪楓), aged 57, is an employee representative Supervisor. Mr. Liu worked as an officer of the competent financial office and an accountant of the financial division successively at Northern China Nonferrous Metals Group of Anyang Geophysical Division (華北有色公司安陽物探大隊) from July 1987 to March 1991; the officer and then deputy section head (managerial work) at the finance office of Shijiazhuang Iron and Steel Co., Ltd. (石家莊鋼鐵廠有限公司) from March 1991 to March 1997; a finance manager at Shijiazhuang sales department of Junan Securities from March 1997 to August 1999; and held various positions in the Guarantor, including the assistant general manager of the securities sales department and finance manager and deputy general manager of the finance department of Shijiazhuang Jianhua South Street Branch, deputy general manager of the Hebei operation and the sales headquarter and the deputy general manager and general manager of the planning and the finance headquarter since August 1999. Mr. Liu served as the general manager of the investigation and audit department of the Guarantor from February 2012 to May 2019. Mr. Liu obtained a master's degree in business administration.

SENIOR MANAGEMENT

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

Name	Age	Title
Mr. Wang Song (王松)	57	President; Chief Financial Officer; Chief Risk Officer
Mr. Jiang Yiming (蔣憶明)	57	Vice President
Mr. Chen Yutao (陳煜濤)	58	Vice President
Mr. Gong Dexiong (龔德雄).	51	Vice President
Mr. Yu Jian (喻健)	56	Secretary to the Board
Ms. Zhang Zhihong (張志紅)	51	Chief Compliance Officer

Mr. Wang Song (王松) is the president, the chief financial officer and the chief risk officer. See "*Board of Directors*" for Mr. Wang's biography.

Mr. Jiang Yiming (蔣憶明), aged 57, is a vice president. Mr. Jiang worked as the accountant of the accounting office of Nanjing College of Pharmacy (南京藥學院) (currently known as China Pharmaceutical University (中國藥科大學)) from July 1981 to September 1987; the financial manager for Shenzhen Yu Kang Solar Co., Ltd. (深圳宇康太陽能有限公司) from July 1990 to May 1993; and then held various positions in Junan Securities from May 1993 to August 1999, including the deputy manager and then the manager of the financial department, the deputy general manager of the securities brokerage business department, the deputy general manager and then the general manager of the fund planning department and the chief financial officer. Mr. Jiang has held various positions in the Guarantor since August 1999, including the deputy general manager, the chief accountant, the general manager of the clearance headquarters and the chief financial officer of the Shenzhen Branch. Mr. Jiang has been serving as the vice president of the Guarantor since November 2013. Mr. Jiang obtained a doctorate degree in management.

Mr. Chen Yutao (陳煜濤), aged 58, is a vice president and chief information officer. Mr. Chen served as deputy dean of the management department of Shandong Textile Institute of Technology (山東紡織工學院) from August 1990 to July 1991; a lecturer in the industrial economics department of Shanghai University of Finance and Economics (上海財經大學) from July 1991 to August 1992; the manager of the department of Shanghai business of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司) from August 1992 to July 1993; and a clerk of the research department and the deputy general manager of the computer department of Guotai Securities from July 1993 to August 1999. Mr. Chen has held various positions in the Guarantor since August 1999, including the general manager of information technology headquarters, the general manager of the Shenzhen Branch, the general manager of retail customer headquarter, the general manager of human resources headquarter and the chief engineer. Mr. Chen served as the chief information officer of the Guarantor from November 2013 to May 2018 and has been serving as a vice president since November 2016. Mr. Chen obtained a master's degree in economics.

Mr. Gong Dexiong (龔德雄), aged 51, is a vice president. Mr. Gong worked at the Pudong operating office of the securities department of Shanghai Trust from October 1992 to January 1995. Mr. Gong served successively as the deputy head of the Pudong operating office at the securities department, the section chief of the investment research section at the securities department, and the deputy manager of the securities department of Shanghai Trust from January 1995 to February 2001; the deputy general manager of Shanghai Securities from February 2001 to November 2011; the chairman of Hicend Futures (海證期貨) concurrently from July 2008 to November 2011; the general manager of the financial management headquarters of International Group from November 2011 to March 2013; the general manager of Shanghai Securities from March 2013 to September 2015; the vice chairman of Shanghai Securities from May 2014 to November 2015; and the chief executive officer of Guotai Junan Asset Management from August 2015 to April 2016. Mr. Gong has been serving as the chairman of Guotai Junan Asset Management since August 2015, the chairman of Shanghai Securities from May 2016 to June 2018, and a vice president of the Guarantor since November 2016. Mr. Gong has also been serving as the chairman of Guotai Junan Innovation Investment Co., Ltd. since August 2017 and the general manager and the chairman of the executive board of Guotai Junan Innovation Investment Co., Ltd. concurrently since January 2019. Mr. Gong obtained a master's degree in business administration.

Mr. Yu Jian (喻健) is the secretary to the Board and a joint company secretary. See "*Board of Directors*" for Mr. Yu's biography.

Ms. Zhang Zhihong (張志紅), aged 51, is the chief compliance officer of the Guarantor. Ms. Zhang started her career in August 1991. Ms. Zhang joined the Shanghai Securities Management Office in March 1994. Ms. Zhang served as the deputy director of the party committee (discipline inspection) office of the Shanghai Securities Management Office and deputy director of the agency department from May 2000 to August 2004. Ms. Zhang served as the director of the agency supervision department, director of the agency supervision department I, and director of the listed companies' supervision department I of the Shanghai Bureau of the CSRC from August 2004 to March 2008. Ms. Zhang served as a member of the party committee, secretary of the Discipline Inspection Commission, chief compliance officer and deputy general manager of Great Wall Securities Co., Ltd. from March 2008 to October 2011. Ms. Zhang served as the president assistant and vice president of Investment Banking Business Committee of the Guarantor from October 2011 to December 2016. Ms. Zhang served as the business director and vice president of the Investment Banking Business Committee of the Guarantor from December 2016 to October 2018, and has been serving as the chief compliance officer of the Guarantor since November 2018. Ms. Zhang obtained a doctorate degree in economics and is a senior economist.

EXCHANGE RATE INFORMATION

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.

On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

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

	Renminbi per U.S. dollar Noon Buying Rate(1)			
Period	**Period End**	**Average(2)**	**High**	**Low**
2015	6.4778	6.2869	6.5932	6.1870
2016	6.8771	6.6549	6.9580	6.4480
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April (up to 2 April 2021)	6.5646	6.5646	6.5646	6.5645

Notes:

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

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

PRC REGULATIONS

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

NDRC Filing

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or their controlled offshore enterprises or branches:

- steadily promoting the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;

- increasing the size of foreign debts issued by enterprises, and supporting the transformation and upgrading of key sectors and industries;

- simplifying the filing and registration of the issuance of foreign debts by enterprises; and

- strengthening the supervision during and after the process to prevent risks.

For the purposes of the NDRC Circular, "**foreign debts**" means RMB-denominated or foreign currency denominated debt instruments with a maturity of more than one year which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Circular.

Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan setting out details such as the currency, volume, interest rate, term, use of proceeds and repatriation details.

To issue foreign debts, an enterprise shall meet these basic conditions:

(i) having a good credit history with no default in its issued bonds or other debts;

(ii) having sound corporate governance, risk prevention and control mechanisms for foreign debts; and

(iii) having a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. The NDRC shall reasonably determine the overall size of foreign debts based on the trends in the international capital markets, the need of the PRC economic and social development and the capacity to repay foreign debts, and shall guide the funds towards key industries, key sectors, and key projects encouraged by the State and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration. According to the NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual need of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as "The Belt and Road", the coordinated development of Beijing-Tianjin-Hebei, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification.

According to the NDRC Circular, an enterprise shall report the information relating to the issuance of the bonds to the NDRC within 10 working days in the PRC from the completion of the bond issuance (the "**NDRC Post-Issuance Filing**"). The NDRC Circular provides that, in the case where the reported information relating to the issuance of foreign debts significantly varies from the information indicated in the filing and registration application filed with the NDRC, the enterprise shall provide an explanation regarding such variance in the NDRC Post-Issuance Filing. In addition, if an enterprise maliciously and falsely reports the size of its issuance of foreign debts, the NDRC shall list the enterprise as an enterprise with poor credit in the national credit information platform.

CSRC Filing

On 25 September 2018, the China Securities Regulatory Commission (the "**CSRC**") issued the Administrative Measures on Establishment, Acquisition and Equity Participation in Business Organisations Overseas by Securities Companies and Securities Investment Fund Management Companies(證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法), the "**CSRC Order No.150**"), which became effective on the same day. The CSRC Order No. 150 provides that, where a security company provides guarantee to an oversea subsidiary pursuant to the law, the security company shall perform internal decision-making procedures and file records with the CSRC within five working days from the date of passing of resolution.

Foreign Exchange Administration

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the People's Bank of China(中國人民銀行, the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal law governing foreign exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange(中華人民共和國外匯管理條例, the "**Foreign Exchange Regulations**"). The Foreign Exchange Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Regulations. According to the Foreign Exchange Regulations, the RMB is freely convertible for "current account transactions", which refers to any transaction account for international receipts and payments involving goods, services, earnings and frequent transfers. For "capital account transactions" which refers to any transaction account for international receipts and payments that result in any change in external assets and liabilities, including, *inter alia*, capital transfers, direct investments, security investments, derivatives and loans, prior approval of and registration with the SAFE or its local branches is generally required.

Pursuant to the Administrative Regulation of Foreign Exchange Settlement, Sale and Payment(結匯、售匯及付匯管理規定), which was promulgated by the PBOC on 20 June 1996 and came into effect on 1 July 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account transactions, obtaining approval or consummating filling and registration from SAFE or its local branches or the banks authorised by SAFE.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement(關於改革和規範資本項目結匯管理政策的通知, the "**SAFE Circular 16**") which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, external debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the Guarantor's scope of business, and shall not be used for securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

On 12 May 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Cross-border Security (Hui Fa [2014] No. 29)(國家外匯管理局關於發布＜跨境擔保外匯管理規定＞的通知(匯發[2014]29號), the "**Notice 29**"). Notice 29, which came into force on 1 June 2014, replaces twelve other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) removing SAFE approval, registration, filing or any other SAFE administrative requirements for the validity of any cross-border security agreement; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Notice 29. Notice 29 classifies cross-border security into three types:

- Nei Bao Wai Dai ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security: any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with the SAFE within 15 working days of the execution of the cross-border security agreement (or 15 working days of the date of any change to the security agreement).

In accordance with Notice 29, the funds borrowed offshore under a NBWD shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. On 26 January 2017, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review(國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》)("**SAFE Circular 3**"), which took effect on the same day. Pursuant to this SAFE Circular 3, funds raised offshore under NBWD are allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, pursuant to the Q&A in relation to SAFE Circular 3 issued by SAFE ("**SAFE Q&A**"), NBWD in special transactions, including the offshore bonds, shall still satisfy the requirements set out in Notice 29 that (a) the domestic entity shall directly or indirectly hold shares in the overseas debtor, (b) the revenues from the overseas issuance of bonds shall be used for overseas investment projects in which the domestic entity has equity interests, and (c) the relevant overseas entities or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities, **provided that** the liability with regard to the guarantee provided to the offshore debtor is the repayment under the project of offshore bond issuance.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures(關於簡化跨境人民幣業務流程和完善有關政策的通知)(the "**2013 PBOC Circular**") with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of Renminbi for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups(關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知)(the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow.

On 5 January 2018, the PBOC promulgated the Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation(中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知). Accordingly, an enterprise shall be allowed to use Renminbi to settle all cross-border transactions that may be settled by foreign currencies pursuant to PRC laws.

On March 15, 2019, the SAFE promulgated the Administrative Provisions on Centralised Operation of Cross-border Funds by Multinational Corporations(跨國公司跨境資金集中運營管理規定)(the "**2019 SAFE Provisions**"). Accordingly, a centralized operation arrangement of cross-border funds for qualified multinational enterprise group companies is introduced by SAFE, under which the receipt/payment and netting settlement in various currencies (including Renminbi) for current account items of eligible member companies could be processed on a collective basis. However, since the 2019 SAFE Provisions is relatively new, it will be subject to the interpretation and application by relevant PRC authorities in practice.

On 23 October 2019, the SAFE promulgated the Circular of Further Promoting Cross-border Trade and Investment Facilitation(關於進一步促進跨境貿易投資便利化的通知), which further provided details in facilitating foreign exchange procedures in compliance with PRC laws.

The foregoing circulars are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration of filing with, the relevant PRC authorities.

Settlements for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

Under progressive reforms by PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015, allows foreign-invested enterprises to settle 100% (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE. On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among others, further allows the foreign invested enterprises whose main businesses are not investment to use their foreign currency capital and/or the Renminbi proceeds of their foreign currency capital to make equity investment in PRC.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in securities, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend entrusted loans to enterprises outside the group.

On 10 June 2018, the State Council issued the Notice of the State Council on Certain Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development(國務院關於積極有效利用外資推動經濟高質量發展若干措施的通知), to simplify the management of cash pools, relax the filing conditions for pilot for centralised operation and management of foreign exchange funds of multinational corporations and support multinational enterprise groups in conducting cross-border bi-directional Renminbi cash pooling business.

Notwithstanding the above, there is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future.

The relevant regulations, will be subject to interpretation and application by the relevant PRC authorities. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

TAXATION

The following summary of tax consequences of the purchase, ownership and disposition of Notes in certain jurisdictions is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

British Virgin Islands Tax Considerations

The following summary contains a description of the principal tax laws of the British Virgin Islands, as in effect on the date hereof, and is subject to any change in the tax laws of the British Virgin Islands that may come into effect after such date (which may have retroactive effect).

Income Tax

As of the date of this Offering Circular, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Notes.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "*PRC Taxation*" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "*de facto* management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "*de facto* management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10% for non-resident enterprise Noteholders and 20% in the case of non-resident individuals. The Issuer has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax on payments of interest or premium (if any) made by the Guarantor at the tax rates specified above. To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Noteholders or individual

Noteholders. However, it is unclear whether in practice non-PRC Noteholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries. The Issuer or the Guarantor (as the case may be) has agreed to pay additional amounts to Non-PRC Noteholders, subject to certain exceptions, so that Non-PRC Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refer to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6%. In addition, in that case the holders of the Notes shall also be subject to the local levies at approximately 12% of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The request to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and Guarantor. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise treated as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all the Notes in the series, including grandfathered Notes, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 12 April 2021 and as further amended, restated and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer and the Guarantor a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer, failing whom the Guarantor, will pay each relevant Dealer a commission (if any) agreed between the Issuer, the Guarantor and the relevant Dealer in respect of Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of their expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

SELLING RESTRICTIONS

United States

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the relevant Guarantee constituting part of its allotment within the United States. The Notes and the relevant Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, any Notes, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or, to, or for the account or benefit of U.S. persons.

Terms used in the above provision have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

European Economic Area

Prohibition of Sales to European Economic Area Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prospectus Regulation public offer selling restriction

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require any relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Notes referred to in (B) to (D) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

PRC

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

British Virgin Islands

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make any invitation directly or indirectly to the public in the British Virgin Islands or any natural person who is a British Virgin Islands resident or citizen to subscribe for the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, to any person in the British Virgin Islands.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

General

Each Dealer agrees, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respect with all applicable securities laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering or publicity material or any Pricing Supplement, in all cases at its own expense.

None of the Issuer, the Guarantor, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

AUTHORISATIONS

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of the Notes thereunder, provided that (1) the size of the Notes is in the scope authorised by the shareholders and the board of directors of the Guarantor; (2) with respect to each Tranche of the Notes where the NDRC Circular is applicable, the Registration Certificate of Enterprise Foreign Debt issued by NDRC is obtained; (3) the post-issuance filing with the NDRC is completed within 10 business days after the completion of the issuance of the Notes; and (4) any payment of foreign currency is made in accordance with the requirements of purchase and payment of foreign currency under the relevant foreign exchange control regulations. The establishment of the Programme and the issue of the Notes thereunder was authorised by the resolutions of the board of directors of the Issuer passed on 9 April 2021.

The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee, provided that (1) the size of the Notes is in the scope authorised by the shareholders and the board of directors of the Guarantor; (2) with respect to each Tranche of the Notes where the NDRC Circular is applicable, the Registration Certificate of Enterprise Foreign Debt issued by NDRC is obtained; (3) the post-issuance filing with the NDRC is completed within 10 business days after the completion of the issuance of the Notes; (4) a no-objection letter for the relevant Guarantee issued by CSRC; (5) the relevant Guarantee is registered with SAFE or its local branches ("**SAFE Registration**"); (6) amendments to the initial SAFE Registration required to be made within 15 business days by the Company with the SAFE upon any material amendment, if any, of the provisions of the deed of guarantee of the Notes; and (7) any payment of foreign currency is made in accordance with the requirements of purchase and payment of foreign currency under the relevant foreign exchange control regulations. The establishment of the Programme, the giving of the Guarantee and the issue of the Notes thereunder was authorised by (1) a shareholders resolution of the Guarantor dated 18 May 2018; (2) a shareholders resolution of the Guarantor dated 15 June 2020; (3) a resolution of the board of directors of the Guarantor dated 29 March 2018; (4) a resolution of the board of directors of the Guarantor dated 24 March 2020; and (5) a resolution of the authorized person dated 9 April 2021.

The PRC counsels to the Issuer, the Guarantor and the Dealers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer and the Guarantor to enter into the Trust Deed and the Agency Agreement and the Guarantor to enter into the Deed of Guarantee, provided that (1) the size of the Notes is in the scope authorised by the shareholders and the board of directors of the Guarantor; (2) with respect to each Tranche of the Notes where the NDRC Circular is applicable, the Registration Certificate of Enterprise Foreign Debt issued by NDRC is obtained; (3) the post-issuance filing with the NDRC is completed within 10 business days after the completion of the issuance of the Notes; (4) a no-objection letter for the relevant Guarantee issued by CSRC; (5) the relevant Guarantee is registered with SAFE or its local branches; (6) amendments to the initial SAFE Registration required to be made within 15 business days by the Company with the SAFE upon any material amendment, if any, of the provisions of the deed of guarantee of the Notes; and (7) any payment of foreign currency is made in accordance with the requirements of purchase and payment of foreign currency under the relevant foreign exchange control regulation.

LITIGATION

None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of issue of the Notes and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial condition, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2020.

DOCUMENTS AVAILABLE

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request and proof of holding and identity satisfactory to the Trustee), at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time)] on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee, being at the date of this Offering Circular, at One Canada Square, London E14 5AL, United Kingdom:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) each Deed of Guarantee;

(iv) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of Notes and identity);

(v) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced; and

(vi) the Procedure Memorandum.

CLEARING OF THE NOTES

The Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

FINANCIAL STATEMENTS

The Guarantor's consolidated financial statements as at and for the year ended 31 December 2019, which are included elsewhere in this Offering Circular, have been audited by EY. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2020, which are included elsewhere in this Offering Circular, have been audited by KPMG.

LISTING OF NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

TEFRA D LEGEND

Notes issued pursuant to TEFRA D (other than temporary Global Notes) and any Coupons, Receipts and Talons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

INDEX TO FINANCIAL STATEMENTS

Note: The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 set out herein have been reproduced from the Guarantor's consolidated financial statements for the years ended 31 December 2019 and 2020, respectively, and page references are to pages set forth in such reports respectively.

Section XI Independent Auditor's Report and Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Guotai Junan Securities Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 218 to 364, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit

Consolidation of structured entities

Refer to Note 26 to the consolidated financial statements and the accounting policies in Note 2.2.

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity.

In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has an appropriate process in this regard;

- selecting a sample of structured entities for each key product type and performing the following procedures for each item selected:

  — inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

The Key Audit Matter	How the matter was addressed in our audit
We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.	— evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; — evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; — evaluating management's judgement over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

The Key Audit Matter	How the matter was addressed in our audit

Loss allowances of financial assets measured at amortised cost

Refer to Note 30, 37 to the consolidated financial statements and the accounting policies in Note 3.11.

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, economic indicators for forward-looking adjustment, impact of the COVID-19 and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, price volatility of the stock, the liquidity, the stock holding concentration of the borrower, the loan balances to collateral ratio and the operation of the issuer will also be taken into account in the judgement.

Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances;

- with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

The Key Audit Matter	How the matter was addressed in our audit
We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger; selecting financial assets and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with external sources; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development, taking into consideration the impact of COVID-19; • evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers;

The Key Audit Matter	How the matter was addressed in our audit
	• for selected samples of the financial assets measured at amortised cost that are credit- impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.

The Key Audit Matter	How the matter was addressed in our audit

Assessing the fair value of financial instruments

Refer to Note 63 to the consolidated financial statements and the accounting policies in Note 3.3.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.

Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;

- assessing the fair values of, for a sample of financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;

- reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;

- engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and

- assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

year ended 31 December 2020
(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December **2020**	2019
Revenue			
Fee and commission income	6	**16,719,616**	12,124,791
Interest income	7	**14,495,682**	12,630,205
Net investment gains	8	**8,901,197**	8,096,610
Total revenue		**40,116,495**	32,851,606
Other income and gains	9	**6,328,845**	6,198,039
Total revenue and other income		**46,445,340**	39,049,645
Fee and commission expenses	10	**(2,580,447)**	(1,838,426)
Interest expenses	11	**(8,804,654)**	(7,403,450)
Staff costs	12	**(9,250,380)**	(7,766,427)
Depreciation and amortization expenses	13	**(1,371,553)**	(1,291,570)
Tax and surcharges		**(168,819)**	(136,880)
Other operating expenses and costs	14	**(8,240,709)**	(7,271,807)
Provision for impairment losses		**(62)**	(20,902)
Credit loss expense	15	**(1,312,297)**	(2,049,577)
Total expenses		**(31,728,921)**	(27,779,039)
Operating profit		**14,716,419**	11,270,606
Share of profits of associates and joint ventures		**155,525**	174,013
Profit before income tax		**14,871,944**	11,444,619
Income tax expense	16	**(3,134,874)**	(2,393,263)

The accompanying notes form part of the consolidated financial statements.

	Note	Year ended 31 December	
		2020	2019
Profit for the year		**11,737,070**	9,051,356
Attributable to:			
Equity holders of the Company		**11,122,099**	8,637,037
Non-controlling interests		**614,971**	414,319
Total		**11,737,070**	9,051,356
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)	20		
— Basic		**1.20**	0.90
— Diluted		**1.19**	0.90

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	**11,737,070**	9,051,356
Other comprehensive income for the year		
Other comprehensive income that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
— Net changes in fair value	**67,425**	178,194
— Changes in allowance for expected credit losses	**4,560**	70,405
— Reclassified to profit or loss	**(586,392)**	(238,891)
— Income tax impact	**129,474**	(2,320)
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	**(56)**	3,193
— Reclassified to profit or loss	**–**	(10,584)
Exchange differences on translation of financial statements in foreign currencies	**(815,369)**	298,820
Total items that may be reclassified to profit or loss	**(1,200,358)**	298,817
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income		
— Net changes in fair value	**15,748**	707,402
— Income tax impact	**(3,937)**	(176,851)
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	**(98,117)**	124,342
— Income tax impact	**24,529**	(31,085)
Total items that will not be reclassified to profit or loss	**(61,777)**	623,808
Other comprehensive income for the year, net of tax	**(1,262,135)**	922,625
Total comprehensive income for the year	**10,474,935**	9,973,981
Attributable to:		
Equity holders of the Company	**10,165,609**	9,474,748
Non-controlling interests	**309,326**	499,233
Total	**10,474,935**	9,973,981

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	Note	**2020**	2019
Non-current assets			
Property and equipment	21	**5,024,307**	5,211,423
Right-of-use assets	22	**2,490,743**	2,926,043
Goodwill	23	**599,812**	599,812
Other intangible assets	24	**1,677,813**	1,574,249
Investments in associates	27	**1,169,765**	1,183,891
Investments in joint ventures	27	**2,844,778**	1,274,671
Debt instruments at fair value through other comprehensive income	28	**65,511,217**	53,408,720
Equity instruments at fair value through other comprehensive income	29	**17,637,062**	17,547,076
Financial assets held under resale agreements	30	**2,616,287**	1,959,737
Financial assets at fair value through profit or loss	31	**26,628,714**	13,433,691
Refundable deposits	32	**29,415,401**	12,975,377
Deferred tax assets	33	**1,761,582**	1,251,032
Other non-current assets	34	**691,128**	1,154,839
Total non-current assets		**158,068,609**	114,500,561
Current assets			
Accounts receivable	35	**7,230,325**	3,484,166
Other current assets	36	**2,983,541**	2,017,453
Margin accounts receivable	37	**99,429,347**	72,088,344
Debt instruments at fair value through other comprehensive income	28	**6,981,585**	6,858,108
Financial assets held under resale agreements	30	**53,245,514**	51,980,260
Financial assets at fair value through profit or loss	31	**202,097,430**	175,588,501
Derivative financial assets	38	**2,214,226**	550,081
Clearing settlement funds	39	**6,049,697**	4,460,152
Cash held on behalf of brokerage customers	40	**139,323,440**	102,533,823
Cash and bank balances	41	**25,275,458**	25,252,829
Total current assets		**544,830,563**	444,813,717
Total assets		**702,899,172**	559,314,278

The accompanying notes form part of the consolidated financial statements.

	Note	As at 31 December 2020	2019
Current liabilities			
Loans and borrowings	42	**9,769,331**	10,312,724
Short-term debt instruments	43	**48,724,368**	17,424,352
Placements from other financial institutions	44	**13,810,630**	9,488,642
Accounts payable to brokerage customers	45	**157,408,158**	109,336,526
Employee benefits payable	46	**7,568,772**	5,685,105
Income tax payable		**1,572,828**	1,414,731
Financial assets sold under repurchase agreements	47	**144,721,315**	126,017,296
Financial liabilities at fair value through profit or loss	48	**30,304,839**	37,845,046
Derivative financial liabilities	38	**5,526,472**	1,358,809
Bonds payable	49	**24,744,699**	17,672,144
Lease liabilities	22	**466,697**	638,382
Other current liabilities	50	**25,405,255**	14,229,188
Total current liabilities		**470,023,364**	351,422,945
Net current assets		**74,807,199**	93,390,772
Total assets less current liabilities		**232,875,808**	207,891,333
Non-current liabilities			
Loans and borrowings	42	–	1,490,000
Bonds payable	49	**66,947,715**	51,901,409
Lease liabilities	22	**1,486,932**	1,725,455
Deferred tax liabilities	33	**139,059**	13,762
Financial liabilities at fair value through profit or loss	48	**17,789,620**	6,441,647
Other non-current liabilities	51	**274,664**	225,237
Total non-current liabilities		**86,637,990**	61,797,510
Net assets		**146,237,818**	146,093,823

The accompanying notes form part of the consolidated financial statements.

	Note	As at 31 December 2020	2019
Equity			
Share capital	52	**8,908,448**	8,907,948
Other equity instruments	53	**11,071,661**	16,129,799
Treasury shares		**(776,909)**	—
Reserves	54	**71,645,598**	71,127,776
Retained profits	54	**46,504,462**	41,335,967
Equity attributable to equity holders of the Company		**137,353,260**	137,501,490
Non-controlling interests		**8,884,558**	8,592,333
Total equity		**146,237,818**	146,093,823

Approved and authorized for issue by the Board of Directors on 25 March 2021.

He Qing

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity shareholders of the Company											
			Reserves									
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Treasury shares	Retained profits	Total	Non-controlling interests	Total equity
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	–	41,335,967	137,501,490	8,592,333	146,093,823
Profit for the year	–	–	–	–	–	–	–	–	11,122,099	11,122,099	614,971	11,737,070
Other comprehensive income for the year	–	–	–	(376,358)	(580,132)	–	–	–	–	(956,490)	(305,645)	(1,262,135)
Total comprehensive income for the year	–	–	–	(376,358)	(580,132)	–	–	–	11,122,099	10,165,609	309,326	10,474,935
Issue of perpetual bonds	–	4,943,396	–	–	–	–	–	–	–	4,943,396	–	4,943,396
Redemption of perpetual bonds	–	(10,000,000)	–	–	–	–	–	–	–	(10,000,000)	–	(10,000,000)
Appropriation to general reserve	–	–	–	–	–	–	1,952,783	–	(1,952,783)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	–	(3,439,391)	(3,439,391)	–	(3,439,391)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	–	(402,500)	(402,500)	–	(402,500)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(203,777)	(203,777)
Other comprehensive income that has been reclassified to retained profits	–	–	–	158,930	–	–	–	–	(158,930)	–	–	–
Conversion of convertible bonds	500	(1,534)	10,068	–	–	–	–	–	–	9,034	–	9,034
Equity transactions with minority stockholder	–	–	–	–	–	–	–	–	–	–	203,735	203,735
Acquisition of treasury shares	–	–	–	–	–	–	–	(1,543,209)	–	(1,543,209)	–	(1,543,209)
Equity Settled share-based transactions	–	–	(679,534)	–	–	–	–	766,300	–	86,766	–	86,766
Others	–	–	32,065	–	–	–	–	–	–	32,065	(17,059)	15,006
At 31 December 2020	8,908,448	11,071,661	45,571,238	(258,237)	(289,853)	7,172,530	19,449,920	(776,909)	46,504,462	137,353,260	8,884,558	146,237,818

The accompanying notes form part of the consolidated financial statements.

	Attributable to equity shareholders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392
Impact of adopting IFRS 16 (note 2.2)	–	–	–	–	–	(3,909)	(9,851)	(56,806)	(70,566)	(9,769)	(80,335)
Restated opening balance	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,172,530	15,471,523	38,013,567	123,379,497	10,213,560	133,593,057
Profit for the year	–	–	–	–	–	–	–	8,637,037	8,637,037	414,319	9,051,356
Other comprehensive income for the year	–	–	–	626,020	211,691	–	–	–	837,711	84,914	922,625
Total comprehensive income for the year	–	–	–	626,020	211,691	–	–	8,637,037	9,474,748	499,233	9,973,981
Placement of H shares	194,000	–	2,513,597	–	–	–	–	–	2,707,597	–	2,707,597
Issue of perpetual bonds	–	5,000,000	–	–	–	–	–	–	5,000,000	–	5,000,000
Appropriation to general reserve	–	–	–	–	–	–	2,025,614	(2,025,614)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	(2,449,685)	(2,449,685)	–	(2,449,685)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	(590,000)	(590,000)	–	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	(1,691,430)	(1,691,430)
Other comprehensive income that has been reclassified to retained profits	–	–	–	249,338	–	–	–	(249,338)	–	–	–
Conversion of convertible bonds	7	(20)	152	–	–	–	–	–	139	–	139
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	101,181	101,181
Redemption of other equity instruments issued by a subsidiary	–	–	(11,362)	–	–	–	–	–	(11,362)	(307,558)	(318,920)
Acquisition of non-controlling interests in a subsidiary	–	–	(7,788)	–	–	–	–	–	(7,788)	(212,705)	(220,493)
Others	–	–	(1,656)	–	–	–	–	–	(1,656)	(9,948)	(11,604)
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	41,335,967	137,501,490	8,592,333	146,093,823

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	**14,871,944**	11,444,619
Adjustments for:		
Interest expenses	**8,804,654**	7,403,450
Share of profits of associates and joint ventures	**(155,525)**	(174,013)
Depreciation and amortization expenses	**1,371,553**	1,291,570
Provision for impairment losses	**62**	20,902
Credit loss expense	**1,312,297**	2,049,577
Net gains on disposal of property and equipment	**(20,774)**	(4,520)
Foreign exchange (gains)/losses	**(61,556)**	65,187
Net realized gains from financial instruments at fair value through other comprehensive income	**(586,392)**	(238,891)
Gain on disposal of subsidiaries, associates and joint ventures	**(175,811)**	(740,835)
Dividend income and other income from financial assets at fair value through other comprehensive income	**(2,378,495)**	(3,087,006)
Interest income from time deposits, loans and receivables	**(751,152)**	(688,299)
Unrealized fair value changes in financial instruments at fair value through profit or loss	**(2,133,395)**	(2,520,443)
Unrealized fair value changes in derivatives	**1,700,108**	1,054,702
	21,797,518	15,876,000

The accompanying notes form part of the consolidated financial statements.

	Year ended 31 December	
	2020	2019
Increase in refundable deposits	**(16,477,459)**	(5,422,699)
Increase in margin accounts receivable	**(27,816,991)**	(19,153,530)
Increase/(decrease) in accounts receivable, other current assets and other non-current assets	**(4,102,330)**	1,403,862
Decrease in financial assets held under resale agreements	**5,302,950**	4,714,435
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	**(33,830,468)**	(35,902,444)
Increase in cash held on behalf of brokerage customers	**(36,789,617)**	(25,120,438)
Increase in accounts payable to brokerage customers	**21,498,209**	26,687,698
Increase in other liabilities	**49,133,523**	6,269,926
Increase in employee benefits payable	**1,883,666**	700,242
Increase in financial assets sold under repurchase agreements	**18,130,148**	55,458,751
Increase/(decrease) in placements from other financial institutions	**4,321,986**	(674,604)
Cash generated from operations	**3,051,135**	24,837,199
Income taxes paid	**(3,213,575)**	(2,671,778)
Interest paid	**(4,130,934)**	(3,365,066)
Net cash (used in)/generated from operating activities	**(4,293,374)**	18,800,355

The accompanying notes form part of the consolidated financial statements.

	Note	Year ended 31 December 2020	2019
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		**54,361**	13,694
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments		**3,248,324**	3,615,194
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments		**99,734,928**	57,310,732
Proceeds from disposal of subsidiaries, associates and joint ventures		**685,085**	85,512
Proceeds from purchases of subsidiaries, associates and joint ventures		**–**	47,883
Purchases of property and equipment, other intangible assets and other non-current assets		**(796,343)**	(1,782,708)
Purchases of financial assets at fair value through other comprehensive income and other investments		**(125,307,240)**	(82,415,900)
Net cash used in investing activities		**(22,380,885)**	(23,125,593)

The accompanying notes form part of the consolidated financial statements.

	Note	Year ended 31 December 2020	2019
Cash flows from financing activities:			
Net proceeds from issuance of H shares		**–**	2,711,819
Proceeds from issuance of short-term debt instruments		**99,390,441**	39,064,773
Proceeds from issuance of a perpetual bond		**4,943,396**	5,000,000
Proceeds from issuance of shares upon placement by a subsidiary		**201,056**	–
Proceeds from issuance of bonds payable		**39,553,422**	23,213,393
Proceeds from loans and borrowings		**10,963,243**	55,252,471
Cash received from restricted share Incentive scheme of A shares		**603,560**	–
Redemption of other equity investments issued by a subsidiary		**–**	(318,920)
Repayment of debt securities issued		**(85,671,134)**	(51,225,094)
Repayment of loans and borrowings		**(11,056,795)**	(53,027,955)
Interest paid		**(4,147,089)**	(3,282,221)
Dividends paid		**(4,437,259)**	(4,739,996)
Redemption of perpetual debt instrument		**(10,000,000)**	–
Purchase of treasury shares		**(1,543,209)**	–
Capital element of lease rentals paid		**(585,848)**	(537,076)
Interest element of lease rentals paid		**(88,946)**	(101,686)
Cash used in other financing activities		**(40,000)**	(24,547)
Net cash generated from financing activities		**38,084,838**	11,984,961
Net increase in cash and cash equivalents		**11,410,579**	7,659,723
Cash and cash equivalents at the beginning of the year		**45,771,060**	37,947,251
Effect of foreign exchange rate changes		**(357,963)**	164,086
Cash and cash equivalents at the end of the year	55(a)	**56,823,676**	45,771,060

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Investments in associates and joint ventures *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3.2 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Business combinations and goodwill *(continued)*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts that are financial liabilities of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.4 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.26%-3.20%
Leasehold improvements	Over the shorter of the remaining lease terms and 5 years
Machinery	8.64%-19.20%
Electronic equipment	19.00%-50.00%
Communication equipment	10.55%-32.00%
Motor vehicles	9.50%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading seats rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

3.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Leases *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Leases *(continued)*

Group as a lessee *(continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

3.9 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

3.10 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.11 Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Impairment of financial assets *(continued)*

General approach *(continued)*

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full after taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at amortized cost

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

3.13 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.15 Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

3.16 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

3.18 Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest revenue according to the securities lending agreement. The securities transferred under the securities lending services are not derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.20 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

3.21 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.22 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.22 Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.23 Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3.24 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from asset management business is recognized when contingent criteria associated are met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.24 Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

3.25 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

3.26 Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.27 Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.28 Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the amortized cost and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

3.29 Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

3.30 Employee benefits

Employee benefits refer to all forms of consideration and other related expenses except share-based payments given by the Group in exchange for services rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.30 Employee benefits *(continued)*

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Share-based payments

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.30 Employee benefits *(continued)*

Share-based payments *(continued)*

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognizes the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

3.31 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.32 Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.33 Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these consolidated financial statements is included in the following note:

Note 2.2 – consolidation: whether the Group has control over a structured entity.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 3.3 – measurement of fair value;

Note 3.4 – the impairment of non-financial assets;

Note 3.6 and 3.7 – depreciation rates for property and equipment, and other intangible assets;

Note 3.11 – measurement of 'expected credit loss' (ECL) allowance for financial assets;

Note 3.22 – recognition of deferred tax assets; and

Note 3.30 – Share-based payments.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Value added tax ("VAT")	Taxable revenue	3%-13%
City maintenance and construction tax	Value added tax paid	1%-7%
Education surcharge	Value added tax paid	3%

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if VAT had not been paid previously, no VAT will be payable; if VAT had been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

6. FEE AND COMMISSION INCOME

(a) Revenue streams

	Year ended 31 December	
	2020	2019
Securities brokerage and investment consulting business	**10,347,975**	6,773,457
Underwriting and sponsorship business	**3,590,771**	2,415,790
Asset management business	**1,545,904**	1,665,495
Futures brokerage business	**713,472**	548,639
Financial advisory business	**296,397**	327,048
Custodian and outsourcing service	**222,302**	391,243
Others	**2,795**	3,119
Total	**16,719,616**	12,124,791

Fee and commission income represented the Group's revenue from contracts with customers.

(b) Disaggregation of revenue

In the following table, fee and commission income are disaggregated by timing of revenue recognition:

	2020		2019	
	At a point in time	**Over time**	At a point in time	Over time
Securities brokerage and investment consulting business	**10,347,975**	**–**	6,773,457	–
Underwriting and sponsorship business	**3,590,771**	**–**	2,415,790	–
Asset management business	**–**	**1,545,904**	–	1,665,495
Futures brokerage business	**713,472**	**–**	548,639	–
Financial advisory business	**296,397**	**–**	327,048	–
Custodian and outsourcing service	**–**	**222,302**	–	391,243
Others	**2,795**	**–**	3,119	–
Total	**14,951,410**	**1,768,206**	10,068,053	2,056,738

7. INTEREST INCOME

	Year ended 31 December	
	2020	2019
Margin financing and securities lending	**6,104,191**	4,562,080
Deposits in financial institutions	**3,696,267**	3,236,272
Debt instruments at fair value through other comprehensive income	**2,177,121**	2,007,844
Stock-pledged financing and securities repurchase	**1,851,917**	2,269,365
Other financial assets held under resale agreements	**354,691**	326,502
Term loan	**51,898**	127,380
Others	**259,597**	100,762
Total	**14,495,682**	12,630,205

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2020	2019
Dividend and other income		
Financial instruments at fair value through profit or loss	**4,231,757**	3,996,756
Equity instruments at fair value through other comprehensive income	**201,374**	1,079,162
Net realized gains		
Financial instruments at fair value through profit or loss	**3,773,681**	592,579
Debt instruments at fair value through other comprehensive income	**586,392**	238,891
Derivative financial instruments	**(325,823)**	493,368
Unrealized gains/(losses)		
Financial assets at fair value through profit or loss	**2,162,322**	3,784,512
Financial liabilities at fair value through profit or loss	**(28,927)**	(1,264,069)
Derivative financial instruments	**(1,700,108)**	(819,993)
Others(1)	**529**	(4,596)
Total	**8,901,197**	8,096,610

(1) Third-party interests in consolidated structured entities.

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2020	2019
Income from bulk commodity trading	**5,396,352**	4,744,329
Government grants[1]	**563,871**	618,989
Gain on disposal of joint ventures and associates	**175,811**	740,835
Foreign exchange gains or losses	**61,556**	(65,187)
Commission from tax withholding and remitting	**42,940**	35,571
Gains on disposal of property and equipment	**22,010**	8,406
Others	**66,305**	115,096
Total	**6,328,845**	6,198,039

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2020	2019
Securities brokerage and investment consulting business	**2,157,675**	1,528,378
Futures brokerage business	**233,028**	138,035
Underwriting and sponsorship business	**151,724**	147,374
Others	**38,020**	24,639
Total	**2,580,447**	1,838,426

11. INTEREST EXPENSES

	Year ended 31 December	
	2020	2019
Bonds payable	**3,325,141**	3,127,553
Financial assets sold under repurchase agreements	**2,749,939**	2,463,699
Short-term debt instruments	**732,913**	440,587
Accounts payable to brokerage customers	**611,282**	415,104
Placements from other financial institutions	**483,837**	244,897
Loans and borrowings	**433,752**	314,273
Securities lending	**165,343**	88,148
Derivative financial instruments	**100,688**	74,077
Lease liabilities	**88,946**	101,686
Gold leasing	**75,756**	65,940
Priority tranche holders of structured entities	**31,483**	65,402
Others	**5,574**	2,084
Total	**8,804,654**	7,403,450

12. STAFF COSTS

	Year ended 31 December	
	2020	2019
Salaries, bonuses and allowances	**8,244,400**	6,641,222
Other social welfare	**580,371**	553,561
Contributions to defined contribution schemes	**425,609**	571,644
Total	**9,250,380**	7,766,427

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

12. STAFF COSTS *(continued)*

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2020	2019
Depreciation of right-of-use assets	**635,589**	620,685
Depreciation of property and equipment	**543,238**	514,545
Amortization of other intangible assets	**169,630**	130,560
Amortization of long-term deferred expenses	**23,096**	25,780
Total	**1,371,553**	1,291,570

14. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2020	2019
Cost of bulk commodity trading	**5,392,031**	4,688,979
Information technology expenses	**424,081**	354,456
Promotion and business development expenses	**279,469**	287,609
Rental and property management expenses	**242,420**	345,673
Consulting fees	**241,935**	145,881
Postal and communication expenses	**221,737**	187,617
Fund and asset management scheme distribution expenses	**192,709**	99,804
Administrative and office operating expenses	**192,130**	228,891
Stock exchange management fees	**175,419**	125,605
Marketing and advertising expenses	**166,632**	146,558
Business travel expenses	**146,742**	214,293
Securities investor protection funds	**121,575**	112,507
Utilities	**41,971**	47,563
Donation	**38,824**	35,623
Auditors' remuneration	**14,228**	14,539
Others	**348,806**	236,209
Total	**8,240,709**	7,271,807

15. CREDIT LOSS EXPENSE

	Year ended 31 December	
	2020	2019
Financial assets held under resale agreements	**616,772**	1,037,739
Margin accounts receivable	**610,349**	764,754
Others	**85,176**	247,084
Total	**1,312,297**	2,049,577

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current tax		
Mainland China income tax	**3,295,428**	2,369,164
Hong Kong Profits Tax	**92,099**	281,496
Adjustments in respect of prior years		
Mainland China income tax	**29,188**	1,272
Hong Kong Profits Tax	**7,933**	(415)
Deferred tax	**(289,774)**	(258,254)
Total tax charges for the year	**3,134,874**	2,393,263

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

16. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit before income tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax	**14,871,944**	11,444,619
Tax at the PRC statutory tax rate of 25%	**3,717,986**	2,861,155
Effect of different tax rates of subsidiaries	**(208,330)**	(74,542)
Adjustments in respect of current tax and deferred tax of prior years	**37,121**	857
Non-taxable income	**(348,845)**	(384,002)
Profits and losses attributable to joint ventures and associates	**(35,478)**	(18,100)
Non-deductible expenses	**192,480**	214,513
Utilization of tax losses and deductible temporary differences previously not recognized	**(14,312)**	(39,157)
Tax losses and deductible temporary differences not recognized	**14,752**	539
Deductible distribution of other equity instrument	**(220,500)**	(168,000)
Total tax charges for the year	**3,134,874**	2,393,263

17. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December 2020					
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Restricted share incentive scheme	Total remuneration
Executive Directors						
He Qing[2]	–	732	95	57	–	884
Wang Song	–	920	107	1,236	793	3,056
Yu Jian	–	1,615	176	3,037	653	5,481
Non-Executive Directors						
Liu Xinyi[1][3]	–	–	–	–	–	–
Guan Wei[1]	–	–	–	–	–	–
Zhou Lei[1]	–	–	–	–	–	–
Zhong Maojun[1]	–	–	–	–	–	–
Wang Wenjie[1]	–	–	–	–	–	–
Lin Facheng	150	–	–	–	–	150
Zhou Hao[1]	–	–	–	–	–	–
An Hongjun[1]	–	–	–	–	–	–
Independent Non-executive Directors						
Xia Dawei	250	–	–	–	–	250
Shi Derong[1]	–	–	–	–	–	–
Chen Guogang	250	–	–	–	–	250
Ling Tao	250	–	–	–	–	250
Jin Qingjun	250	–	–	–	–	250
LEE Conway Kong Wai	250	–	–	–	–	250

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2020					
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Restricted share incentive scheme	Total remuneration
Supervisors						
Li Zhongning[(4)]	–	466	60	–	–	526
Wang Lei	–	719	104	308	–	1,131
Shao Chong	150	–	–	–	–	150
Feng Xiaodong	150	–	–	–	–	150
Zuo Zhipeng	150	–	–	–	–	150
Wang Weijie	–	1,132	141	1,606	–	2,879
Liu Xuefeng	–	1,346	141	1,362	–	2,849
	1,850	6,930	824	7,606	1,446	18,656

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 12 February 2020.

(3) Appointed on 15 June 2020.

(4) Appointed on 15 June 2020.

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
	Year ended 31 December 2019				
Executive Directors					
He Qing[2]	–	–	–	–	–
Wang Song	–	925	16	503	1,444
Yu Jian	–	1,828	26	3,135	4,989
Yang Dehong[3]	–	603	16	163	782
Non-Executive Directors					
Zhong Maojun[1]	–	–	–	–	–
Zhou Lei[1]	–	–	–	–	–
Lin Facheng	150	–	–	–	150
Zhou Hao[1]	–	–	–	–	–
Wang Wenjie[1][4]	–	–	–	–	–
Guan Wei[1][5]	–	–	–	–	–
An Hongjun[1][6]	–	–	–	–	–
Liu Ying[1][7]	–	–	–	–	–
Wang Yongjian[7]	63	–	–	–	63
Fu Fan[1][8]	–	–	–	–	–
Independent Non-executive Directors					
Xia Dawei	250	–	–	–	250
Shi Derong[1]	–	–	–	–	–
Chen Guogang	250	–	–	–	250
Ling Tao	250	–	–	–	250
Jin Qingjun	250	–	–	–	250
LEE Conway Kong Wai	250	–	–	–	250

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2019				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Supervisors					
Shao Chong	150	–	–	–	150
Zuo Zhipeng	150	–	–	–	150
Feng Xiaodong	150	–	–	–	150
Wang Weijie	–	1,138	21	2,070	3,229
Liu Xuefeng	–	1,252	21	2,077	3,350
Wang Lei(9)	–	420	2	–	422
Zhu Ning(10)	–	157	16	146	319
Shang Hongbo(11)	–	–	–	–	–
	1,913	6,323	118	8,094	16,448

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 12 February 2020.

(3) Resigned on 23 September 2019.

(4) Appointed on 28 June 2019.

(5) Appointed on 25 July 2019.

(6) Appointed on 14 November 2019.

(7) Resigned on 9 May 2019.

(8) Resigned on 5 December 2019.

(9) Appointed on 4 June 2019.

(10) Resigned on 6 May 2019.

(11) Resigned on 17 June 2019.

18. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2020 and 2019. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and benefits	**12,709**	10,873
Pension scheme contributions and other social welfare	**64**	48
Discretionary bonuses	**55,495**	57,502
Share-based payments	**4,406**	9,384
Total	**72,674**	77,807

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2020	2019
HKD13,000,001 to HKD14,000,000	**–**	1
HKD14,000,001 to HKD15,000,000	**1**	1
HKD15,000,001 to HKD16,000,000	**2**	2
HKD17,000,001 to HKD18,000,000	**1**	–
HKD23,000,001 to HKD24,000,000	**1**	–
HKD28,000,001 to HKD29,000,000	**–**	1
Total	**5**	5

19. DIVIDENDS

	Year ended 31 December	
	2020	2019
Proposed and paid dividends	**3,439,391**	2,449,685
Distribution to other equity instrument holders	**402,500**	590,000

Pursuant to the resolution of the meeting of shareholders held on 15 June 2020, the Company distributed cash dividends of RMB3.9 yuan for every 10 shares (tax included) amounting to RMB3,439 million in total for the year ended 31 December 2019.

Pursuant to the resolution of the meeting of shareholders held on 24 June 2019, the Company distributed cash dividends of RMB2.75 yuan for every 10 shares (tax included) amounting to RMB2,450 million in total for the year ended 31 December 2018.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. The Company recognized dividend payable to other equity instrument holders of RMB403 million and RMB590 million as at 31 December 2020 and 2019 for the years then ended respectively.

Pursuant to the resolution of the 19th meeting of the 5th term of the Board held on 25 March 2021, the Board has proposed the annual profit distribution plan for the year ended 31 December 2020 as follows: after appropriating 10% of profit after tax each for general risk reserves and trading risk reserves, respectively, in accordance with relevant regulations, based on the total number of ordinary shares as indicated in the statutory records on that date, the Company shall distribute cash dividends of RMB5.60 yuan for every 10 shares (tax included). Based on the total of 8,898,448,221 ordinary shares without considering the shares that may be converted from convertible bonds after 31 December 2020, calculated by total shares of 8,908,448,211 as at 31 December 2020 less 9,999,990 shares that are held by the specified account for repurchase, RMB4,983 million of dividends would be distributed. The profit distribution plan is subject to shareholders' approval in the upcoming shareholders' meeting.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) the tax impact of the above adjustments.

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, and (c) the weighted average number of restricted shares that could fulfil the vesting conditions.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the year and those issued in the year are assumed to be converted at the issuance date. The Group has convertible corporate bonds and share based payment as dilutive potential ordinary shares.

When calculating the weighted average number of restricted shares, the vesting conditions are tested at the reporting date.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Year ended 31 December	
	2020	2019
Earnings		
Profit attributable to equity holders of the Company	**11,122,099**	8,637,037
Less: Profit attributable to other equity holders of the Company[1]	**456,585**	647,534
Profit attributable to ordinary equity holders of the Company	**10,665,514**	7,989,503
Add: Interest expense on convertible bonds, net of tax	**298,476**	295,573
Less: Dilutive effect of a subsidiary's potential ordinary shares[2]	**1,634**	1,307
Adjusted profit attributable to ordinary equity holders of the Company	**10,962,356**	8,283,769
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	**8,865,324**	8,843,279
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	**363,727**	356,925
Add: Dilutive effect of share-based transactions	**16,897**	—
Adjusted weighted average number of ordinary shares in issue during the year	**9,245,948**	9,200,204
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
— Basic	**1.20**	0.90
— Diluted	**1.19**	0.90

(1) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2020, RMB457 million (2019: RMB648 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited ("GJIHL").

21. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2020	3,666,148	929,585	65,000	1,583,317	18,773	153,369	1,255,495	161,326	7,833,013
Additions	372	22,168	1,141	186,869	1,484	2,751	340,888	1,777	557,450
Transfers during the year	1,009,459	24,308	6,135	130,553	–	265	(1,330,917)	18,080	(142,117)
Disposals	(69)	(21,278)	(3,032)	(140,649)	(305)	(5,912)	–	(5,820)	(177,065)
As at 31 December 2020	4,675,910	954,783	69,244	1,760,090	19,952	150,473	265,466	175,363	8,071,281
Accumulated depreciation									
As at 1 January 2020	(848,941)	(472,873)	(7,555)	(995,010)	(9,979)	(105,640)	–	(89,339)	(2,529,337)
Depreciation charge	(129,963)	(153,036)	(7,906)	(220,744)	(2,378)	(16,468)	–	(12,743)	(543,238)
Disposals	–	16,767	2,788	90,712	291	5,146	–	2,150	117,854
As at 31 December 2020	(978,904)	(609,142)	(12,673)	(1,125,042)	(12,066)	(116,962)	–	(99,932)	(2,954,721)
Impairment									
As at 1 January 2020 and 31 December 2020	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 31 December 2020	3,604,753	345,641	56,571	635,048	7,886	33,511	265,466	75,431	5,024,307

21. PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2019	3,650,829	643,356	57,248	1,369,333	18,651	153,274	271,146	193,613	6,357,450
Additions	12,153	75,824	10,113	235,981	3,862	12,973	1,425,118	9,690	1,785,714
Transfers during the year	–	244,694	–	75,471	–	–	(439,181)	47	(118,969)
Acquisition of a subsidiary	3,739	–	–	–	–	–	–	–	3,739
Disposals	(573)	(34,289)	(2,361)	(97,468)	(3,740)	(12,878)	(1,588)	(42,024)	(194,921)
As at 31 December 2019	3,666,148	929,585	65,000	1,583,317	18,773	153,369	1,255,495	161,326	7,833,013
Accumulated depreciation									
As at 1 January 2019	(729,919)	(392,410)	(2,680)	(827,958)	(11,532)	(102,958)	–	(115,666)	(2,183,123)
Depreciation charge	(119,065)	(110,970)	(7,036)	(246,134)	(2,045)	(14,687)	–	(14,608)	(514,545)
Disposals	43	30,507	2,161	79,082	3,598	12,005	–	40,935	168,331
As at 31 December 2019	(848,941)	(472,873)	(7,555)	(995,010)	(9,979)	(105,640)	–	(89,339)	(2,529,337)
Impairment									
As at 1 January 2019 and 31 December 2019	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 31 December 2019	2,724,954	456,712	57,445	588,307	8,794	47,729	1,255,495	71,987	5,211,423

As at 31 December 2020 and 2019, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB365,469 thousand and RMB231,000 thousand, respectively.

22. LEASES

(a) Right-of-use assets

	Buildings	Prepaid land lease payments	Total
Cost			
As at 1 January 2019	3,203,089	876,029	4,079,118
Increases	419,959	–	419,959
Decreases	(333,182)	–	(333,182)
As at 31 December 2019	3,289,866	876,029	4,165,895
Increases	341,758	–	341,758
Decreases	(614,879)	–	(614,879)
As at 31 December 2020	**3,016,745**	**876,029**	**3,892,774**
Accumulated depreciation			
As at 1 January 2019	(760,007)	(90,717)	(850,724)
Depreciation charge	(601,609)	(19,076)	(620,685)
Decreases	253,609	–	253,609
As at 31 December 2019	(1,108,007)	(109,793)	(1,217,800)
Depreciation charge	(616,513)	(19,076)	(635,589)
Decreases	473,410	–	473,410
As at 31 December 2020	**(1,251,110)**	**(128,869)**	**(1,379,979)**
Impairment			
As at 1 January 2019	–	–	–
Increases	(22,052)	–	(22,052)
As at 31 December 2019	(22,052)	–	(22,052)
Increases	–	–	–
As at 31 December 2020	**(22,052)**	**–**	**(22,052)**
Net carrying amount			
As at 31 December 2020	**1,743,583**	**747,160**	**2,490,743**
As at 31 December 2019	2,159,807	766,236	2,926,043

22. LEASES *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Year ended 31 December	
	2020	2019
Carrying amount at 1 January	**2,363,837**	2,565,287
New leases	**296,005**	419,959
Accretion of interest recognized during the year	**88,946**	101,686
Acquisition of a subsidiary	**–**	2,338
Modification of leases	**(120,365)**	(86,671)
Payments	**(674,794)**	(638,762)
Carrying amount at 31 December	**1,953,629**	2,363,837
Analyzed into:		
Current portion	**466,697**	638,686
Non-current portion	**1,486,932**	1,725,151

As at 31 December 2020, the maturity analysis of lease liabilities is as follows:

	Year ended 31 December	
	2020	2019
Within 1 year (inclusive)	**466,697**	638,382
1 to 5 years (inclusive)	**1,211,052**	1,246,655
After 5 years	**275,880**	478,800
Total	**1,953,629**	2,363,837

22. LEASES *(continued)*

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2020	2019
Interest on lease liabilities	**88,946**	101,686
Depreciation charge of right-of-use assets	**635,589**	620,685
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2020 (included in other operating expenses and costs)	**181,997**	284,282
Expense relating to leases of low-value assets (included in other operating expenses and costs)	**8,535**	9,092
Total amount recognized in profit or loss	**915,067**	1,015,745

(d) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Those options will not have a significant impact on the Group's financial statements.

23. GOODWILL

	As at 31 December	
	2020	2019
Cost	**599,812**	599,812
Less: Impairment losses	**–**	–
Carrying amount	**599,812**	599,812

23. GOODWILL *(continued)*

Impairment testing on goodwill

	As at 31 December	
	2020	2019
Cost and carrying value		
Unit A — Guotai Junan Futures Co., Ltd.	**2,491**	2,491
Unit B — Shanghai Securities Co., Ltd.	**578,916**	578,916
Unit C — Vietnam Investment Securities Company	**18,405**	18,405
Total	**599,812**	599,812

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in July 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit ("CGU") of Guotai Junan Futures Co., Ltd..

The Company acquired 51% of the equity interests in Shanghai Securities Co., Ltd. ("Shanghai Securities") from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Shanghai Securities.

GJIHL acquired 50.97% equity interests in Vietnam Investment Securities Company from a third party in December 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Vietnam Investment Securities Company.

The recoverable amount of Shanghai Securities was determined based on the fair value less cost of disposal. The net assets value attributable to equity holders of Shanghai Securities was approximately RMB10,057.5 million as set out in the valuation report prepared with market approach. Other than Shanghai Securities, the recoverable amount has been determined on the basis of value-in-use calculation. Main assumptions include budgeted income and gross margin estimated based on the past performance and management's expectations of market developments, etc.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

24. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2020	979,336	206,186	1,066,264	16,347	2,268,133
Additions	273,628	–	–	255	273,883
Acquisition of a subsidiary	–	–	–	–	–
Disposal	(711)	–	–	(699)	(1,410)
As at 31 December 2020	1,252,253	206,186	1,066,264	15,903	2,540,606
Accumulated amortization					
As at 1 January 2020	(550,391)	(126,539)	–	(1,723)	(678,653)
Amortization	(168,677)	–	–	(953)	(169,630)
Disposal	502	–	–	390	892
As at 31 December 2020	(718,566)	(126,539)	–	(2,286)	(847,391)
Impairment					
As at 1 January 2020	–	(4,756)	–	(10,475)	(15,231)
Additions	–	(171)	–	–	(171)
As at 31 December 2020	–	(4,927)	–	(10,475)	(15,402)
Net carrying amount					
As at 31 December 2020	533,687	74,720	1,066,264	3,142	1,677,813

24. OTHER INTANGIBLE ASSETS *(continued)*

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2019	747,443	205,867	1,066,264	16,330	2,035,904
Additions	232,048	–	–	17	232,065
Acquisition of a subsidiary	–	319	–	–	319
Disposal	(155)	–	–	–	(155)
As at 31 December 2019	979,336	206,186	1,066,264	16,347	2,268,133
Accumulated amortization					
As at 1 January 2019	(420,436)	(126,539)	–	(1,274)	(548,249)
Amortization	(130,111)	–	–	(449)	(130,560)
Disposal	156	–	–	–	156
As at 31 December 2019	(550,391)	(126,539)	–	(1,723)	(678,653)
Impairment					
As at 1 January 2019 and 31 December 2019	–	(4,756)	–	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2019	428,945	74,891	1,066,264	4,149	1,574,249

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that securities and futures brokerage qualification was not impaired as at 31 December 2020 and 2019. Refer to note 23 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

25. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2020	2019
Unlisted shares, carried at cost	**21,433,557**	20,422,043
Less: Impairment losses	**–**	–
Total	**21,433,557**	20,422,043

(a) Details of the subsidiaries held by the Company

The following list contains particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December 2020	2019
Guotai Junan Innovation Investment Co., Ltd.(1)(4)	Shanghai PRC	RMB7,500,000,000	Equity investment and investment consulting	**100%**	100%
Shanghai Guotai Junan Securities Asset Management Co., Ltd. ("GTJA Asset Management")(1)(4)	Shanghai PRC	RMB2,000,000,000	Securities asset management	**100%**	100%
Guotai Junan Zhengyu Investment Co., Ltd.(1)(4)	Shanghai PRC	RMB2,000,000,000	Equity investment Financial products investment Industrial investment	**100%**	100%
Shanghai Guoxiang Real Estate Co., Ltd.(1)(4)	Shanghai PRC	RMB1,050,000,000	Real estate and property management	**100%**	100%
Guotai Junan Financial Holdings Limited(1)	HK PRC	HKD2,611,980,000	Investment service	**100%**	100%
Guotai Junan Risk Management Co., Ltd.(4)	Shanghai PRC	RMB800,000,000	Warehouse service Cooperation hedge Investment management Corporate management consulting	**100%**	100%
Shanghai Gelong Entrepreneurship Investment Co., Ltd.(4)	Shanghai PRC	RMB100,000,000	Venture capital investment and management	**100%**	100%
Shanghai GTJA Juntong Investment Management Co., Ltd.(4)	Shanghai PRC	RMB20,000,000	Investment management Industrial investment Investment consulting	**100%**	100%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December 2020	2019
Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd.(4)	Shanghai PRC	RMB20,000,000	Equity investment Venture capital investment Asset management	**100%**	100%
Guotai Junan Futures Co., Ltd.(1)(4)	Shanghai PRC	RMB3,000,000,000	Futures brokerage Futures investment consulting	**100%**	100%
Shanghai Securities Co., Ltd.(1)(2)(4)	Shanghai PRC	RMB2,610,000,000	Securities brokerage Securities investment Underwriting and consulting	**51%**	51%
Hicend Futures Co., Ltd.(4)	Shanghai PRC	RMB560,000,000	Futures brokerage Futures investment consulting	**51%**	51%
Guotai Junan Capital Management Co., Ltd. ("Guotai Junan Capital")(4)	Shanghai PRC	RMB1,233,563,200	Asset management Equity investment Fund management	**99%**	90%
Shanghai North Industries GTJA Investment Management Co., Ltd.(4)	Shanghai PRC	RMB730,025,345	Investment management Industrial investment Investment consulting	**99%**	61%
Shanghai GTJA Haojing Investment Management Co., Ltd.(4)	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	**100%**	100%
Guotai Junan Investments (Hong Kong) Limited	HK PRC	HKD33,500,000	Investment	**100%**	100%
Guotai Junan Consultancy Services (Shenzhen) Limited(4)	Shenzhen PRC	HKD12,000,000	Investment consulting Marketing planning Corporate management consulting	**100%**	100%
Guotai Junan Holdings Limited (BVI)	British Virgin Is.	USD1	Investment	**100%**	100%
GJIHL	HK PRC	HKD10,908,748,771	Investment and financing	**73.25%**	68.48%
Guotai Junan (Hong Kong) Limited	Samoa	USD820,400,000	Investment Administrative management	**73.25%**	68.48%
Guotai Junan Fund Management Limited(3)	HK PRC	HKD10,000,000	Fund management Securities trading	**36.63%**	34.24%
Guotai Junan Securities (Hong Kong) Limited	HK PRC	HKD7,500,000,000	Securities brokerage	**73.25%**	68.48%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December 2020	2019
Guotai Junan Finance (Hong Kong) Limited	HK PRC	HKD300,000,000	Investment and financing	**73.25%**	68.48%
Guotai Junan Futures (Hong Kong) Limited	HK PRC	HKD50,000,000	Futures brokerage	**73.25%**	68.48%
Guotai Junan Capital (Hong Kong) Limited	HK PRC	HKD50,000,000	Investment consulting	**73.25%**	68.48%
Guotai Junan Asset Management (Asia) Limited	HK PRC	HKD50,000,000	Fund management	**73.25%**	68.48%
Guotai Junan FX Limited	HK PRC	HKD30,000,000	Foreign exchange dealing	**73.25%**	68.48%
Guotai Junan Finance Holdings Limited (BVI)	British Virgin Is.	USD1	Financial financing	**100%**	100%
Guotai Junan International (Singapore) Holdings Pte. Limited	Singapore	SGD9,300,000	Investment management	**73.25%**	68.48%
Guotai Junan International Asset Management (Singapore) Pte. Limited	Singapore	SGD4,200,000	Asset management	**73.25%**	68.48%
Guotai Junan Financial Products Limited	HK PRC	HKD1,000,000	Investment and securities trading	**73.25%**	68.48%
Guotai Junan International Securities (Singapore) Pte. Limited	Singapore	SGD3,500,000	Securities brokerage	**73.25%**	68.48%
Guotai Junan Global Limited	British Virgin Is.	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA Holding, Inc.	USA	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA, Inc.	USA	USD5,000,000	M&A consulting services	**100%**	100%
Shanghai Shipping Capital (Hong Kong) Holding Co., Ltd.	HK PRC	–	Equity investment Fund management	**100%**	100%
Vietnam Investment Securities Company	Vietnam	VND693.5 Billion	Securities brokerage	**37.34%**	34.90%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

(1) These subsidiaries are directly held by the Company.

(2) In August 2019, on the 16th extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved, pursuant to which it was agreed that the issue of competition shall be solved by targeted capital increase of Shanghai Securities. In January 2020, at the 21st extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the specific Plan of Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved. In 7 December, Shanghai Securities has received from CSRC *the Reply on Approving the Change of Major Shareholders of Shanghai Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 3358)* in which CSRC approves that Bailian Group is to become a major shareholder and a controlling shareholder. Shanghai Securities will conduct the business registration procedures for the change of increased registered share capital in time after the completion of the capital verification and the registration procedure of the change of state-owned property rights in accordance with the requirements of the reply from CSRC and regulations of state-owned assets management.

(3) GJIHL, a subsidiary controlled by the Company through its voting rights of 73.25%, via its wholly-owned subsidiary Guotai Junan (Hong Kong) Limited controls Guotai Junan Fund Management Limited through contractual arrangement between shareholders whereby Guotai Junan (Hong Kong) Limited has been granted the authority to direct relevant activities of Guotai Junan Fund Management Limited unilaterally. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.

(4) All of the subsidiaries established in the PRC are registered as companies with limited liability under PRC law.

(b) Partially-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

Shanghai Securities	**As at 31 December**	
	2020	2019
NCI percentage	**49.00%**	49.00%
Current assets	**29,886,821**	24,852,704
Non-current assets	**15,975,846**	9,968,729
Current liabilities	**31,073,670**	23,091,987
Non-current liabilities	**6,029,152**	3,181,822
Net assets	**8,759,845**	8,547,624
Carrying amount of NCI	**5,339,507**	5,235,519

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests *(continued)*

	Year ended 31 December	
	2020	2019
Total revenue and other income	**2,616,685**	2,244,831
Total expenses and income tax expense	**2,150,772**	1,970,265
Profit for the year	**437,910**	274,566
Total comprehensive income	**322,221**	270,047
Profit attributable to NCI	**256,396**	176,357
Distribution to NCI	**82,000**	1,552,000
Cash flows generated from operating activities	**5,929,895**	5,759,018
Cash flows used in investing activities	**(5,999,683)**	(3,423,467)
Cash flows generated from/(used in) financing activities	**652,406**	(1,772,353)

GJIHL	As at 31 December	
	2020	2019
NCI percentage	**26.75%**	31.52%
Current assets	**87,600,313**	77,981,893
Non-current assets	**14,844,732**	8,674,214
Current liabilities	**79,630,924**	69,531,052
Non-current liabilities	**9,988,228**	6,902,604
Net assets	**12,825,893**	10,222,451
Carrying amount of NCI	**3,513,644**	3,335,875

	Year ended 31 December	
	2020	2019
Total revenue and other income	**4,338,264**	3,739,003
Total expenses and income tax expense	**2,944,075**	2,944,995
Profit for the year	**1,394,188**	794,008
Total comprehensive income	**1,387,295**	793,608
Profit attributable to NCI	**358,234**	239,329
Distribution to NCI	**121,777**	139,430
Cash flows used in operating activities	**(13,403,940)**	(4,735,478)
Cash flows used in investing activities	**(32,144)**	(110,254)
Cash flows generated from financing activities	**11,928,233**	7,443,907

26. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including limited partnerships and asset management products by acting as a manager or general partner during the year. Except for the structured entities the Group has consolidated as stated in note 26(a), in management's opinion, the Group's exposure to variable returns of these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2020 and 2019, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB7,412 million and RMB5,939 million, respectively. The management fee arising from these unconsolidated structured entities in which the group did not hold interest amounted to RMB643 million and RMB875 million for the years ended 31 December 2020 and 2019, respectively..

The carrying amounts of interests in unconsolidated structured entities in the consolidated statement of financial position approximate the maximum loss exposure for these unconsolidated structured entities.

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2020	2019
Share of net assets		
— Associates	**1,169,765**	1,183,891
— Joint ventures	**2,844,778**	1,274,671
Total	**4,014,543**	2,458,562

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

At the end of each reporting period, the Group had the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital/ Capital commitment (Expressed in yuan)	Principal activities	Percentage of equity interests as at 31 December 2020	2019
Associates:					
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	**25%**	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	**38%**	38%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd.[2]	Shanghai PRC	RMB100,000,000	Investment management and equity investment	**13%**	13%
Huaan Fund Management Co., Ltd. ("Hua An Fund")	Shanghai PRC	RMB150,000,000	Fund management	**20%**	20%
Shenzhen United Property and Share Rights Exchange[2]	Shenzhen PRC	RMB500,000,000	Provision of intermediary services and equity registration services for equity trading	**10%**	10%
Joint ventures:					
Xiamen Junxin Equity Investment Company LLP[2]	Xiamen PRC	RMB200,100,000	Equity investment and advisory	**10%**	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai PRC	RMB100,000,000	Industrial investment and Investment management	**25%**	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai PRC	RMB500,000,000	Industrial investment and Investment management	**20%**	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP[1]	Shanghai PRC	RMB1,000,200,000	Industrial investment and Investment management	**55%**	55%
Shanghai Junzheng Investment Management Co., Ltd.[1]	Shanghai PRC	RMB10,000,000	Investment management and advisory	**51%**	51%
Shanxi GTJA Chuangtou Equity Investment Company LLP	Taiyuan PRC	RMB220,000,000	Investment management and advisory	**27%**	30%
Shanghai Guojun Chuangtou Zhengjun No. 2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	**25%**	25%
Shanghai North Industries GTJA Investment Centre LLP[2]	Shanghai PRC	RMB652,000,000	Investment management and advisory	**16%**	16%
Shanghai Juntong Jinglian Investment LLP[1]	Shanghai PRC	RMB701,000,000	Investment management and advisory	**100%**	100%
Juntong Phase II Fund	Shanghai PRC	RMB401,000,000	Investment management and advisory	**50%**	50%
Shanghai GTJA Chuangxin Equity Investment Master Fund Center LLP	Shanghai PRC	RMB8,008,000,000	Equity investment and advisory	**50%**	–
Qingdao GTJA Xinxing No. 1 Equity Investment Fund LLP	Qingdao PRC	RMB728,500,000	Equity investment and advisory	**48%**	–

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

(2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Year ended 31 December	
	2020	2019
Share of associates' profit for the year	**150,120**	72,945
Share of joint ventures' profit for the year	**5,405**	101,068

	Year ended 31 December	
	2020	2019
Share of associates' total comprehensive income for the year	**150,120**	75,637
Share of joint ventures' total comprehensive income for the year	**(92,768)**	225,912

	As at 31 December	
	2020	2019
Aggregate carrying amount of the Group's investments in associates	**1,169,765**	1,183,891
Aggregate carrying amount of the Group's investments in joint ventures	**2,844,778**	1,274,671

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2020	2019
Government bonds	**28,379,934**	10,979,202
Financial bonds	**12,701,962**	9,003,336
Corporate bonds	**16,571,307**	24,533,966
Other bonds	**7,858,014**	8,892,216
Total	**65,511,217**	53,408,720
Analyzed as:		
Listed in Hong Kong	**557,227**	–
Listed outside Hong Kong	**37,253,895**	28,065,608
Unlisted	**27,700,095**	25,343,112
Total	**65,511,217**	53,408,720

Current

	As at 31 December	
	2020	2019
Government bonds	**70,326**	1,355,652
Financial bonds	**2,550,394**	337,463
Corporate bonds	**2,442,565**	3,313,903
Other bonds	**1,918,300**	1,851,090
Total	**6,981,585**	6,858,108
Analyzed as:		
Listed inside Hong Kong	**33,810**	–
Listed outside Hong Kong	**4,280,518**	4,303,152
Unlisted	**2,667,257**	2,554,956
Total	**6,981,585**	6,858,108

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

As at 31 December 2020, debt instruments at fair value through other comprehensive income of the Group included approximately RMB54,315,951 thousand (as at 31 December 2019: RMB47,317,435 thousand) of pledged, restricted or transferred assets.

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**208,151**	151,826
Charge for the year	**68,848**	76,027
Reversal	**(64,288)**	(5,622)
Amounts written off and others	**(58,402)**	(14,080)
At the end of the year	**154,309**	208,151

(b) Analysis of the stages of allowance for ECLs:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2020	**56,167**	**34,543**	**63,599**	**154,309**
As at 31 December 2019	122,265	85,886	–	208,151

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2020	2019
Contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC investment")(1)(2)	**13,307,522**	13,011,129
Equity securities(2)	**4,329,540**	4,535,947
Total	**17,637,062**	17,547,076
Analyzed as:		
Listed in Hong Kong	**477,160**	136,648
Listed outside Hong Kong	**3,594,012**	3,376,626
Unlisted	**13,565,890**	14,033,802
Total	**17,637,062**	17,547,076

(1) As at 31 December 2020, the equity instruments at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). CSFC manages the operations and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 31 December 2020, the fair value of the Company's contribution was RMB13,308 million, based on the investment account statement provided by CSFC.

(2) The Group has designated some investments, including CSFC investment and those held for strategic investment purposes or for securities lending, as equity instruments at fair value through other comprehensive income during the year ended 31 December 2020. The dividend income relating to equity instruments at fair value through other comprehensive income is disclosed in note 8.

During the year ended 31 December 2020, the Group disposed of some of the equity instruments at fair value through other comprehensive income in response to an adjustment in its investment strategy. The accumulated net realized losses and the dividend income of the equity instruments disposed of amounted to RMB216 million and RMB201 million, respectively.

(3) As at 31 December 2020, equity instruments at fair value through other comprehensive income of the Group included approximately RMB357,653 thousand of pledged, restricted or transferred shares.

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current

	As at 31 December	
	2020	2019
Equity securities	**2,645,258**	1,977,491
Less: Allowance for ECLs	**(28,971)**	(17,754)
Total	**2,616,287**	1,959,737

Current

	As at 31 December	
	2020	2019
Equity securities	**28,841,160**	31,763,998
Debt securities	**27,667,914**	22,668,973
Precious metals	**–**	191,701
Others	**–**	10,134
Less: Allowance for ECLs	**(3,263,560)**	(2,654,546)
Total	**53,245,514**	51,980,260

(b) Analyzed by market:

Non-current

	As at 31 December	
	2020	2019
Stock exchanges	**2,645,258**	1,977,491
Less: Allowance for ECLs	**(28,971)**	(17,754)
Total	**2,616,287**	1,959,737

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(b) Analyzed by market: *(continued)*

Current

	As at 31 December	
	2020	2019
Stock exchanges	**38,701,633**	34,808,253
Interbank market	**15,256,807**	19,624,718
Over the counter	**2,550,634**	201,835
Less: Allowance for ECLs	**(3,263,560)**	(2,654,546)
Total	**53,245,514**	51,980,260

(c) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**2,672,300**	1,634,561
Charge for the year	**616,772**	1,310,009
Reversal	**–**	(272,270)
Amounts written-off and others	**3,459**	–
At the end of the year	**3,292,531**	2,672,300

(d) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**120,364**	**1,285**	**3,170,882**	**3,292,531**
As at 31 December 2019	129,378	295,877	2,247,045	2,672,300

The carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB51,797,197 thousand and RMB4,064,604 thousand respectively.

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing:

	As at 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount	**23,228,325**	**250,904**	**6,984,577**	**30,463,806**
Allowance for ECLs	**110,628**	**1,286**	**3,170,882**	**3,282,796**
Fair value of collateral	**67,416,503**	**574,152**	**5,515,373**	**73,506,028**

	As at 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount	23,999,121	4,160,204	4,856,790	33,016,115
Allowance for ECLs	122,872	295,877	2,247,045	2,665,794
Fair value of collateral	74,968,637	10,747,268	3,637,303	89,353,208

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2020	2019
At fair value through profit or loss:		
Asset-backed securities	**6,366,144**	2,100,845
Debt securities	**6,202,442**	1,356,921
Equity securities	**5,036,538**	2,427,263
Funds	**4,463,010**	7,212,279
Preferred stock/Perpetual bonds	**3,958,649**	–
Asset management schemes	**601,931**	–
Other investments(1)	**–**	336,383
Total	**26,628,714**	13,433,691

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

	As at 31 December	
	2020	2019
Analyzed as:		
Listed in Hong Kong	**404,301**	470,935
Listed outside Hong Kong	**6,039,532**	2,728,098
Unlisted	**20,184,881**	10,234,658
Total	**26,628,714**	13,433,691

Current

	As at 31 December	
	2020	2019
At fair value through profit or loss:		
Debt securities	**101,769,785**	95,314,955
Funds	**54,897,601**	44,112,122
Equity securities	**20,046,359**	17,999,884
Asset management schemes	**8,084,911**	5,009,153
Wealth management products	**3,331,081**	6,078,196
Asset-backed securities	**3,270,990**	1,289,836
Preferred stock/Perpetual bonds	**1,718,527**	3,502,108
Other investments[(1)]	**8,978,176**	2,282,247
Total	**202,097,430**	175,588,501
Analyzed as:		
Listed in Hong Kong	**18,188,836**	18,639,994
Listed outside Hong Kong	**71,416,760**	103,402,041
Unlisted	**112,491,834**	53,546,466
Total	**202,097,430**	175,588,501

(1) Other investments mainly represent investments in precious metals, etc.

(2) As at 31 December 2020, financial assets at fair value through profit or loss of the Group included approximately RMB90,984,609 thousand (as at 31 December 2019: RMB56,436,807 thousand) of pledged, restricted or transferred assets.

32. REFUNDABLE DEPOSITS

	As at 31 December	
	2020	2019
Deposits with exchanges and other financial institutions:		
Futures deposits	**24,216,302**	10,204,363
Trading deposits	**2,787,107**	1,082,727
Performance deposits	**1,324,111**	1,201,915
Credit deposits	**607,752**	319,882
Other deposits	**480,129**	166,490
Total	**29,415,401**	12,975,377

33. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2020	2019
Deferred tax assets	**1,761,582**	1,251,032
Deferred tax liabilities	**(139,059)**	(13,762)
Total	**1,622,523**	1,237,270

33. DEFERRED TAX *(continued)*

The following are the major deferred tax assets and liabilities recognized and the movements thereon for the years ended 31 December 2020 and 2019:

Deferred tax arising from:	Allowance for ECLs/impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 31 December 2018	748,797	799,187	35,874	(442,987)	12,437	92,728	1,246,036
Impact of adopting IFRS 16	–	–	–	–	–	26,778	26,778
As at 1 January 2019	748,797	799,187	35,874	(442,987)	12,437	119,506	1,272,814
Recognized in profit or loss	454,540	212,779	(329,990)	9,334	45,365	(133,774)	258,254
Recognized in other comprehensive income	(13,364)	–	(165,807)	–	–	(31,085)	(210,256)
Transferred out	–	–	(82,980)	–	–	(562)	(83,542)
As at 31 December 2019	1,189,973	1,011,966	(542,903)	(433,653)	57,802	(45,915)	1,237,270
Recognized in profit or loss	(12,424)	464,996	(291,001)	9,334	28,182	90,687	289,774
Recognized in other comprehensive income	–	–	125,537	–	–	24,529	150,066
Transferred out	(500)	–	(54,087)	–	–	–	(54,587)
As at 31 December 2020	1,177,049	1,476,962	(762,454)	(424,319)	85,984	69,301	1,622,523

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

34. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
Prepayments	**343,704**	–
Advances relating to lawsuits	**256,037**	256,037
Long-term deferred expenses	**97,231**	58,156
Deposit	**26,369**	69,346
Term loan	**–**	776,571
Others	**901,451**	859,913
Less: Allowance for ECLs	**(933,664)**	(865,184)
Total	**691,128**	1,154,839

34. OTHER NON-CURRENT ASSETS *(continued)*

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**865,184**	666,235
Charge for the year	**125,777**	210,879
Reversal	**(57,297)**	(11,930)
Amounts written off and others	**–**	–
At the end of the year	**933,664**	865,184

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**–**	**–**	**933,664**	**933,664**
As at 31 December 2019	–	25,489	839,695	865,184

35. ACCOUNTS RECEIVABLE

	As at 31 December	
	2020	2019
Accounts receivable from:		
— Settlement	**2,911,489**	314,738
— Brokers and dealers	**2,575,059**	2,125,007
— Fee and commission	**1,520,971**	932,281
— Fund management fee	**136,754**	83,092
— Cash and custodian clients	**93,176**	36,141
Less: Allowance for ECLs	**(7,124)**	(7,093)
Total	**7,230,325**	3,484,166

35. ACCOUNTS RECEIVABLE *(continued)*

(a) Analyzed by aging:

	As at 31 December	
	2020	2019
Within 1 year	**7,228,658**	3,484,166
1 to 2 years	**1,667**	—
	7,230,325	3,484,166

(b) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**7,093**	26,465
Charge for the year	**–**	—
Reversal	**–**	(19,372)
Amounts written off and others	**31**	—
At the end of the year	**7,124**	7,093

(c) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**7,124**	**–**	**–**	**7,124**
As at 31 December 2019	7,093	—	—	7,093

36. OTHER CURRENT ASSETS

	As at 31 December	
	2020	2019
Term loans	**1,416,275**	562,070
Bulk commodity trading inventories	**485,427**	587,019
Deposit	**123,737**	76,569
Dividends receivable	**123,531**	24,068
Prepayment for expenses	**54,543**	99,176
Prepayments	**14,058**	44,956
Receivable from disposal of an associate	**–**	139,078
Others	**931,967**	616,685
Less: Allowance for ECLs/impairment losses	**(165,997)**	(132,168)
Total	**2,983,541**	2,017,453

(a) Analysis of the movements of allowance for ECLs/impairment losses:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**132,168**	135,196
Charge for the year	**2,106**	–
Reversal	**–**	(3,028)
Amounts written off and others	**31,723**	–
At the end of the year	**165,997**	132,168

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**–**	**–**	**165,997**	**165,997**
As at 31 December 2019	–	–	132,168	132,168

37. MARGIN ACCOUNTS RECEIVABLE

	As at 31 December	
	2020	2019
Individuals	**75,666,184**	55,160,769
Institutions	**25,595,984**	18,284,407
Less: Allowance for ECLs	**(1,832,821)**	(1,356,832)
Total	**99,429,347**	72,088,344

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2020	2019
At the beginning of the year	**1,356,832**	592,078
Charge for the year	**610,349**	777,089
Reversal	**–**	(12,335)
Amounts written off and others	**(134,360)**	–
At the end of the year	**1,832,821**	1,356,832

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**127,633**	**12,524**	**1,692,664**	**1,832,821**
As at 31 December 2019	83,731	4,836	1,268,265	1,356,832

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB98,452,695 thousand and RMB976,652 thousand respectively. (2019: RMB71,577,263 thousand and RMB511,081 thousand respectively).

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 31 December	
	2020	2019
Fair value of collateral:		
— Stocks	**317,770,299**	228,668,761
— Cash	**12,060,505**	10,135,486
— Funds	**10,586,789**	2,405,770
— Bonds	**351,309**	206,371
Total	**340,768,902**	241,416,388

38. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2020		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	**32,636,355**	–	(34,094)
— Interest rate swap	**1,957,101,467**	98,145	(270,747)
— Interest rate options	**26,706,073**	185,954	(18,530)
— Others	**27,967,923**	690,623	(671,458)
Equity derivatives			
— Stock index futures	**19,832,674**	246,068	(15,921)
— Forward contracts	**2,461,129**	105,258	(3,414)
— Equity return swaps	**18,912,259**	(38,670)	(1,669,634)
— Stock options	**33,432,255**	379,230	(2,081,860)
Currency derivatives			
— Currency swaps	**4,489,131**	–	(145,037)
— Foreign exchange forward	**40,332,929**	730,893	(154,838)
— Foreign exchange options	**2,031,451**	9,142	(44,982)
— Others	**2,131,843**	18,171	(3,537)
Other derivatives			
— Precious metals futures	**5,250,939**	–	(260,526)
— Au (T+D)	**292,510**	849	–
— Commodity futures	**1,556,810**	4,395	–
— Gold options	**20,109,849**	17,837	(179,473)
— Commodity options	**15,223,902**	67,695	(174,025)
— Credit default swap	**3,461,632**	10,718	(13,600)
— Others	**3,635,044**	66,158	(55,927)
Less: Cash (received)/paid as settlement		(378,240)	271,131
Total		2,214,226	(5,526,472)

38. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2019		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	8,309,245	–	(20,147)
— Interest rate swap	1,037,310,494	10,024	(135,363)
— Interest rate options	594,000	408	(3,139)
— Others	6,319,305	50,345	(7,019)
Equity derivatives			
— Stock index futures	8,097,994	5,807	–
— Forward contracts	8,159,500	131,605	(120,853)
— Equity return swaps	6,546,765	120,986	(729,967)
— Stock options	29,727,888	93,584	(281,697)
Currency derivatives			
— Currency swaps	23,495,013	13,100	(23,004)
— Foreign exchange forward	8,698,694	71,236	(52,531)
— Foreign exchange options	208,053	7,609	(17,390)
— Others	1,364,569	5,611	–
Other derivatives			
— Precious metals futures	2,315,137	–	(59,235)
— Au (T+D)	273,636	1,058	–
— Commodity futures	2,606,484	–	(2,508)
— Gold options	18,571,491	1,803	(25,502)
— Commodity options	15,183,850	53,889	(47,541)
— Others	1,432,076	8,497	(4,307)
Less: Cash (received)/paid as settlement		(25,481)	171,394
Total		550,081	(1,358,809)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap and currency swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

39. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2020	2019
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	**5,999,167**	4,248,348
— Others	**50,530**	211,804
Total	**6,049,697**	4,460,152

40. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

41. CASH AND BANK BALANCES

	As at 31 December	
	2020	2019
Cash on hand	**398**	513
Bank balances	**25,275,060**	25,252,316
Total	**25,275,458**	25,252,829

As at 31 December 2020 and 2019, the Group's bank balances of RMB199,514 thousand and RMB706,908 thousand, respectively, were restricted.

As at 31 December 2020, the ECL allowance for cash and bank balances amounted to RMB13,361 thousand (31 December 2019: RMB5,919 thousand).

42. LOANS AND BORROWINGS

Current

	As at 31 December	
	2020	2019
Unsecured loans and borrowings[(1)]	**9,769,331**	10,312,724
Total	**9,769,331**	10,312,724

Non-current

	As at 31 December	
	2020	2019
Unsecured loans and borrowings	**–**	1,490,000
Total	**–**	1,490,000

(1) As at 31 December 2020 and 2019, the current unsecured loans and borrowings of the Group were repayable within one year and bore interest at rates ranging from 1.09% to 4.09% per annum and from 2.41% to 5.31% per annum, respectively.

43. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	**As at 1 January 2020**	**Increase**	**Decrease**	**As at 31 December 2020**
Short-term financing bills payable	**1.40%-3.35%**	**6,018,550**	**43,244,815**	**40,221,408**	**9,041,957**
Short-term corporate bonds	**2.95%-3.70%**	**2,007,578**	**18,027,007**	**2,011,353**	**18,023,232**
Medium-term notes	**1.00%-3.70%**	**3,133,819**	**11,968,642**	**5,316,986**	**9,785,475**
Structured notes	**2.30%-4.50%**	**6,264,405**	**26,838,994**	**21,229,695**	**11,873,704**
Total		**17,424,352**	**100,079,458**	**68,779,442**	**48,724,368**

	Nominal interest rate	As at 1 January 2019	Increase	Decrease	As at 31 December 2019
Short-term financing bills payable	2.57%-3.15%	3,019,418	21,122,439	18,123,307	6,018,550
Short-term corporate bonds	3.70%-4.25%	507,862	2,020,992	521,276	2,007,578
Medium-term notes	1.50%-3.70%	2,289,294	3,151,646	2,307,121	3,133,819
Structured notes	2.70%-5.00%	1,228,850	13,209,915	8,174,360	6,264,405
Total		7,045,424	39,504,992	29,126,064	17,424,352

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Placements from banks[(1)]	**11,712,124**	5,469,923
Placements from CSFC[(2)]	**2,008,794**	4,018,719
Others	**89,712**	—
Total	**13,810,630**	9,488,642

(1) As at 31 December 2020 and 2019, placements from banks were repayable within one year, and bore interest at annual interest rates ranging from 1.30% to 3.10% and from 1.85% to 2.95%, respectively.

(2) As at 31 December 2020 and 2019, placements from CSFC were repayable within one year, and bore interest at annual interest rates ranging from 2.50% to 2.80% and from 3.25% to 3.50%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 31 December	
	2020	2019
Margin financing and securities lending deposits	**18,142,491**	12,305,984
Other brokerage business deposits	**139,265,667**	97,030,542
Total	**157,408,158**	109,336,526

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing and futures trading activities under the normal course of business. Only amounts in excess of the required deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not provide additional value in view of the nature of these businesses.

46. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2020	2019
Salaries, bonuses and allowances	**7,288,856**	5,382,418
Social welfare and others	**256,275**	278,175
Contributions to a defined contribution scheme	**23,641**	24,512
Total	**7,568,772**	5,685,105

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current

	As at 31 December	
	2020	2019
Bonds	**122,832,607**	104,028,206
Funds	**10,991,957**	8,090,127
Precious metals	**9,494,853**	10,896,125
Margin accounts receivable-backed repurchase	**1,401,898**	3,002,838
Total	**144,721,315**	126,017,296

(b) Analyzed by market:

Current

	As at 31 December	
	2020	2019
Interbank market	**72,942,370**	73,411,056
Stock exchanges	**60,882,194**	38,707,277
Over the counter	**10,896,751**	13,898,963
Total	**144,721,315**	126,017,296

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current

	As at 31 December	
	2020	2019
At fair value through profit or loss(1)		
— Equity securities	**847,312**	–
— Debt securities	**4,447,835**	5,668,354
— Gold	**265,094**	–
Designated as at fair value through profit or loss		
— Debt securities(2)	**21,858,279**	32,049,360
— Interest attributable to other holders of consolidated structured entities(3)	**2,886,319**	127,332
Total	**30,304,839**	37,845,046

Non-current

	As at 31 December	
	2020	2019
Designated as at fair value through profit or loss		
— Debt securities(2)	**17,456,170**	5,891,494
— Interest attributable to other holders of consolidated structured entities(3)	**333,450**	550,153
Total	**17,789,620**	6,441,647

(1) As at 31 December 2020 and 2019, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.

(2) As at 31 December 2020 and 2019, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 31 December 2020 and 2019, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

49. BONDS PAYABLE

Current

	As at 31 December	
	2020	2019
Corporate bonds(1)	**16,743,305**	9,357,582
Structured notes	**4,986,221**	–
Subordinated bonds(1)	**3,015,173**	8,297,637
Medium-term notes	**–**	16,925
Total	**24,744,699**	17,672,144

Non-current

	As at 31 December	
	2020	2019
Corporate bonds(1)	**56,705,384**	47,507,688
Structured notes	**6,298,302**	–
Subordinated bonds(1)	**2,639,855**	3,000,000
Medium-term notes	**1,304,174**	1,393,721
Total	**66,947,715**	51,901,409

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 31 December 2020

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
16 GUOJUN G4	**3,000,000**	**2016.08**	**2021.08**	**3.14%**
18 GUOJUN G1	**4,300,000**	**2018.03**	**2021.03**	**5.15%**
18 GUOJUN G2	**4,300,000**	**2018.04**	**2021.04**	**4.55%**
18 GUOJUN G3	**4,700,000**	**2018.07**	**2021.07**	**4.44%**
Subordinated bond				
16 GUOJUN C4	**3,000,000**	**2016.11**	**2021.11**	**3.55%**
Non-current				
Corporate bonds				
16 GUOJUN G2 (i)	**1,000,000**	**2016.04**	**2023.04**	**3.25%**
17 GUOJUN G2	**600,000**	**2017.08**	**2022.08**	**4.70%**
18 GUOJUN G4	**300,000**	**2018.07**	**2023.07**	**4.64%**
19 GUOJUN G1	**3,000,000**	**2019.04**	**2022.04**	**3.90%**
19 GUOJUN G3	**2,900,000**	**2019.05**	**2022.05**	**3.73%**
19 GUOJUN G4	**2,500,000**	**2019.10**	**2022.10**	**3.48%**
20 GUOJUN G1	**4,000,000**	**2020.01**	**2023.01**	**3.37%**
20 GUOJUN G2	**4,000,000**	**2020.03**	**2023.03**	**3.05%**
20 GUOJUN G4	**5,000,000**	**2020.07**	**2023.07**	**3.55%**
20 GUOJUN G5	**4,000,000**	**2020.09**	**2023.09**	**3.75%**
20 GUOJUN G6	**3,900,000**	**2020.11**	**2022.11**	**3.80%**
20 GUOJUN G7	**2,000,000**	**2020.11**	**2023.11**	**3.90%**
20 GUOJUN G9	**2,900,000**	**2020.12**	**2023.12**	**3.77%**
GUOJUN Convertible bonds (ii)	**7,000,000**	**2017.07**	**2023.07**	**1.50%**
GTJA HOLD B2203 (iii)	**3,437,271**	**2019.03**	**2022.03**	**3.875%**
GTJA SEC B2203 (iv)	**1,993,335**	**2019.03**	**2022.03**	**0.584%**
19 GTJA Financial Bond 01	**8,000,000**	**2019.08**	**2022.08**	**3.48%**
Subordinated bond				
20 Shanghai Securities C1	**2,600,000**	**2020.08**	**2023.08**	**4.55%**

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

As at 31 December 2019

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
Subordinated bonds				
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%
Non-current				
Corporate bonds				
15 GUOJUN G2 (v)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (i)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
GUOJUN Convertible bonds (ii)	7,000,000	2017.07	2023.07	1.00%
GTJA HOLD B2203 (iii)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (iv)	1,993,335	2019.03	2022.03	0.757%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Subordinated bond				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

(i) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(ii) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bond bear a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

As at 31 December 2020, convertible corporate bonds with a principal amount of RMB9,794 thousand were converted into 514,307 ordinary A shares.

(iii) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.

(iv) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.

(v) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year. In November 2020, the Company redeemed all of the bonds.

50. OTHER CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Accounts payable arising from derivative brokerage	**10,632,550**	5,132,673
Settlement payables to clearing house and customers	**6,699,497**	2,849,011
Accounts payable to brokers	**2,187,235**	1,439,982
Accounts payable arising from warehouse receipt pledge	**1,264,666**	—
Other tax payable	**877,306**	859,486
Payables to priority tranche holders of structured entities	**675,413**	1,259,103
Accounts payable arising from equity incentives	**603,560**	—
Proceeds from underwriting securities received on behalf of customers	**348,459**	499,566
Dividends payable	**279,348**	614,009
Underwriting fee payable in relation to A share IPO	**198,169**	238,169
Bank's acceptance bill payable	**175,000**	99,855
Payable for construction projects	**133,822**	136,189
Commission payable to other distributors	**94,751**	56,611
Interest payable	**76,068**	14,200
Payables for the securities investor protection fund	**68,836**	60,679
Advance received from customers	**68,649**	153,021
Advance received from issuance of financial products	**51,173**	88,776
Gold borrowing expenses payable	**20,843**	30,451
Dividend received on behalf of customers	**1,091**	10,899
Others	**948,819**	686,508
Total	**25,405,255**	14,229,188

51. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2020	2019
Risk reserve for the futures brokerage business	**161,456**	143,123
Provisions	**88,613**	82,114
Payables to priority tranche holders of structured entities	**24,595**	—
Total	**274,664**	225,237

52. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The number of shares issued by the Company and their nominal value are as follows:

	As at 31 December	
	2020	2019
At the beginning of the year	**8,907,948**	8,713,941
The conversion of convertible bonds into ordinary shares	**500**	7
Issuance of shares	**–**	194,000
At the end of the year	**8,908,448**	8,907,948

53. OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2020	2019
Perpetual subordinated bonds(1)	**9,943,396**	15,000,000
Equity component of convertible bonds(2)	**1,128,265**	1,129,799
Total	**11,071,661**	16,129,799

(1) As approved by the CSRC, the Company issued four batches of perpetual subordinated bonds ("15 Guojun Y1", "15 Guojun Y2", "19 Guojun Y1" and "20 Guojun Y1") amounting to RMB5 billion, RMB5 billion, RMB5 billion and RMB5 billion with an initial interest rate of 6.00%, 5.80%, 4.20% and 3.85% on 22 January 2015, 3 April 2015, 23 September 2019 and 9 March 2020, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards. On 10 December 2019, the Company announced that it would exercise the issuer's redemption option and consequently redeemed 15 Guojun Y1 on 22 January 2020. On 21 February 2020, the Company announced that it would exercise the issuer's redemption option and consequently redeemed 15 Guojun Y2 on 3 April 2020.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

As at 31 December 2020 and 2019, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB403 million and RMB590 million (note 19), respectively.

(2) Refer to note 49 for the issuance of convertible bonds.

54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

54. RESERVES AND RETAINED PROFITS *(continued)*

(5) General reserve *(continued)*

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

(6) Retained profits

The movements in retained profits are set out below:

	Year ended 31 December	
	2020	2019
At the end of last year	**41,335,967**	38,070,373
Impact of adopting IFRS 16	**–**	(56,806)
At the beginning of the year	**41,335,967**	38,013,567
Profit for the year	**11,122,099**	8,637,037
Appropriation to surplus reserve	**–**	–
Appropriation to general reserve	**(1,952,783)**	(2,025,614)
Dividends	**(3,439,391)**	(2,449,685)
Distribution to other equity instrument holders	**(402,500)**	(590,000)
Others	**(158,930)**	(249,338)
At the end of the year	**46,504,462**	41,335,967

55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	As at 31 December	
	2020	2019
Cash on hand	**398**	513
Bank balances	**25,275,060**	25,252,316
Clearing settlement funds	**6,049,697**	4,460,152
Financial assets held under resale agreements with original maturity of less than three months	**27,566,749**	20,125,334
Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	**(2,068,228)**	(4,067,255)
Total	**56,823,676**	45,771,060

(b) Changes in liabilities arising from financing activities

	Loans and borrowings	Short-term debt instruments	Bonds payable	Lease liabilities
As 31 December 2018	8,279,422	7,045,424	68,257,200	–
Effect of adoption of IFRS 16	–	–	–	2,565,287
At 1 January 2019	8,279,422	7,045,424	68,257,200	2,565,287
Changes from financing cash flows	3,209,029	9,938,341	(1,811,060)	(638,762)
Interest expenses	314,273	440,587	3,127,553	101,686
New leases	–	–	–	419,959
Other non-cash changes	–	–	(140)	(84,333)
At 31 December 2019	11,802,724	17,424,352	69,573,553	2,363,837
Changes from financing cash flows	(2,033,343)	31,150,546	22,122,183	(585,848)
Interest expenses	433,752	732,913	3,325,141	88,946
Interest paid	(433,802)	(583,443)	(3,328,463)	(88,946)
New leases	–	–	–	296,005
Other non-cash changes	–	–	–	(120,365)
At 31 December 2020	**9,769,331**	**48,724,368**	**91,692,414**	**1,953,629**

55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	Year ended 31 December	
	2020	2019
Within operating activities	**253,457**	281,542
Within financing activities	**674,794**	638,762

56. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

56. TRANSFERRED FINANCIAL ASSETS *(continued)*

(3) Asset-backed securities management schemes

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

(4) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

31 December 2020	**Repurchase agreements**	**Securities lending**	**Margin accounts receivable-backed repurchase**	**Margin financing borrowing**
Carrying amount of transferred assets	**5,135,236**	**3,273,453**	**1,477,505**	**2,344,386**
Carrying amount of related liabilities	**5,112,166**	**N/A**	**1,401,898**	**N/A**

31 December 2019	Repurchase agreements	Securities lending	Margin accounts receivable-backed repurchase	Margin financing borrowing
Carrying amount of transferred assets	7,566,316	1,501,038	3,125,952	1,637,179
Carrying amount of related liabilities	7,282,761	N/A	3,002,837	N/A

57. COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are not significant.

58. CONTINGENCIES

As at 31 December 2020 and 2019, the contingent liabilities due to pending litigations amounted to RMB713,831 thousand and RMB274,702 thousand, respectively.

59. EQUITY SETTLED SHARE BASED TRANSACTIONS

(a) Share-based payments of the Company

The Company carried out a restricted share Incentive scheme of A shares whereby the Company grant restricted A shares to the Incentive Participants in return for their services. Details of the scheme as at 31 December 2020 are set out below:

	Year ended 31 December 2020
Granted during the year	**79,000,000**
Exercised/Unlocked during the year	–
Forfeited during the year	–

As at 31 December 2020, cumulative amount of RMB86,765,700 was recognized within the capital reserve of the Company. The total expenses booked for the year was RMB86,765,700.

The fair value of services received in return for restricted share Incentive scheme is measured by reference to the fair value of shares. The estimate of the fair value of restricted shares granted is measured based on the closing price of shares at grant date, RMB18.1 per share.

(b) Share-based payments of a subsidiary

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2020, the total equity-settled share-based compensation expense of RMB21,142 thousand was recognized in profit or loss (2019: RMB57,440 thousand).

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholdings of 5% or above in the Company.

Share percentage in the Company:

	As at 31 December	
	2020	2019
Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai SA")	**21.34%**	21.34%
Shanghai International Group Co., Ltd. ("SIG")	**7.66%**	7.66%
Shenzhen Investment Holding Co., Ltd. ("SIHC")	**6.84%**	6.84%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in note 25.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in note 27.

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(4) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. ("Zhengtong")	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	The director of the Company acts as a director of the entity
Great Wall Securities Co., Ltd. ("GW Securities")	The supervisor of the Company acts as the vice chairman of the entity
Shanghai International Group Asset Management Co., Ltd. ("SIG AM")	SIG controls the entity
Yangtze River Economy United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Bright food (Group) Co., Ltd. ("Bright Food")	The director of the Company acts as a director of the entity
Shanghai Pudong Development Bank Financial Leasing Co., Ltd. ("SPDB Financial Leasing")	The senior management of Shanghai SA acts as a director of the entity
Guoxin Investment Development Co., Ltd. ("GXID")	Shanghai SA controls the entity
Shanghai Sitico Assets Management Co., Ltd. ("SITICO AM")	SIG controls the entity
Shanghai Chengtou Group Co., Ltd. ("Chengtou Group")	The director of the Company acts as the senior management of the entity
CITIC Trust Co., Ltd. ("CITIC Trust")	The trustee of a trust in favor of Shanghai SA
China Three Gorges Co., Ltd. ("CTG")	The director of the Company acts as the external director of the entity
Shanghai Junyao (Group) Co., Ltd. ("Junyao Group")	The director of the Company acts as the vice chairman of the entity

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2020**	2019
CITIC Trust	Securities brokerage	**6,460**	–
SIG	Securities brokerage	**2,373**	901
Shanghai SA	Securities brokerage	**846**	499
GXID	Securities brokerage	**247**	134
SITICO AM	Securities brokerage	**192**	63
SIG AM	Securities brokerage	**5**	48
Shanghai Trust	Securities brokerage	**N/A**	313
Hua An Fund	Trading seats lending	**73,422**	43,211
Galaxy AMC	Trading seats lending	**N/A**	2,591
Shanghai SA	Underwriting	**10,260**	2,792
Bright Food	Underwriting	**2,830**	283
SIG	Underwriting	**1,321**	1,563
Chengtou Group	Underwriting	**1,415**	708
YUDC	Underwriting	**1,023**	–
SPD Bank	Underwriting	**1,001**	34,687
SRCB	Underwriting	**917**	–
SPDB Financial Leasing	Underwriting	**660**	–
SIG AM	Underwriting	**306**	841
CMIG	Underwriting	**N/A**	708
SPD Bank	Asset management	**11,328**	17,085
SRCB	Asset management	**5,639**	557
YUDC	Asset management	**336**	468
GXID	Asset management	**241**	240
Shanghai SA	Asset management	**162**	228
SIG	Asset management	**75**	196
Shanghai Trust	Asset management	**N/A**	612
SRCB	Financial advisory	**–**	830

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(2) Fee and commission expense to related parties

Name of related parties	Description of transaction	Year ended 31 December 2020	2019
Zhengtong	Third-party funds inquiry business	**2,000**	600
SPD Bank	Third-party funds depository business	**1,485**	876

(3) Interest received from related parties

Name of related parties	Description of transaction	Year ended 31 December 2020	2019
SPD Bank	Financial assets held under resale agreements	**1,253**	1,718
SRCB	Financial assets held under resale agreements	**129**	–
GW Securities	Financial assets held under resale agreements	**–**	83
Guosen Securities	Financial assets held under resale agreements	**N/A**	103
SPD Bank	Deposit in financial institutions	**196,198**	263,667

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(4) Interest paid to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2020**	2019
SPD Bank	Financial assets sold under repurchase agreements	**5,666**	3,546
SRCB	Financial assets sold under repurchase agreements	**4,533**	5,260
Shanghai SA	Accounts payable to brokerage customers	**785**	62
GXID	Accounts payable to brokerage customers	**76**	110
CITIC Trust	Accounts payable to brokerage customers	**19**	–
SPD Bank	Accounts payable to brokerage customers	**9**	–
Shanghai Trust	Accounts payable to brokerage customers	**N/A**	564
SPD Bank	Gold borrowing	**5,052**	–
SRCB	Gold borrowing	**–**	308
SPD Bank	Placements from other financial institutions	**15,011**	5,905
SRCB	Placements from other financial institutions	**470**	–
SPD Bank	Bonds	**18,060**	19,216
CITIC Trust	Bonds	**715**	–
Guosen Securities	Bonds	**N/A**	916
SITICO AM	Loans and borrowings	**40,986**	14,763
SIG	Loans and borrowings	**21,190**	7,305

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(5) Operating expenses and costs paid to related parties

		Year ended 31 December	
Name of related party	**Description of transaction**	**2020**	2019
SPD Bank	Sales of financial products	**15,803**	11,184

(6) Related party transactions with Shanghai International Group Co., Ltd. constitute continuing connected transactions as defined by the Hong Kong Listing Rules. For the year ended 31 December 2020, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with Shanghai International Group Co., Ltd. and its associates are as follows:

	Year ended 31 December			
	2020		2019	
	Caps RMB in million	**Actual amount RMB in million**	Caps RMB in million	Actual amount RMB in million
Description of transaction				
Securities and financial products				
Inflow	**5,609.10**	**1,525.20**	4,335.70	2,872.90
Outflow	**5,580.80**	**779.00**	6,548.80	2,525.20
Financial services				
Revenue generated	**137.78**	**24.74**	187.78	8.72
Fees paid	**59.05**	**3.43**	58.94	0.74

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

Name of related parties	Year ended 31 December 2020	2019
SPD Bank	**9,973,785**	11,228,264
SRCB	**8**	9

(2) Accounts receivable

Name of related parties	Description of transaction	Year ended 31 December 2020	2019
Hua An Fund	Trading seats lending	**51,685**	20,062
Galaxy AMC	Trading seats lending	**N/A**	1,097
SPD Bank	Management fee and Remuneration	**10,424**	10,644
SRCB	Management fee and Remuneration	**3,936**	777
GXID	Management fee and Remuneration	**775**	534
YUDC	Management fee and Remuneration	**43**	236
Shanghai SA	Management fee and Remuneration	**20**	57
SIG	Management fee and Remuneration	**4**	5

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(3) Financial assets held under resale agreements

	Year ended 31 December	
Name of related parties	**2020**	2019
SPD Bank	**750,953**	800,480
Shanghai SA	**748,934**	—

(4) Accounts payable

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2020**	2019
SPD Bank	Sales of financial products	**11,053**	6,716
SPD Bank	Third-party funds depository business	**724**	298

(5) Financial assets sold under repurchase agreements

	Year ended 31 December	
Name of related party	**2020**	2019
SPD Bank	**1,284,676**	1,000,556

(6) Bonds payable to related parties

	Year ended 31 December	
Name of related parties	**2020**	2019
SPD Bank	**1,707,166**	1,019,216
CITIC Trust	**80,175**	—

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(7) Bonds held by the Group

	Year ended 31 December	
Name of related parties	**2020**	2019
SPD Bank	**1,200,516**	1,902,758
GW Securities	**623,460**	168,128
Bright Food	**351,554**	—
CTG	**318,622**	—
Junyao Group	**31,177**	—

(8) Loans and borrowings with related parties

	Year ended 31 December	
Name of related parties	**2020**	2019
SPD Bank	**1,313,473**	—
SITICO AM	**1,054,533**	1,014,689
SIG	**495,631**	476,933

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group is as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and benefits	**7,981**	9,979
Pension scheme contributions and other social welfare	**964**	725
Discretionary bonuses	**15,094**	12,322
Restricted share incentive scheme	**3,912**	—
Total	**27,951**	23,026

Further details of directors' and supervisors' emoluments are included in note 17.

61. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

(1) The institutional finance-Institutional investor services segment, which primarily includes institution brokerage, stock-pledged financing and securities repurchase and research services to institutional investors, as well as investment trading in equities, derivative financial instruments and FICC;

(2) The institutional finance-Investment banking segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients;

(3) The personal finance segment, which primarily includes securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services to individual clients through both online and offline channels;

(4) The investment management segment, which primarily includes asset management and fund management services to institutions and individuals and also includes alternative investment business;

(5) The international business segment, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, loans and financing services, financial products, market-making and investment businesses; and

(6) The other segment, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

61. SEGMENT REPORTING *(continued)*

(a) Operating segments

	Year ended 31 December 2020						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,998,015	3,347,809	8,715,146	1,443,773	1,214,873	–	16,719,616
Interest income	5,240,812	–	8,145,316	57,414	1,052,008	132	14,495,682
Net investment gains	5,637,495	–	–	927,817	2,335,885	–	8,901,197
Other income and gains	5,380,500	–	12,114	210,706	73,517	652,008	6,328,845
Total revenue and other income	18,256,822	3,347,809	16,872,576	2,639,710	4,676,283	652,140	46,445,340
Segment expenses	(13,592,915)	(1,366,324)	(11,722,122)	(1,103,639)	(3,089,797)	(854,124)	(31,728,921)
Including: Interest expenses	(4,214,480)	(6,083)	(3,597,461)	(22,870)	(949,727)	(14,033)	(8,804,654)
Provision for impairment losses	(62)	–	–	–	–	–	(62)
Credit loss expense	(582,314)	–	(352,499)	(56,251)	(321,233)	–	(1,312,297)
Segment operating profit	4,663,907	1,981,485	5,150,454	1,536,071	1,586,486	(201,984)	14,716,419
Share of profits of associates and joint ventures	–	–	–	155,525	–	–	155,525
Segment profit before income tax	4,663,907	1,981,485	5,150,454	1,691,596	1,586,486	(201,984)	14,871,944
Income tax expense							3,134,874
Segment profit for the year							11,737,070
As at 31 December 2020							
Segment total assets	317,560,886	1,172,020	248,609,172	20,966,723	108,900,849	5,689,522	702,899,172
Segment total liabilities	311,772,764	1,508,719	145,878,145	2,579,760	94,671,147	250,819	556,661,354
Year ended 31 December 2020							
Other segment information:							
Depreciation and amortization expenses	208,026	151,283	711,299	72,305	61,394	167,246	1,371,553
Capital expenditure	166,352	192,186	168,981	25,680	93,387	149,757	796,343

61. SEGMENT REPORTING *(continued)*

(a) Operating segments *(continued)*

	Year ended 31 December 2019						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,294,988	2,060,367	5,947,643	1,598,643	1,223,150	–	12,124,791
Interest income	5,478,349	–	5,995,642	47,900	1,108,276	38	12,630,205
Net investment gains	5,900,347	–	–	534,569	1,661,694	–	8,096,610
Other income and gains	4,746,849	–	33,337	788,215	(64,197)	693,835	6,198,039
Total revenue and other income	17,420,533	2,060,367	11,976,622	2,969,327	3,928,923	693,873	39,049,645
Segment expenses	(12,181,361)	(1,043,400)	(9,545,636)	(1,003,185)	(3,079,154)	(926,303)	(27,779,039)
Including: Interest expenses	(3,677,310)	–	(2,656,014)	(56,787)	(969,274)	(44,065)	(7,403,450)
Provision for impairment losses	–	–	1,150	(22,052)	–	–	(20,902)
Credit loss expense	(1,184,305)	–	15,569	(43,335)	(837,506)	–	(2,049,577)
Segment operating profit	5,239,172	1,016,967	2,430,986	1,966,142	849,769	(232,430)	11,270,606
Share of profits of associates and joint ventures	–	–	–	174,013	–	–	174,013
Segment profit before income tax	5,239,172	1,016,967	2,430,986	2,140,155	849,769	(232,430)	11,444,619
Income tax expense							2,393,263
Segment profit for the year							9,051,356
As at 31 December 2019							
Segment total assets	243,730,534	861,681	189,995,465	23,802,426	94,575,489	6,348,683	559,314,278
Segment total liabilities	191,426,298	989,215	131,765,639	5,456,194	82,778,592	804,517	413,220,455
Year ended 31 December 2019							
Other segment information:							
Depreciation and amortization expenses	202,427	170,393	631,595	67,786	90,700	128,669	1,291,570
Capital expenditure	170,665	103,968	196,646	18,912	68,284	1,224,233	1,782,708

61. SEGMENT REPORTING *(continued)*

(b) Geographical segments

Revenue	**Year ended 31 December**	
	2020	2019
Mainland, China	**35,513,729**	28,858,486
Hong Kong, China and overseas	**4,602,766**	3,993,120
Total	**40,116,495**	32,851,606

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2020 and 2019.

62. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: appropriateness, coverage, independence, effectiveness, forward looking.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behaviors.

Organizational structure of risk management

The Company has established a four-level risk management system consisting of the Board (including Risk Control Committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries. Risk management departments include those which are specifically responsible for risk management, such as the risk management department, the internal audit risk management department, the legal compliance department, and the group audit center, as well as departments that perform other risk management duties, such as the planning and finance department, the assets and liabilities department, the IT department, the operation center and the executive office.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is the risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

In order to manage the credit risk arising from the brokerage business, securities and futures brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Credit risk arises from the margin financing and securities lending business and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full in a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, and the involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on the periodic assessment of customers' ability to repay. The Credit and Risk Management Department monitors the status of margin deposits and stock-pledged financing, and makes margin calls when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. When determining the expected credit loss of the margin financing and securities lending business, securities repurchase and stock-pledged financing, the Group estimates the probability of default based on practical experience and historical data, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. When determining the expected credit loss on bond investments, the Group estimates the probability of default based on the mapping relationship of rating, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

For trade receivables, the Group applies a simplified approach in calculating ECLs based on the historical credit loss experience, adjusted for related information specific to the debtors and the economic environment, etc.

For other financial assets where the simplified approach was not adopted, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under the requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When debt financial assets are first recognized, the Group recognizes an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.

- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered to be a (partial) derecognition of the financial asset.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

For financial assets held under resale agreements and margin accounts receivable, the allowance for ECLs may significantly fluctuated due to the decline in fair value of collaterals caused by stock market volatility, which may not fully cover the receivables. The Group considers multiple factors to determine the allowance for ECLs, such as the credit situation, repayment ability of the debtor, the credit enhancement measures of the third party, the liquidity and disposal cycle of collaterals.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Criteria of significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analyses based on historical data, internal and external credit risk ranking, and forward-looking information. The Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition, on either an individual basis or a collective basis for the underlying portfolio of financial instruments with similar credit risk characteristics, to determine the change in the risk of a default occurring over the expected life of the financial instrument.

- Relevant considerations in assessing whether the credit risk on the financial instrument has increased significantly include: whether the probability of default has increased significantly at the reporting date since initial recognition, whether the borrower's operating and financial condition has significant and adverse changes, whether the maintenance margin ratio has under a force liquidation level, whether the latest rating has under investment grade. Generally, the credit risk on a financial instrument is considered to have increased significantly when the contractual payment is more than or equal to 30 days past due regardless of the way in which the Group assesses significant increases in credit risk unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Definition of credit-impaired financial asset

Credit impairment may be due to the combined effect of several events rather than a single discrete event. To determine whether a financial asset is credit-impaired, the Group considers one or more of the following both quantitative and qualitative indicators:

- The borrower is more than 90 days past due on its contractual payments;
- The collateral valuation falls short of the related loan amounts;
- The latest ratings are in default grade;
- Significant financial difficulty of the issuer or the borrower;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Other circumstances that shows financial assets is credit-impaired.

For Stock-pledged financing, based on the borrowers' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, restrictions, concentration, volatility, maintenance margin ratio, issuers' operation condition and related information, the Group sets differentiated collateral to loan ratios (generally no less than 130%) as force liquidation thresholds against different exposures related to these transactions.

- Stock-pledged financing with maintenance margin ratio above the force liquidation thresholds, past due for no more than 30 days are classified under Stage 1;
- Stock-pledged financing with maintenance margin ratio above 100% while fall below the force liquidation thresholds, past due for more than 30 days but less than 90 days are classified under Stage 2;
- Stock-pledged financing with maintenance margin ratio fall below 100%, past due for more than 90 days are classified under Stage 3

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Key parameters for expected credit losses

Depending on whether the credit risk is significantly increased or credit-impaired, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month or lifetime expected credit losses. The key parameters for measuring expected credit losses include the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group considers the quantitative analysis of historical data (such as the credit rating of counter parties, ways of guarantee, the category of collateral, and ways of repayment, etc.) and forward-looking information, to establish a model of PD, LGD, and EAD.

Methods that is used in the calculation of expected credit losses

The Group considers PD/LGD impact on measuring expected credit losses:

- PD is an estimate of the likelihood that a borrower will be unable to meet its debt obligations over the future 12 months or the whole remaining lifetime. The Group estimates PD based on the historical default data, internal and external credit ratings and forward-looking information, etc.

- LGD is the estimated share of the exposure at default that is lost when a borrower defaults. LGD varies depending on the category of counterparties, ways and priority of recourse, and the category of collateral. LGD is the percentage of loss when default occurs;

- EAD is an estimation of the extent to which the Group may be exposed to a counterparty in the event of the counterparty's default in the future 12 months or the whole remaining lifetime;

- Forward-looking information, both the assessment of a significant increase in credit risk and calculation of expected credit losses include forward-looking information. The Group identifies the key economic factors affecting credit risk and the expected credit losses of different kinds of business based on historical data analysis. The Group forecasts economic factors periodically and applies expert judgments to determine the impact of forward-looking information on PD, etc.

For Stock-pledged financing, the Group periodically make assessment on the borrowers' credit risk based on available internal and external information, such as: historical default data, maintenance margin ratio, the liquidity, etc. Loss ratio (considers PD& LGD) applied by the Group under the 3 stages as at 31 December 2020 were as follows:

Stage 1: 0.2% to 3% according to different maintenance margin ratios;

Stage 2: more than 3% according to different maintenance margin ratios;

Stage 3: Evaluate and determine the allowance for ECLs after considering the recoverable amount of each contract based on multiple factors, including qualitative and quantitative indicators such as the value of collaterals, maintenance margin ratio, the credit quality and repayment ability of the borrower, other collaterals conditions, the credit enhancement measures of the third party.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Methods that is used in the calculation of expected credit losses *(continued)*

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

	As at 31 December	
	2020	2019
Debt instruments at fair value through other comprehensive income	**72,492,802**	60,266,828
Financial assets held under resale agreements	**55,861,801**	53,939,997
Financial assets at fair value through profit or loss	**107,972,227**	96,671,876
Refundable deposits	**29,415,401**	12,975,377
Other non-current assets	**228,425**	1,056,555
Accounts receivable	**7,230,325**	3,484,166
Other current assets	**1,903,392**	1,176,829
Margin accounts receivable	**99,429,347**	72,088,344
Derivative financial assets	**1,768,407**	203,906
Clearing settlement funds	**6,049,697**	4,460,152
Cash held on behalf of brokerage customers	**139,323,440**	102,533,823
Bank balances	**25,275,060**	25,252,316
Total maximum credit risk exposure	**546,950,324**	434,110,169

62. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as risk coverage ratio, capital leverage ratio, etc. according to "Administrative Measures for Risk Control Indicators of Securities Companies". Meanwhile, the Company strictly adheres to the requirements as per "Guidance for Liquidity Risk Management of Securities Companies" and sets up a framework of the liquidity risk management which features with the liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling the scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facilities, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB12,300 million and RMB8,300 million as at 31 December 2020 and 2019, respectively, in case of any temporary position shortage

62. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk *(continued)*

Temporary liquidity replenishment mechanism *(continued)*

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

31 December 2020	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	–	6,094,047	711,196	3,014,638	–	–	9,819,881
Short-term debt instruments	–	8,512,795	8,943,871	31,965,958	–	–	49,422,624
Placements from other financial institutions	–	9,687,318	4,137,200	–	–	–	13,824,518
Accounts payable to brokerage customers	157,408,158	–	–	–	–	–	157,408,158
Financial assets sold under repurchase agreements	–	127,949,326	6,395,829	10,768,562	–	–	145,113,717
Financial liabilities at fair value through profit or loss	7,694,255	7,687,700	2,356,082	12,583,597	17,562,891	230,001	48,114,526
Derivative financial liabilities	5,232,843	5,812	5,849	86,657	195,311	–	5,526,472
Bonds payable	–	596,928	4,782,586	21,789,579	69,765,718	–	96,934,811
Lease liabilities	–	74,489	94,486	371,379	1,333,896	289,065	2,163,315
Other current liabilities	1,264,666	20,307,868	298,103	2,094,572	–	–	23,965,209
Other non-current liabilities	–	–	–	–	24,595	–	24,595
Total financial liabilities	171,599,922	180,916,283	27,725,202	82,674,942	88,882,411	519,066	552,317,826

31 December 2019	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	–	8,310,762	843,049	1,246,612	1,530,123	–	11,930,546
Short-term debt instruments	–	457,444	11,408,036	5,748,023	–	–	17,613,503
Placements from other financial institutions	–	4,703,858	515,483	4,357,744	–	–	9,577,085
Accounts payable to brokerage customers	109,336,526	–	–	–	–	–	109,336,526
Financial assets sold under repurchase agreements	–	108,754,653	6,993,944	10,511,657	–	–	126,260,254
Financial liabilities at fair value through profit or loss	25,102,011	2,546,054	5,764,993	5,428,674	6,428,632	157,961	45,428,325
Derivative financial liabilities	–	70,559	306,383	307,800	13,188	660,879	1,358,809
Bonds payable	–	58,330	5,598,724	13,316,244	54,706,283	–	73,679,581
Lease liabilities	–	67,462	121,730	495,478	1,412,021	535,707	2,632,398
Other current liabilities	–	10,231,835	595,210	2,181,122	–	–	13,008,167
Total financial liabilities	134,438,537	135,200,957	32,147,552	43,593,354	64,090,247	1,354,547	410,825,194

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in the stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. Market risk is controlled within the predetermined range set by management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to financial instruments that are interest-bearing.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing dates or maturity dates, and are stated at their carrying amounts.

31 December 2020	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	339,212	1,760,908	8,443,111	48,286,451	13,663,120	-	72,492,802
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	17,637,062	17,637,062
Financial assets held under resale agreements	34,532,762	2,610,477	15,947,977	2,608,705	-	161,880	55,861,801
Financial assets at fair value through profit or loss	6,028,365	3,804,885	38,392,243	54,072,960	14,435,460	111,992,231	228,726,144
Refundable deposits	16,490,906	-	-	-	-	12,924,495	29,415,401
Other non-current assets	-	-	-	-	-	228,425	228,425
Accounts receivable	-	-	-	-	-	7,230,325	7,230,325
Other current assets	1,202,186	-	-	-	-	701,207	1,903,393
Margin accounts receivable	17,455,999	20,424,692	60,258,877	-	-	1,289,779	99,429,347
Derivative financial assets	34,801	702,206	28,037	600	-	1,448,582	2,214,226
Clearing settlement funds	6,042,332	-	-	-	-	7,365	6,049,697
Cash held on behalf of brokerage customers	111,696,253	500,000	26,865,000	-	-	262,187	139,323,440
Cash and bank balances	23,475,322	702,230	1,008,170	-	-	89,736	25,275,458
Total	217,298,138	30,505,398	150,943,415	104,968,716	28,098,580	153,973,274	685,787,521
Financial liabilities							
Loans and borrowings	6,090,349	709,247	2,938,140	-	-	31,595	9,769,331
Short-term debt instruments	8,426,245	8,845,387	31,161,169	-	-	291,567	48,724,368
Placements from other financial institutions	9,667,470	4,121,371	-	-	-	21,789	13,810,630
Accounts payable to brokerage customers	128,430,543	-	-	-	-	28,977,615	157,408,158
Financial assets sold under repurchase agreements	127,516,536	6,378,508	10,617,296	-	-	208,975	144,721,315
Financial liabilities at fair value through profit or loss	4,672,373	2,341,296	14,940,355	18,062,956	3,745,304	4,332,175	48,094,459
Derivative financial liabilities	5,812	5,849	759,736	195,311	-	4,559,764	5,526,472
Bonds payable	400,000	4,300,000	19,500,000	66,045,618	-	1,446,796	91,692,414
Lease liabilities	63,995	81,617	321,085	1,211,052	275,880	-	1,953,629
Other current liabilities	-	-	-	-	-	23,965,209	23,965,209
Other non-current liabilities	-	-	-	-	-	24,595	24,595
Total	285,273,323	26,783,275	80,237,781	85,514,937	4,021,184	63,860,080	545,690,580
Interest rate sensitivity exposure	(67,975,185)	3,722,123	70,705,634	19,453,779	24,077,396	90,113,194	140,096,941

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

31 December 2019	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	1,444,317	799,519	4,870,020	41,629,957	11,523,015	–	60,266,828
Equity Instruments at fair value through other comprehensive income	–	–	–	–	–	17,547,076	17,547,076
Financial assets held under resale agreements	28,777,176	2,011,032	21,192,052	1,959,737	–	–	53,939,997
Financial assets at fair value through profit or loss	3,050,929	3,483,442	60,252,341	24,576,665	5,308,499	92,350,316	189,022,192
Refundable deposits	2,129,299	–	–	–	–	10,846,078	12,975,377
Other non-current assets	–	–	–	776,571	–	279,984	1,056,555
Accounts receivable	2,125,101	–	–	–	–	1,359,065	3,484,166
Other current assets	254,286	–	245,362	–	–	677,181	1,176,829
Margin accounts receivable	14,219,237	14,169,824	43,699,283	–	–	–	72,088,344
Derivative financial assets	–	6,322	42,807	–	–	500,952	550,081
Clearing settlement funds	4,460,152	–	–	–	–	–	4,460,152
Cash held on behalf of brokerage customers	82,491,637	6,532,186	13,510,000	–	–	–	102,533,823
Cash and bank balances	18,445,300	332,680	6,474,336	–	–	513	25,252,829
Total	157,397,434	27,335,005	150,286,201	68,942,930	16,831,514	123,561,165	544,354,249
Financial liabilities							
Loans and borrowings	8,303,069	837,144	1,170,889	1,491,622	–	–	11,802,724
Short-term debt instruments	448,837	11,336,749	5,638,766	–	–	–	17,424,352
Placements from other financial institutions	4,701,637	506,756	4,280,249	–	–	–	9,488,642
Accounts payable to brokerage customers	93,428,782	–	–	–	–	15,907,744	109,336,526
Financial assets sold under repurchase agreements	108,729,100	6,940,592	10,347,604	–	–	–	126,017,296
Financial liabilities at fair value through profit or loss	6,744,507	10,679,777	20,293,431	5,891,494	–	677,484	44,286,693
Derivative financial liabilities	809	246	54,963	–	–	1,302,791	1,358,809
Bonds payable	–	7,187,225	11,613,915	50,772,413	–	–	69,573,553
Lease liabilities	57,251	103,034	478,097	1,246,655	478,800	–	2,363,837
Other current liabilities	–	–	1,217,007	–	–	11,737,811	12,954,818
Total	222,413,992	37,591,523	55,094,921	59,402,184	478,800	29,625,830	404,607,250
Interest rate sensitivity exposure	(65,016,558)	(10,256,518)	95,191,280	9,540,746	16,352,714	93,935,335	139,746,999

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Sensitivity analysis

The Group uses sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

The table below summarizes the results of the sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2020 and 2019, with all other variables held constant.

	As at 31 December			
	2020		2019	
	+50 BP	**-50 BP**	+50 BP	-50 BP
Change in				
— net profit	**(417,817)**	**731,549**	(560,945)	574,441
— other comprehensive income	**(873,773)**	**654,176**	(735,533)	768,064
Change in equity	**(1,291,590)**	**1,385,725**	(1,296,478)	1,342,505

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

The Group's currency risk is not material because the net foreign currency exposure is relatively low.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in the stock index level or the price of individual securities.

The Group mainly invests in listed equity securities, warrants, funds, stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for equity instruments at fair value through other comprehensive income, the impact only takes into account changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

	As at 31 December			
	2020		2019	
	+10%	**-10%**	+10%	-10%
Change in				
— net profit	**7,117,670**	**(7,117,670)**	6,780,340	(6,780,340)
— other comprehensive income	**1,322,780**	**(1,322,780)**	1,316,031	(1,316,031)
Change in equity	**8,440,450**	**(8,440,450)**	8,096,371	(8,096,371)

62. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in the economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts net capital as the indicator to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 23 January 2020, the CSRC issued the Calculation Rules for Risk Control Indicators of Securities Companies, which came into effect on 1 June 2020; on 20 March 2020, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2020 amended) with amendments to the framework and criteria of risk control indicators which securities companies must be continually compliant, which came into effect on 20 March 2020. Based on the rules above and other related rules issued or revised subsequently, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;

(ii) the ratio of net capital divided by net assets shall be no less than 20%;

(iii) the ratio of net capital divided by liabilities shall be no less than 8%;

(iv) the ratio of net assets divided by liabilities shall be no less than 10%;

(v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%;

(vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500%;

(vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8%;

(viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100%;

62. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management *(continued)*

(ix) the ratio of stable funds available divided by stable funds required shall be no less than 100%; and

(x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400%;

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	1,155,464	103,183,090	3,633,673	107,972,227
— Funds	26,543,124	28,380,870	4,436,617	59,360,611
— Equity securities	15,627,148	6,578,809	2,876,940	25,082,897
— Other investments	5,459,722	26,892,038	3,958,649	36,310,409
Debt instruments at fair value through other comprehensive income				
— Debt securities	959,118	71,533,684	–	72,492,802
Equity Instruments at fair value through other comprehensive income				
— Equity securities	3,756,128	207,029	366,383	4,329,540
— CSFC investment	–	13,307,522	–	13,307,522
Derivative financial assets	204,886	2,009,340	–	2,214,226
Total	53,705,590	252,092,382	15,272,262	321,070,234
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Equity securities	847,312	–	–	847,312
— Debt securities	45,194	4,402,641	–	4,447,835
— Others	–	265,094	–	265,094
Designated as at fair value through profit or loss				
— Debt securities	–	31,291,123	8,023,326	39,314,449
— Others	–	2,568,277	651,492	3,219,769
Derivative financial liabilities	2,027,632	3,498,840	–	5,526,472
Total	2,920,138	42,025,975	8,674,818	53,620,931

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: *(continued)*

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	2,912,305	93,759,571	–	96,671,876
— Funds	24,130,212	19,812,779	7,381,410	51,324,401
— Equity securities	17,484,776	170,657	2,771,714	20,427,147
— Other investments	7,494,181	12,786,169	318,418	20,598,768
Debt instruments at fair value through other comprehensive income				
— Debt securities	1,822,685	58,444,143	–	60,266,828
Equity Instruments at fair value through other comprehensive income				
— Equity securities	3,775,849	5,797	754,301	4,535,947
— CSFC investment	–	13,011,129	–	13,011,129
Derivative financial assets	110,155	345,007	94,919	550,081
Total	57,730,163	198,335,252	11,320,762	267,386,177
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	–	5,668,354	–	5,668,354
Designated as at fair value through profit or loss				
— Debt securities	–	31,300,721	6,640,133	37,940,854
— Others	–	45,974	631,511	677,485
Derivative financial liabilities	132,873	987,387	238,549	1,358,809
Total	132,873	38,002,436	7,510,193	45,645,502

During the year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the year, the Group held no changes on the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

	Year ended 31 December 2020				
	Financial assets at fair value through profit or loss	**Equity instruments at fair value through other comprehensive income**	**Derivative assets**	**Financial liabilities at fair value through profit or loss**	**Derivative liabilities**
As at 1 January 2020	**10,471,542**	**754,301**	**94,919**	**(7,271,644)**	**(238,549)**
Gains/(losses) for the year	**29,344**	–	–	**(390,315)**	–
Changes in fair value recognized in other comprehensive income	–	**(380,987)**	–	–	
Purchases	**3,440,275**	**2**	–	–	–
Issues	–	–	–	**(1,880,305)**	
Transfers in	**1,054,467**	–	–	–	–
Transfers out	**(98,991)**	**(1,490)**	**(21,493)**	–	**5,244**
Disposal and settlements	**9,242**	**(5,443)**	**(73,426)**	**867,446**	**233,305**
As at 31 December 2020	**14,905,879**	**366,383**	–	**(8,674,818)**	–

	Year ended 31 December 2019				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2019	6,937,559	746,439	27,697	(5,112,563)	(139,945)
Gains/(losses) for the year	309,700	–	(204,385)	112,646	(312,514)
Changes in fair value recognized in other comprehensive income	–	(145,131)	–	–	–
Purchases	3,754,730	190,877	1,220,572	–	–
Issues	–	–	–	(2,635,910)	(1,606,000)
Transfers in	940,751	–	–	–	–
Transfers out	(123,012)	(32,662)	–	–	–
Disposal and settlements	(1,348,186)	(5,222)	(948,965)	364,183	1,819,910
As at 31 December 2019	10,471,542	754,301	94,919	(7,271,644)	(238,549)

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investments with disposal restrictions within a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Stocks/unlisted equity investments	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/unlisted equity investments	Level 3	Recent transaction price	N/A	N/A
Unlisted funds	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted funds	Level 3	Recent transaction price	N/A	N/A
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	Level 3	Recent transaction price	N/A	N/A

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(5) Financial assets and liabilities not measured at fair value

As at 31 December 2020 and 31 December 2019, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 31 December	
Bonds payable	**2020**	2019
Carrying amounts	**91,692,414**	69,573,553
Fair values		
—Level 1	**8,404,900**	6,479,540
—Level 2	**83,960,772**	62,184,988
—Level 3	**1,304,174**	1,403,206
Total	**93,669,846**	70,067,734

64. EVENTS AFTER THE REPORTING PERIOD

Other than those matters as already disclosed elsewhere in the consolidated financial statements, significant events after the reporting period included the following event:

1. Issuance of corporate bonds and subordinate bond

On 14 January 2021, the Company has publicly issued 1st batch of short term corporate bonds to qualified investors, with Category I of 188 days corporate bond with a nominal amount of RMB4 billion, bearing interest at 2.77% per annum and Category II of 365 days with a nominal amount of RMB4 billion, bearing intertest at 2.94% per annum.

On 25 January 2021, the Company has publicly issued 3-year subordinated bond to institutional investors with a nominal amount of RMB3 billion, bearing interest at 3.89% per annum.

2. Completion of the deemed disposal of equity interest in Shanghai Securities

Following CSRC's approval on Bailian Group to become a major shareholder and controlling shareholder of Shanghai Securities and the change of registered share capital of Shanghai Securities in December 2020, Shanghai Securities has completed the necessary procedures in relations to the Capital Increase including capital verification, registration of change in rights of state-owned assets and registration with industrial and commercial department of the increased registered share capital in accordance with the requirements stated in the approval of the CSRC and requirements of relevant administrative measures of state-owned assets.

Upon the completion of such procedures and as of the date 8 February 2020, the Company held approximately 24.99% of the equity interest in Shanghai Securities, and Shanghai Securities ceased to be a subsidiary of the Company.

64. EVENTS AFTER THE REPORTING PERIOD *(continued)*

3. Acquisition of part of shares of HuaAn Funds Management Co., Ltd.

On 4 March 2021, the Company obtained the *Reply of Approval on the Change of Equity Interest in HuaAn Funds Management Co., Ltd.* (Zheng Jian Xu Ke [2021] No. 669) from the CSRC, which approved Shanghai Jin Jiang International Investment and Management Company Limited to transfer the 8% equity interest in Hua An Funds it held to the Company. Upon the completion of this transfer of equity interest, the shareholding in HuaAn Funds of the Company will change from 20% to 28%.

65. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIODS ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely

The application of the new and revised IFRS will have no material impact on the Group's financial statements.

66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2020	2019
Non-current assets		
Property and equipment	**1,728,289**	1,795,390
Right-of-use assets	**1,390,824**	1,661,268
Other intangible assets	**533,964**	445,570
Investments in subsidiaries	**21,433,557**	20,422,043
Investments in associates	**1,023,753**	918,062
Debt instruments at fair value through other comprehensive income	**54,817,294**	47,414,426
Equity instruments at fair value through other comprehensive income	**16,538,493**	16,354,566
Financial assets held under resale agreements	**2,616,287**	1,959,737
Financial assets at fair value through profit or loss	**12,794,246**	4,144,205
Refundable deposits	**8,096,160**	3,130,510
Deferred tax assets	**1,224,130**	835,004
Other non-current assets	**2,043,440**	1,680,691
Total non-current assets	**124,240,437**	100,761,472
Current assets		
Accounts receivable	**3,026,174**	2,849,604
Other current assets	**399,006**	473,399
Margin accounts receivable	**80,121,481**	57,625,930
Debt instruments at fair value through other comprehensive income	**6,049,255**	6,338,081
Financial assets held under resale agreements	**47,552,541**	46,787,321
Financial assets at fair value through profit or loss	**128,601,545**	105,631,481
Derivative financial assets	**1,363,978**	273,482
Clearing settlement funds	**6,053,755**	3,794,032
Cash held on behalf of brokerage customers	**79,642,328**	64,268,337
Cash and bank balances	**17,800,181**	12,819,101
Total current assets	**370,610,244**	300,860,768
Total assets	**494,850,681**	401,622,240

66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	As at 31 December	
	2020	2019
Current liabilities		
Short-term debt instruments	**33,844,006**	12,159,112
Placements from other financial institutions	**13,720,919**	9,488,642
Accounts payable to brokerage customers	**78,436,311**	63,172,725
Employee benefits payable	**5,737,113**	4,602,487
Income tax payable	**1,007,443**	862,686
Financial assets sold under repurchase agreements	**117,637,331**	99,816,786
Financial liabilities at fair value through profit or loss	**10,670,440**	10,826,571
Derivative financial liabilities	**4,705,609**	998,927
Bonds payable	**24,744,699**	14,524,626
Lease liabilities	**351,576**	468,508
Other current liabilities	**17,275,176**	9,753,457
Total current liabilities	**308,130,623**	226,674,527
Net current assets	**62,479,621**	74,186,241
Total assets less current liabilities	**186,720,058**	174,947,713
Non-current liabilities		
Bonds payable	**59,751,432**	47,038,870
Lease liabilities	**1,181,520**	1,307,260
Financial liabilities at fair value through profit or loss	**1,385,228**	175,152
Other non-current liabilities	**82,114**	82,115
Total non-current liabilities	**62,400,294**	48,603,397
Net assets	**124,319,764**	126,344,316
Equity		
Share capital	**8,908,448**	8,907,948
Other equity instruments	**11,071,661**	16,129,799
Treasury shares	**(776,909)**	—
Reserves	**69,708,209**	68,573,481
Retained profits	**35,408,355**	32,733,088
Total equity	**124,319,764**	126,344,316

66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Share capital	Other equity instruments	Reserves: Capital reserve	Reserves: Investment revaluation reserve	Reserves: Surplus reserve	Reserves: General reserve	Reserves: Retained profits	Total
At 31 December 2018	8,713,941	11,129,819	42,386,862	(26,877)	7,176,438	14,053,329	29,050,378	112,483,890
Impact of adopting IFRS 16	–	–	–	–	(3,909)	(7,817)	(27,360)	(39,086)
Restated opening balance	8,713,941	11,129,819	42,386,862	(26,877)	7,172,529	14,045,512	29,023,018	112,444,804
Profit for the year	–	–	–	–	–	–	8,747,228	8,747,228
Other comprehensive income for the year	–	–	–	571,551	–	–	–	571,551
Total comprehensive income for the year	–	–	–	571,551	–	–	8,747,228	9,318,779
Placement of H shares	194,000	–	2,486,405	–	–	–	–	2,680,405
Issue of perpetual bonds	–	5,000,000	–	–	–	–	–	5,000,000
Dividends	–	–	–	–	–	–	(2,449,685)	(2,449,685)
Distribution to other equity instrument holders	–	–	–	–	–	–	(590,000)	(590,000)
Appropriation to general reserve	–	–	–	–	–	1,749,446	(1,749,446)	–
Reclassification of other comprehensive income to retained profits	–	–	–	248,027	–	–	(248,027)	–
Conversion of convertible bonds	7	(20)	152	–	–	–	–	139
Others	–	–	(60,126)	–	–	–	–	(60,126)
At 31 December 2019	8,907,948	16,129,799	44,813,293	792,701	7,172,529	15,794,958	32,733,088	126,344,316

66. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

		Reserves							
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Treasury Shares	Retained profits	Total
At 1 January 2020	8,907,948	16,129,799	44,813,293	792,701	7,172,529	15,794,958	–	32,733,088	126,344,316
Profit for the year	–	–	–	–	–	–	–	8,350,340	8,350,340
Other comprehensive income for the year	–	–	–	(28,988)	–	–	–	–	(28,988)
Total comprehensive income for the year	–	–	–	(28,988)	–	–	–	8,350,340	8,321,352
Issuance of perpetual bonds	–	4,943,396	–	–	–	–	–	–	4,943,396
Redemption of perpetual bonds	–	(10,000,000)	–	–	–	–	–	–	(10,000,000)
Dividends	–	–	–	–	–	–	–	(3,439,391)	(3,439,391)
Distribution to other equity instrument holders	–	–	–	–	–	–	–	(402,500)	(402,500)
Appropriation to general reserve	–	–	–	–	–	1,670,068	–	(1,670,068)	–
Reclassification of other comprehensive income to retained profits	–	–	–	163,114	–	–	–	(163,114)	–
Conversion of convertible bonds	500	(1,534)	10,068	–	–	–	–	–	9,034
Acquisition of treasury shares	–	–	–	–	–	–	(1,543,209)	–	(1,543,209)
Equity Settled share-based transactions	–	–	(679,534)	–	–	–	766,300	–	86,766
At 31 December 2020	8,908,448	11,071,661	44,143,827	926,827	7,172,529	17,465,026	(776,909)	35,408,355	124,319,764

67. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 25 March 2021.

Section XI Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Guotai Junan Securities Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 182 to 326, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
The Group acted as an asset manager for or invested in a number of structured entities including asset management schemes, trust schemes or limited partnerships, etc. Management makes significant judgement to determine whether the Group controls these structured entities and if these structured entities should be consolidated in the consolidated financial statements. When making the judgement, management considers the Group's power over the relevant activities of the structured entities, the Group's variable return and its ability to use its power to influence the Group's variable return. As at 31 December 2019, the carrying amount of the Group's interests in unconsolidated structured entities amounted to RMB5,939 million. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement when determining whether a structured entity is required to be consolidated by the Group and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant. The disclosures for interests in structured entities are included in note 26 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls put in place by management for determining whether the Group's interest in each structured entity falls within the consolidation scope. We obtained and checked the contracts, documents and other public information of the structured entities on a sample basis to assess the reasonableness of management's judgement when determining whether a structured entity is required to be consolidated by considering the Group's power over the structured entity, the Group's variable return and the Group's power to use its power to influence its variable return. We assessed the disclosures related to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Impairment of margin accounts receivable and financial assets held under resale agreements	
The Group performed impairment test and recognized credit loss expense for margin accounts receivable and financial assets held under resale agreements on the basis of expected credit loss ("ECL") at each reporting date. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECLs. If the credit risk has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime ECLs ("LTECL"). If credit impairment has occurred, the Group measures the loss allowance at an amount equal to LTECLs. The Group considers all reasonable and supportable information in ECL assessment, including that which is forward-looking. As at 31 December 2019, the Group had margin accounts receivable amounting to RMB72,088 million with cumulative allowance for ECLs of RMB1,357 million and financial assets held under resale agreements amounting to RMB53,940 million with cumulative allowance for ECLs of RMB2,672 million. We identified the impairment of margin accounts receivable and financial assets held under resale agreements as a key audit matter because of the significance of the balances and the significant management judgement involved in the process, including the classification of stages for measurement of ECLs and the estimation of future cash flows. The related disclosures are included in notes 30 and 37 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls over the process for the assessment of impairment of margin accounts receivable and financial assets held under resale agreements. We assessed the reasonableness of the Group's criteria for classification of stages and the models for measurement of ECLs. We performed audit procedures to margin accounts receivable and financial assets held under resale agreements on a sample basis: 1. We compared the classification of stages for measurement of ECL with the criteria applied in the ECL model. 2. We assessed the appropriateness of key inputs used in ECLs calculation by management, including probability of default, loss given default, exposure at default, discount rate and forward-looking information, etc. 3. We assessed the reasonableness of management's ECL results and checked if they are consistent with market practice and historical loss experience. We assessed the disclosure related to the impairment of margin accounts receivable and financial assets held under resale agreements in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments classified under Level 3 in the fair value hierarchy	
The Group assessed the fair value of the financial instruments classified under Level 3 in the fair value hierarchy ("Level 3 financial instruments") at each reporting date. Fair value of the Level 3 financial instruments is measured generally based on significant unobservable inputs as key assumptions, which requires management's judgment, including credit spread, volatility and discount for lack of marketability, etc. As at 31 December 2019, the Group had financial assets classified under Level 3 amounting to RMB11,321 million and financial liabilities classified under Level 3 amounting to RMB7,510 million. We identified the valuation of Level 3 financial instruments as a key audit matter because of the significant balance and the significant management judgement involved in the determination of unobservable inputs used in the valuation process. The related disclosure is included in note 63 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the controls over the process for the valuation of Level 3 financial instruments. We evaluated the appropriateness of the models used for the valuation of Level 3 financial instruments. We performed audit procedures relating to the valuation of Level 3 financial instruments on a sample basis: 1. We reviewed the investment agreements entered into during the current year to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments. 2. We assessed the appropriateness of the significant unobservable and observable inputs used in the valuation of Level 3 financial instruments. 3. We performed an independent valuation to the financial instruments and compared them with the valuation results of the Group. We assessed the relevant disclosures for the valuation of Level 3 financial instruments with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	notes	**2019**	2018
Revenue			
Fee and commission income	6	**12,124,791**	9,794,186
Interest income	7	**12,630,205**	12,841,989
Net investment gains	8	**8,096,610**	5,073,084
Total revenue		**32,851,606**	27,709,259
Gain on disposal of a subsidiary		**–**	648,287
Other income and gains	9	**6,198,039**	2,871,839
Total revenue and other income		**39,049,645**	31,229,385
Fee and commission expenses	10	**(1,838,426)**	(1,574,713)
Interest expenses	11	**(7,403,450)**	(7,009,885)
Staff costs	12	**(7,766,427)**	(6,759,575)
Depreciation and amortization expenses	13	**(1,291,570)**	(574,279)
Tax and surcharges		**(136,880)**	(151,861)
Other operating expenses and costs	14	**(7,271,807)**	(5,040,632)
Provision for impairment losses		**(20,902)**	(1,150)
Credit loss expense	15	**(2,049,577)**	(976,493)
Total expenses		**(27,779,039)**	(22,088,588)
Operating profit		**11,270,606**	9,140,797
Share of profits of associates and joint ventures		**174,013**	127,545
Profit before income tax		**11,444,619**	9,268,342
Income tax expense	16	**(2,393,263)**	(2,198,304)

The accompanying notes form part of the consolidated financial statements.

	notes	Year ended 31 December 2019	2018
Profit for the year		**9,051,356**	7,070,038
Attributable to:			
Equity holders of the Company		**8,637,037**	6,708,116
Non-controlling interests		**414,319**	361,922
Total		**9,051,356**	7,070,038
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)	20		
— Basic		**0.90**	0.70
— Diluted		**0.90**	0.70

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**9,051,356**	7,070,038
Other comprehensive income for the year		
Other comprehensive income that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
— Net changes in fair value	**178,194**	647,828
— Changes in allowance for expected credit losses	**70,405**	(24,343)
— Reclassified to profit or loss	**(238,891)**	(74,584)
— Income tax impact	**(2,320)**	(137,225)
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	**3,193**	(20)
— Reclassified to profit or loss	**(10,584)**	—
Exchange differences on translation of financial statements in foreign currencies	**298,820**	421,542
Total items that may be reclassified to profit or loss	**298,817**	833,198
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income		
— Net changes in fair value	**707,402**	(3,051,667)
— Income tax impact	**(176,851)**	762,917
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	**124,342**	(946,764)
— Income tax impact	**(31,085)**	236,691
Total items that will not be reclassified to profit or loss	**623,808**	(2,998,823)
Other comprehensive income for the year, net of tax	**922,625**	(2,165,625)
Total comprehensive income for the year	**9,973,981**	4,904,413
Attributable to:		
Equity holders of the Company	**9,474,748**	4,372,505
Non-controlling interests	**499,233**	531,908
Total	**9,973,981**	4,904,413

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	notes	**2019**	2018
Non-current assets			
Property and equipment	21	**5,211,423**	4,082,006
Right-of-use assets	22	**2,926,043**	–
Prepaid land lease payments	22	**–**	785,312
Goodwill	23	**599,812**	581,407
Other intangible assets	24	**1,574,249**	1,472,424
Investments in associates	27	**1,183,891**	1,294,133
Investments in joint ventures	27	**1,274,671**	1,333,516
Debt instruments at fair value through other comprehensive income	28	**53,408,720**	33,445,303
Equity instruments at fair value through other comprehensive income	29	**17,547,076**	16,785,949
Financial assets held under resale agreements	30	**1,959,737**	6,444,585
Financial assets at fair value through profit or loss	31	**13,433,691**	7,364,543
Refundable deposits	32	**12,975,377**	7,552,678
Deferred tax assets	33	**1,251,032**	1,289,051
Other non-current assets	34	**1,154,839**	2,932,037
Total non-current assets		**114,500,561**	85,362,944
Current assets			
Accounts receivable	35	**3,484,166**	3,634,734
Other current assets	36	**2,017,453**	1,867,556
Margin accounts receivable	37	**72,088,344**	53,655,358
Debt instruments at fair value through other comprehensive income	28	**6,858,108**	5,721,378
Financial assets held under resale agreements	30	**51,980,260**	54,672,999
Financial assets at fair value through profit or loss	31	**175,588,501**	130,317,537
Derivative financial assets	38	**550,081**	648,358
Clearing settlement funds	39	**4,460,152**	3,006,836
Cash held on behalf of brokerage customers	40	**102,533,823**	77,492,497
Cash and bank balances	41	**25,252,829**	20,348,883
Total current assets		**444,813,717**	351,366,136
Total assets		**559,314,278**	436,729,080

The accompanying notes form part of the consolidated financial statements.

	notes	As at 31 December 2019	2018
Current liabilities			
Loans and borrowings	42	**10,312,724**	8,279,422
Short-term debt instruments	43	**17,424,352**	7,045,424
Placements from other financial institutions	44	**9,488,642**	10,163,246
Accounts payable to brokerage customers	45	**109,336,526**	82,347,043
Employee benefits payable	46	**5,685,105**	4,984,863
Income tax payable		**1,414,731**	1,518,105
Financial assets sold under repurchase agreements	47	**126,017,296**	70,558,545
Financial liabilities at fair value through profit or loss	48	**37,845,046**	28,820,153
Derivative financial liabilities	38	**1,358,809**	255,973
Bonds payable	49	**17,672,144**	15,476,842
Lease liabilities	22	**638,382**	—
Other current liabilities	50	**14,229,188**	16,110,357
Total current liabilities		**351,422,945**	245,559,973
Net current assets		**93,390,772**	105,806,163
Total assets less current liabilities		**207,891,333**	191,169,107
Non-current liabilities			
Loans and borrowings	42	**1,490,000**	—
Bonds payable	49	**51,901,409**	52,780,358
Lease liabilities	22	**1,725,455**	—
Deferred tax liabilities	33	**13,762**	43,015
Financial liabilities at fair value through profit or loss	48	**6,441,647**	4,456,490
Other non-current liabilities	51	**225,237**	215,852
Total non-current liabilities		**61,797,510**	57,495,715
Net assets		**146,093,823**	133,673,392

The accompanying notes form part of the consolidated financial statements.

	notes	As at 31 December 2019	2018
Equity			
Share capital	52	**8,907,948**	8,713,941
Other equity instruments	53	**16,129,799**	11,129,819
Reserves	54	**71,127,776**	65,535,930
Retained profits	54	**41,335,967**	38,070,373
Equity attributable to equity holders of the Company		**137,501,490**	123,450,063
Non-controlling interests		**8,592,333**	10,223,329
Total equity		**146,093,823**	133,673,392

Approved and authorized for issue by the Board of Directors on 24 March 2020.

He Qing

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392
Impact of adopting IFRS 16 (note 2.2)	–	–	–	–	–	(3,909)	(9,851)	(56,806)	(70,566)	(9,769)	(80,335)
Restated opening balance	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,172,530	15,471,523	38,013,567	123,379,497	10,213,560	133,593,057
Profit for the year	–	–	–	–	–	–	–	8,637,037	8,637,037	414,319	9,051,356
Other comprehensive income for the year	–	–	–	626,020	211,691	–	–	–	837,711	84,914	922,625
Total comprehensive income for the year	–	–	–	626,020	211,691	–	–	8,637,037	9,474,748	499,233	9,973,981
Placement of H shares	194,000	–	2,513,597	–	–	–	–	–	2,707,597	–	2,707,597
Issue of perpetual bonds	–	5,000,000	–	–	–	–	–	–	5,000,000	–	5,000,000
Appropriation to general reserve	–	–	–	–	–	–	2,025,614	(2,025,614)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	(2,449,685)	(2,449,685)	–	(2,449,685)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	(590,000)	(590,000)	–	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	(1,691,430)	(1,691,430)
Other comprehensive income that has been reclassified to retained profits	–	–	–	249,338	–	–	–	(249,338)	–	–	–
Conversion of convertible bonds	7	(20)	152	–	–	–	–	–	139	–	139
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	101,181	101,181
Redemption of other equity instruments issued by a subsidiary	–	–	(11,362)	–	–	–	–	–	(11,362)	(307,558)	(318,920)
Acquisition of non-controlling interests in a subsidiary	–	–	(7,788)	–	–	–	–	–	(7,788)	(212,705)	(220,493)
Others	–	–	(1,656)	–	–	–	–	–	(1,656)	(9,948)	(11,604)
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	41,335,967	137,501,490	8,592,333	146,093,823

The accompanying notes form part of the consolidated financial statements.

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2018	8,713,934	11,129,841	43,447,900	1,253,821	(172,336)	6,508,078	13,970,910	38,033,205	122,885,353	10,547,161	133,432,514
Profit for the year	–	–	–	–	–	–	–	6,708,116	6,708,116	361,922	7,070,038
Other comprehensive income for the year	–	–	–	(2,586,535)	250,924	–	–	–	(2,335,611)	169,986	(2,165,625)
Total comprehensive income for the year	–	–	–	(2,586,535)	250,924	–	–	6,708,116	4,372,505	531,908	4,904,413
Appropriation to surplus reserve	–	–	–	–	–	668,361	–	(668,361)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	1,510,464	(1,510,464)	–	–	–
Dividends (note 19)	–	–	–	–	–	–	–	(3,485,576)	(3,485,576)	–	(3,485,576)
Distribution to other equity instrument holders (note 19)	–	–	–	–	–	–	–	(590,000)	(590,000)	–	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	–	–	–	–	–	–	–	–	–	(213,110)	(213,110)
Other comprehensive income that has been reclassified to retained profits	–	–	–	416,547	–	–	–	(416,547)	–	–	–
Conversion of convertible bonds	7	(22)	136	–	–	–	–	–	121	–	121
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(254,785)	(254,785)
Share issued by a subsidiary upon placement of shares to non-controlling interests	–	–	503,945	–	–	–	–	–	503,945	1,125,689	1,629,634
Redemption of other equity instruments issued by a subsidiary	–	–	–	–	–	–	–	–	–	(825,893)	(825,893)
Acquisition of non-controlling interests in a subsidiary	–	–	(255,867)	–	–	–	–	–	(255,867)	(704,402)	(960,269)
Others	–	–	19,582	–	–	–	–	–	19,582	16,761	36,343
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019
(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Cash flows from operating activities:		
Profit before income tax	**11,444,619**	9,268,342
Adjustments for:		
Interest expenses	**7,403,450**	7,009,885
Share of profits of associates and joint ventures	**(174,013)**	(127,545)
Depreciation and amortization	**1,291,570**	574,279
Provision for impairment losses	**20,902**	1,150
Credit loss expense	**2,049,577**	976,493
Net (gains)/losses on disposal of property and equipment	**(4,520)**	4,473
Foreign exchange (gains)/losses	**65,187**	(5,613)
Net realized (gains)/losses from financial instruments at fair value through other comprehensive income	**(238,891)**	(74,584)
Gain on disposal of subsidiaries, associates and joint ventures	**(740,835)**	(675,510)
Dividend income and other income from financial assets at fair value through other comprehensive income	**(3,087,006)**	(2,466,359)
Interest income from time deposits, loans and receivables	**(688,299)**	(603,160)
Unrealized fair value changes in financial instruments at fair value through profit or loss	**(2,520,443)**	1,215,695
Unrealized fair value changes in derivatives	**1,054,702**	(288,019)
	15,876,000	14,809,527

The accompanying notes form part of the consolidated financial statements.

	Year ended 31 December	
	2019	2018
Increase in refundable deposits	**(5,422,699)**	(649,110)
(Increase)/Decrease in margin accounts receivable	**(19,153,530)**	20,062,018
Decrease in accounts receivable, other current assets and other non-current assets	**1,403,862**	2,217,391
Decrease in financial assets held under resale agreements	**4,714,435**	40,826,121
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	**(35,902,444)**	(30,263,874)
(Increase)/Decrease in cash held on behalf of brokerage customers	**(25,120,438)**	3,372,746
Increase/(Decrease) in accounts payable to brokerage customers	**26,687,698**	(2,701,066)
Increase in other liabilities	**6,269,926**	9,318,956
Increase/(Decrease) in employee benefits payable	**700,242**	(543,909)
Increase in financial assets sold under repurchase agreements	**55,458,751**	23,708,960
(Decrease)/Increase in placements from other financial institutions	**(674,604)**	2,563,246
Cash generated from operations	**24,837,199**	82,721,006
Income taxes paid	**(2,671,778)**	(2,545,568)
Interest paid	**(3,365,066)**	(2,680,581)
Net cash generated from operating activities	**18,800,355**	77,494,857

The accompanying notes form part of the consolidated financial statements.

	note	Year ended 31 December 2019	2018
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		**13,694**	34,837
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments		**3,615,194**	2,471,134
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments		**57,310,732**	35,911,901
Proceeds from disposal of subsidiaries, associates and joint ventures		**85,512**	94,556
Proceeds from purchases of subsidiaries, associates and joint ventures		**47,883**	—
Purchases of property and equipment, other intangible assets and other non-current assets		**(1,782,708)**	(918,349)
Purchases of financial assets at fair value through other comprehensive income and other investments		**(82,415,900)**	(62,821,012)
Net cash used in investing activities		**(23,125,593)**	(25,226,933)

The accompanying notes form part of the consolidated financial statements.

	note	Year ended 31 December 2019	2018
Cash flows from financing activities:			
Net proceeds from issuance of H shares		**2,711,819**	–
Proceeds from issuance of short-term debt instruments		**39,064,773**	35,731,660
Proceeds from issuance of a perpetual bond		**5,000,000**	–
Proceeds from issuance of shares upon placement by a subsidiary		**–**	1,629,634
Proceeds from issuance of bonds payable		**23,213,393**	13,764,118
Proceeds from loans and borrowings		**55,252,471**	53,210,212
Redemption of other equity investments issued by a subsidiary		**(318,920)**	(825,893)
Repayment of debt securities issued		**(51,225,094)**	(80,473,032)
Repayment of loans and borrowings		**(53,027,955)**	(56,060,785)
Interest paid		**(3,282,221)**	(4,227,520)
Dividends paid		**(4,059,234)**	(3,664,956)
Distribution to other equity instrument holders		**(680,762)**	(701,514)
Cash used in other financing activities		**(663,309)**	(33,800)
Net cash generated from/(used in) financing activities		**11,984,961**	(41,651,876)
Net increase in cash and cash equivalents		**7,659,723**	10,616,048
Cash and cash equivalents at the beginning of the year		**37,947,251**	27,057,039
Effect of foreign exchange rate changes		**164,086**	274,164
Cash and cash equivalents at the end of the year	55(a)	**45,771,060**	37,947,251

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the"PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the"PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the"CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 16	*Leases*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Except as described below, the application of the new and revised IFRSs has had no significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for buildings and prepaid land lease payments. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognizes depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as interest expense).

Impacts on transition

Lease liabilities at 1 January 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were recognized based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied lease exemptions to leases with a lease term that ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Financial impact at 1 January 2019

(1) Impact on the consolidated statement of financial position as at 1 January 2019:

	As at 31 December 2018	**Adjustments**	**As at 1 January 2019**
Assets:			
Right-of-use assets	–	3,228,394	**3,228,394**
Prepaid land lease payments	785,312	(785,312)	**–**
Deferred tax assets	1,289,051	26,778	**1,315,829**
Other current assets	1,867,556	(62,702)	**1,804,854**
Liabilities:			
Other current liabilities	16,110,357	(77,794)	**16,032,563**
Lease liabilities	–	2,565,287	**2,565,287**
Equity:			
Reserves	65,535,930	(13,760)	**65,522,170**
Retained profits	38,070,373	(56,806)	**38,013,567**
Non-controlling interests	10,223,329	(9,769)	**10,213,560**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

IFRS 16 Leases *(continued)*

Financial impact at 1 January 2019 *(continued)*

(2) The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	3,623,137
Less: Commitments relating to short-term leases	22
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	307,466
Commitments relating to leases of low-value assets	11
Operating lease commitments as at 1 January 2019 under IFRS 16	3,315,638
Weighted average incremental borrowing rate as at 1 January 2019	4.12%
Lease liabilities as at 1 January 2019	2,565,287

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements:

IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 No mandatory effective date yet determined but available for adoption

The application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.31%-3.20%
Leasehold improvements	Over the shorter of the remaining lease terms and 5 years
Machinery	8.64%-19.20%
Electronic equipment	19.00%-50.00%
Communication equipment	10.55%-32.00%
Motor vehicles	9.50%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading seats rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full after taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at amortized cost

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest income according to the margin financing agreement. The securities lending services are not derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

Asset management business

Income from asset management business is recognized when contingent criteria associated are met.

Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payments" refers to a transaction in which the Group grants shares or other equity instruments as a consideration in return for services rendered.

The equity-settled share-based payment in return for employee services is measured at the fair value of the equity instruments granted to the employees. If the right of an equity-settled share-based payment may be exercised immediately after the grant date, the fair value of the equity instruments on the grant date is recognized in profit or loss, with a corresponding increase in capital reserve. When the grant of equity instruments is conditional upon the achievement of a performance or service condition, an amount for the services received during the vesting period is recognized based on the best available estimate of the number of equity instruments expected to vest which will be revised, if subsequent information (such as the change on the number of employees who satisfies all vesting conditions, achievement of performance and so on) indicates that the number of equity instruments expected to vest differs from previous estimates. The fair value of equity instruments is calculated based on the binomial model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In additional, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The dilutive effect of outstanding options is reflected as the dilutive effect of a subsidiary's potential ordinary shares in the computation of earnings per share.

A cash-settled share-based payment rendered by the Group shall be measured in accordance with the fair value of a liability based on the shares or other equity instruments undertaken by the Group. It shall be initially measured at fair value on the grant date using the binominal model, taking into account the clauses and conditions of the equity instruments granted. If the right may be exercised immediately after the grant, the fair value of the liability shall, on the date of the grant, be included in the relevant costs or expenses, with a corresponding increase in the liability. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, at the end of each reporting period within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses with a corresponding increase in the liability. The Group shall, at the end of each reporting period and settlement date prior to the settlement of the liability, re-assess the fair values of the liability with changes in fair value recognized in the statement of profit or loss.

Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

Employee benefits

Employee benefits refer to all forms of consideration and other related expenses except share-based payments given by the Group in exchange for services rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, apart from those assumptions involving estimations, management has made the following judgements including the classification of financial assets, the transfer of financial assets and the consolidation of structured entities, which have significant effects on the amounts recognized in the financial statements.

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. Management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. Management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of money element, whether the fair value of prepayment features is insignificant also need judgement when assessing the financial assets with prepayment features.

Transfer of financial assets

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for it to exercise the renewal and include significant event or change in circumstances between the commencement date of the lease and exercise date of the renewal option.

Consolidation of structured entities

Management needs to make significant judgement on whether a structured entity is under control and shall be combined. Such judgement may affect accounting methods as well as the financial position and operating results of the Group.

When assessing control, the Group considers: (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

When judging the level of the control over the structured entities, the Group considers the following four elements:

(a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;

(b) The related agreement arrangements;

(c) The Group will only take specific actions under certain conditions or incidents; and

(d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, which may result in a significant adjustment to the carrying amounts of assets and liabilities in the next accounting period.

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model, etc. In practice, the model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors, etc. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

Deferred income tax assets and liabilities

According to the provisions of the tax law, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the assets are realized or when the liabilities are settled. Deferred income tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to offset these unused tax losses. Many judgements are needed from management to estimate the amount, timing and applicable tax rate of future taxable profit, together with the tax planning strategies, to determine the amount of deferred income tax assets and liabilities to be recognized.

Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgment and estimation, and consideration of all reasonable and relevant information including forward looking information. When making such judgment and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economy indicators, and industrial risk.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Value added tax ("VAT")	Taxable revenue	3%-17%
City maintenance and construction tax	Value added tax paid	1%-7%
Education surcharge	Value added tax paid	3%

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if VAT had not been paid previously, no VAT will be payable; if VAT had been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2019	2018
Securities brokerage and investment consulting business	**6,773,457**	5,255,326
Underwriting and sponsorship business	**2,415,790**	1,831,387
Asset management business	**1,665,495**	1,500,588
Futures brokerage business	**548,639**	492,251
Custodian and outsourcing service	**391,243**	339,122
Financial advisory business	**327,048**	359,083
Others	**3,119**	16,429
Total	**12,124,791**	9,794,186

Fee and commission income represented the Group's revenue from contracts with customers.

7. INTEREST INCOME

	Year ended 31 December	
	2019	2018
Margin financing and securities lending	**4,562,080**	4,909,723
Deposits in financial institutions	**3,236,272**	2,847,417
Stock-pledged financing and securities repurchase	**2,269,365**	3,334,002
Debt instruments at fair value through other comprehensive income	**2,007,844**	1,086,813
Other financial assets held under resale agreements	**326,502**	466,796
Term loan	**127,380**	120,868
Others	**100,762**	76,370
Total	**12,630,205**	12,841,989

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2019	2018
Dividend and other income		
Financial instruments at fair value through profit or loss	**3,996,756**	3,164,249
Equity instruments at fair value through other comprehensive income	**1,079,162**	1,379,546
Net realized gains		
Financial instruments at fair value through profit or loss	**592,579**	847,154
Debt instruments at fair value through other comprehensive income	**238,891**	74,584
Derivative financial instruments	**493,368**	811,275
Unrealized gains/(losses)		
Financial assets at fair value through profit or loss	**3,784,512**	(3,817,770)
Financial liabilities at fair value through profit or loss	**(1,264,069)**	2,602,075
Derivative financial instruments	**(819,993)**	12,874
Others[1]	**(4,596)**	(903)
Total	**8,096,610**	5,073,084

(1) Third-party interests in consolidated structured entities.

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2019	2018
Income from bulk commodity trading	**4,744,329**	2,056,929
Gain on disposal of joint ventures and associates	**740,835**	27,212
Government grants[(1)]	**618,989**	682,710
Commission from tax withholding and remitting	**35,571**	15,553
Gains on disposal of property and equipment	**8,406**	766
Foreign exchange gains or losses	**(65,187)**	5,613
Others	**115,096**	83,056
Total	**6,198,039**	2,871,839

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2019	2018
Securities brokerage and investment consulting business	**1,528,378**	1,242,882
Underwriting and sponsorship business	**147,374**	181,521
Futures brokerage business	**138,035**	96,858
Others	**24,639**	53,452
Total	**1,838,426**	1,574,713

11. INTEREST EXPENSES

	Year ended 31 December	
	2019	2018
Bonds	**3,127,553**	3,183,876
Financial assets sold under repurchase agreements	**2,463,699**	1,593,732
Short-term debt instruments	**440,587**	1,031,156
Accounts payable to brokerage customers	**415,104**	391,501
Loans and borrowings	**314,273**	255,178
Placements from other financial institutions	**244,897**	323,925
Lease liabilities	**101,686**	—
Securities lending	**88,148**	78,331
Derivative financial instruments	**74,077**	38,709
Gold borrowing	**65,940**	47,158
Priority tranche holders of structured entities	**65,402**	60,284
Others	**2,084**	6,035
Total	**7,403,450**	7,009,885

12. STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonuses and allowances	**6,641,222**	5,705,261
Contributions to defined contribution schemes	**571,644**	567,141
Other social welfare	**553,561**	487,173
Total	**7,766,427**	6,759,575

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2019	2018
Depreciation of right-of-use assets	**620,685**	–
Depreciation of property and equipment	**514,545**	438,117
Amortization of other intangible assets	**130,560**	102,966
Amortization of long-term deferred expenses	**25,780**	25,247
Amortization of prepaid land lease payments	**–**	7,949
Total	**1,291,570**	574,279

14. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2019	2018
Cost of bulk commodity trading	**4,688,979**	2,058,302
Information technology expenses	**354,456**	269,516
Rental and property management expenses	**345,673**	834,386
Promotion and business development expenses	**287,609**	286,132
Administrative and office operating expenses	**228,891**	218,447
Business travel expenses	**214,293**	247,437
Postal and communication expenses	**187,617**	192,070
Marketing and advertising expenses	**146,558**	155,145
Consulting fees	**145,881**	148,384
Stock exchange management fees	**125,605**	94,393
Securities investor protection funds	**112,507**	93,109
Fund and asset management scheme distribution expenses	**99,804**	45,114
Utilities	**47,563**	48,133
Donation	**35,623**	29,653
Auditors' remuneration	**14,539**	13,788
Others	**236,209**	306,623
Total	**7,271,807**	5,040,632

15. CREDIT LOSS EXPENSE

	Year ended 31 December	
	2019	2018
Financial assets held under resale agreements	**1,037,739**	669,420
Margin accounts receivable	**764,754**	234,613
Others	**247,084**	72,460
Total	**2,049,577**	976,493

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current tax		
Mainland China income tax	**2,369,164**	2,317,392
Hong Kong profits tax	**281,496**	187,644
Adjustment in respect of prior years		
Mainland China income tax	**1,272**	25,655
Hong Kong profits tax	**(415)**	1,848
Deferred tax	**(258,254)**	(334,235)
Total tax charges for the year	**2,393,263**	2,198,304

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	**11,444,619**	9,268,342
Tax at the PRC statutory tax rate of 25%	**2,861,155**	2,317,086
Effect of different tax rates of subsidiaries	**(74,542)**	(53,473)
Adjustments in respect of current tax and deferred tax of prior years	**857**	27,503
Non-taxable income	**(384,002)**	(252,883)
Profits and losses attributable to joint ventures and associates	**(18,100)**	(3,472)
Non-deductible expenses	**214,513**	168,189
Utilization of tax losses and deductible temporary differences previously not recognized	**(39,157)**	(45,254)
Tax losses and deductible temporary differences not recognized	**539**	40,608
Deductible distribution of other equity instrument	**(168,000)**	—
Total tax charges for the year	**2,393,263**	2,198,304

17. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2019 and 2018 is as follows:

	Year ended 31 December 2019				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Executive Directors					
He Qing[(2)]	–	–	–	–	–
Wang Song	–	925	16	503	1,444
Yu Jian	–	1,828	26	3,135	4,989
Yang Dehong[(3)]	–	603	16	163	782
Non-Executive Directors					
Zhong Maojun[(1)]	–	–	–	–	–
Zhou Lei[(1)]	–	–	–	–	–
Lin Facheng	150	–	–	–	150
Zhou Hao[(1)]	–	–	–	–	–
Wang Wenjie[(1)(4)]	–	–	–	–	–
Guan Wei[(1)(5)]	–	–	–	–	–
An Hongjun[(1)(6)]	–	–	–	–	–
Liu Ying[(1)(7)]	–	–	–	–	–
Wang Yongjian[(7)]	63	–	–	–	63
Fu Fan[(1)(8)]	–	–	–	–	–
Independent Non-executive Directors					
Xia Dawei	250	–	–	–	250
Shi Derong[(1)]	–	–	–	–	–
Chen Guogang	250	–	–	–	250
Ling Tao	250	–	–	–	250
Jin Qingjun	250	–	–	–	250
LEE Conway Kong Wai	250	–	–	–	250

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2019				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Supervisors					
Shao Chong	150	–	–	–	150
Zuo Zhipeng	150	–	–	–	150
Feng Xiaodong	150	–	–	–	150
Wang Weijie	–	1,138	21	2,070	3,229
Liu Xuefeng	–	1,252	21	2,077	3,350
Wang Lei(9)	–	420	2	–	422
Zhu Ning(10)	–	157	16	146	319
Shang Hongbo(11)	–	–	–	–	–
	1,913	6,323	118	8,094	16,448

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 12 February 2020.

(3) Resigned on 23 September 2019.

(4) Appointed on 28 June 2019.

(5) Appointed on 25 July 2019.

(6) Appointed on 14 November 2019.

(7) Resigned on 9 May 2019.

(8) Resigned on 5 December 2019.

(9) Appointed on 4 June 2019.

(10) Resigned on 6 May 2019.

(11) Resigned on 17 June 2019.

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2018				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Total remuneration
Executive Directors					
Yang Dehong	–	799	–	376	1,175
Wang Song	–	920	–	716	1,636
Yu Jian	–	1,614	–	4,258	5,872
Non-Executive Directors					
Fu Fan(1)	–	–	–	–	–
Zhong Maojun(1)	–	–	–	–	–
Zhou Lei(1)	–	–	–	–	–
Wang Yongjian	150	–	–	–	150
Xiang Dong(2)	38	–	–	–	38
Liu Qiang(1) (2)	–	–	–	–	–
Liu Ying(1)	–	–	–	–	–
Lin Facheng(3)	88	–	–	–	88
Zhou Hao(1)(4)	–	–	–	–	–
Independent Non-executive Directors					
Xia Dawei	250	–	–	–	250
Shi Derong(1)	–	–	–	–	–
Chen Guogang	250	–	–	–	250
Ling Tao	250	–	–	–	250
Jin Qingjun	250	–	–	–	250
LEE Conway Kong Wai	250	–	–	–	250
Supervisors					
Shang Hongbo	–	–	–	–	–
Zhu Ning	–	719	–	363	1,082
Teng Tieqi(2)	38	–	–	–	38
Shao Chong	150	–	–	–	150
Zuo Zhipeng	150	–	–	–	150
Feng Xiaodong(3)	88	–	–	–	88
Wang Weijie	–	1,132	–	2,860	3,992
Liu Xuefeng	–	1,345	–	2,729	4,074
	1,952	6,529	–	11,302	19,783

17. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Resigned on 29 March 2018.

(3) Appointed on 28 May 2018.

(4) Appointed on 6 June 2018.

18. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2019 and 2018. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits	**10,873**	12,088
Pension scheme contributions and other social welfare	**48**	47
Discretionary bonuses	**57,502**	65,801
Share-based payments	**9,384**	13,107
Total	**77,807**	91,043

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2019	2018
RMB12,000,001 to RMB13,000,000 yuan	**2**	—
RMB13,000,001 to RMB14,000,000 yuan	**2**	—
RMB15,000,001 to RMB16,000,000 yuan	**—**	3
RMB17,000,001 to RMB18,000,000 yuan	**—**	1
RMB25,000,001 to RMB26,000,000 yuan	**1**	—
RMB27,000,001 to RMB28,000,000 yuan	**—**	1
Total	**5**	5

19. DIVIDENDS

	Year ended 31 December	
	2019	2018
Proposed and paid dividends	**2,449,685**	3,485,576
Distribution to other equity instrument holders	**590,000**	590,000

Pursuant to the resolution of the meeting of shareholders held on 24 June 2019, the Company distributed cash dividends of RMB2.75 yuan for every 10 shares (tax included) amounting to RMB2,450 million in total for the year ended 31 December 2018.

Pursuant to the resolution of the meeting of shareholders held on 18 May 2018, the Company distributed cash dividends of RMB4.00 yuan for every 10 shares (tax included) amounting to RMB3,486 million in total for the year ended 31 December 2017.

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. The Company recognized dividend payable to other equity instrument holders of RMB590 million as at 31 December 2019 and 2018 for the years then ended.

Pursuant to the resolution of the 15th meeting of the 5th term of the Board held on 24 March 2020, the Board has proposed the annual profit distribution plan for the year ended 31 December 2019 as follows: after appropriating 10% of profit after tax each for general risk reserves and trading risk reserves, respectively, in accordance with relevant regulations, based on the total number of ordinary shares as indicated in the statutory records on that date, the Company shall distribute cash dividends of RMB3.90 yuan for every 10 shares (tax included). Based on the total of 8,907,948,159 ordinary shares as at 31 December 2019 without considering the shares that may be converted from convertible bonds after 31 December 2019, RMB3,474 million of dividends would be distributed. The profit distribution plan is subject to shareholders' approval in the upcoming shareholders' meeting.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) the tax impact of the above adjustments.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the year and those issued in the year are assumed to be converted at the issuance date. The Group has convertible corporate bonds as dilutive potential ordinary shares.

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Year ended 31 December	
	2019	2018
Earnings		
Profit attributable to equity holders of the Company	**8,637,037**	6,708,116
Less: Profit attributable to other equity holders of the Company [(1)]	**647,534**	590,000
Profit attributable to ordinary equity holders of the Company	**7,989,503**	6,118,116
Add: Interest expense on convertible bonds, net of tax	**295,573**	—
Less: Dilutive effect of a subsidiary's potential ordinary shares [(2)]	**1,307**	1,220
Adjusted profit attributable to ordinary equity holders of the Company	**8,283,769**	6,116,896
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	**8,843,279**	8,713,939
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	**356,925**	—
Adjusted weighted average number of ordinary shares in issue during the year	**9,200,204**	8,713,939
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
— Basic	**0.90**	0.70
— Diluted	**0.90**	0.70

(1) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2019, RMB648 million (2018: RMB590 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited ("GJIHL").

21. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2019	**3,662,325**	**570,867**	**60,618**	**1,214,177**	**19,272**	**153,274**	**271,146**	**106,871**	**6,058,550**
Additions	**12,222**	**75,825**	**10,015**	**235,523**	**3,862**	**11,005**	**1,425,118**	**3,443**	**1,777,013**
Transfers during the year	**–**	**244,694**	**–**	**75,471**	**–**	**–**	**(440,769)**	**47**	**(120,557)**
Acquisition of a subsidiary	**3,739**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,739**
Disposals	**(553)**	**(34,288)**	**(2,263)**	**(98,584)**	**(3,740)**	**(10,909)**	**–**	**(33,982)**	**(184,319)**
As at 31 December 2019	**3,677,733**	**857,098**	**68,370**	**1,426,587**	**19,394**	**153,370**	**1,255,495**	**76,379**	**7,534,426**
Accumulated depreciation									
As at 1 January 2019	**(744,014)**	**(319,921)**	**(3,061)**	**(646,601)**	**(12,131)**	**(102,958)**	**–**	**(55,605)**	**(1,884,291)**
Depreciation charge	**(119,066)**	**(110,970)**	**(7,233)**	**(255,364)**	**(2,045)**	**(13,249)**	**–**	**(6,618)**	**(514,545)**
Disposals	**43**	**30,505**	**2,100**	**88,004**	**3,598**	**10,566**	**–**	**33,270**	**168,086**
As at 31 December 2019	**(863,037)**	**(400,386)**	**(8,194)**	**(813,961)**	**(10,578)**	**(105,641)**	**–**	**(28,953)**	**(2,230,750)**
Impairment									
As at 1 January 2019 and 31 December 2019	**(92,253)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(92,253)**
Net carrying amount									
As at 31 December 2019	**2,722,443**	**456,712**	**60,176**	**612,626**	**8,816**	**47,729**	**1,255,495**	**47,426**	**5,211,423**

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2018	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Additions	43,686	60,439	2,321	144,740	1,915	13,517	590,642	36,524	893,784
Transfers during the year	742,893	57,434	43,148	131,006	208	–	(1,072,796)	25,373	(72,734)
Disposals	(4,634)	(19,062)	(16,190)	(348,799)	(1,693)	(17,237)	–	(1,842)	(409,457)
As at 31 December 2018	3,662,325	570,867	60,618	1,214,177	19,272	153,274	271,146	106,871	6,058,550
Accumulated depreciation									
As at 1 January 2018	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	–	(20,454)	(1,824,105)
Depreciation charge	(110,786)	(77,498)	(5,101)	(193,523)	(1,792)	(12,513)	–	(36,904)	(438,117)
Disposals	1,223	17,715	15,091	324,131	1,625	16,393	–	1,753	377,931
As at 31 December 2018	(744,014)	(319,921)	(3,061)	(646,601)	(12,131)	(102,958)	–	(55,605)	(1,884,291)
Impairment									
As at 1 January 2018 and 31 December 2018	(92,253)	–	–	–	–	–	–	–	(92,253)
Net carrying amount									
As at 31 December 2018	2,826,058	250,946	57,557	567,576	7,141	50,316	271,146	51,266	4,082,006

As at 31 December 2019 and 2018, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB231,000 thousand and RMB236,093 thousand, respectively.

22. LEASES

(a) Right-of-use assets

	Buildings	Prepaid land lease payments	Total
Cost			
As at 1 January 2019	**3,203,089**	**876,029**	**4,079,118**
Increases	**419,959**	–	**419,959**
Decreases	**(333,182)**	–	**(333,182)**
As at 31 December 2019	**3,289,866**	**876,029**	**4,165,895**
Accumulated depreciation			
As at 1 January 2019	**(760,007)**	**(90,717)**	**(850,724)**
Depreciation charge	**(601,609)**	**(19,076)**	**(620,685)**
Decreases	**253,609**	–	**253,609**
As at 31 December 2019	**(1,108,007)**	**(109,793)**	**(1,217,800)**
Impairment			
As at 1 January 2019	–	–	–
Increases	**(22,052)**	–	**(22,052)**
As at 31 December 2019	**(22,052)**	–	**(22,052)**
Net carrying amount			
As at 31 December 2019	**2,159,807**	**766,236**	**2,926,043**

(b) Prepaid land lease payments (before 1 January 2019)

Cost	
As at 1 January 2018 and 31 December 2018	876,029
Accumulated amortization	
As at 1 January 2018	(71,641)
Amortization	(19,076)
As at 31 December 2018	(90,717)
Carrying amount	
As at 31 December 2018	785,312

22. LEASES *(continued)*

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

Carrying amount at 1 January 2019	**2,565,287**
New leases	**419,959**
Accretion of interest recognized during the year	**101,686**
Acquisition of a subsidiary	**2,338**
Modification of leases	**(86,671)**
Payments	**(638,762)**
Carrying amount at 31 December 2019	**2,363,837**
Analyzed into:	
Current portion	**638,686**
Non-current portion	**1,725,151**

As at 31 December 2019, the maturity analysis of lease liabilities is as follows:

	As at 31 December 2019
Within 1 year (inclusive)	**638,382**
1 to 5 years (inclusive)	**1,246,655**
After 5 years	**478,800**
Total	**2,363,837**

(d) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December 2019
Interest on lease liabilities	**101,686**
Depreciation charge of right-of-use assets	**620,685**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in other operating expenses and costs)	**284,282**
Expense relating to leases of low-value assets (included in other operating expenses and costs)	**9,092**
Total amount recognized in profit or loss	**1,015,745**

22. LEASES *(continued)*

(e) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Those options will not have a significant impact on the Group's financial statements.

23. GOODWILL

	As at 31 December	
	2019	2018
Cost	**599,812**	581,407
Less: Impairment losses	**–**	–
Carrying amount	**599,812**	581,407

Impairment testing on goodwill

	As at 31 December	
	2019	2018
Cost and carrying value		
Unit A — Guotai Junan Futures Co., Ltd.	**2,491**	2,491
Unit B — Shanghai Securities Co., Ltd.	**578,916**	578,916
Unit C — Vietnam Investment Securities Company	**18,405**	–
Total	**599,812**	581,407

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in July 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The Company acquired 51% of the equity interests in Shanghai Securities Co., Ltd. ("Shanghai Securities") from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit ("CGU") of Shanghai Securities.

GJIHL acquired 50.97% equity interests in Vietnam Investment Securities Company from a third party in December 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Vietnam Investment Securities Company.

23. GOODWILL *(continued)*

The recoverable amount of Shanghai Securities has been determined on the basis of value-in-use calculation. The calculation used cash flow projections based on financial budgets approved by management and a pre-tax discount rate of 13% which reflected the risk specific to the cash-generating unit, with the terminal growth rate of 3%. Other assumptions include budgeted income and gross margin estimated based on the past performance and management's expectations of market developments, etc.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

24. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2019	747,443	205,866	1,066,264	16,331	2,035,904
Additions	232,049	–	–	17	232,066
Acquisition of a subsidiary	–	319	–	–	319
Disposal	(155)	–	–	–	(155)
As at 31 December 2019	979,337	206,185	1,066,264	16,348	2,268,134
Accumulated amortization					
As at 1 January 2019	(420,435)	(126,539)	–	(1,275)	(548,249)
Amortization	(130,111)	–	–	(449)	(130,560)
Disposal	155	–	–	–	155
As at 31 December 2019	(550,391)	(126,539)	–	(1,724)	(678,654)
Impairment					
As at 1 January 2019 and 31 December 2019	–	(4,756)	–	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2019	428,946	74,890	1,066,264	4,149	1,574,249

24. OTHER INTANGIBLE ASSETS *(continued)*

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2018	623,706	207,240	1,066,264	33,049	1,930,259
Additions	150,049	166	–	4,727	154,942
Disposal	(26,312)	(1,540)	–	(21,445)	(49,297)
As at 31 December 2018	747,443	205,866	1,066,264	16,331	2,035,904
Accumulated amortization					
As at 1 January 2018	(337,626)	(128,079)	–	(1,275)	(466,980)
Amortization	(102,966)	–	–	–	(102,966)
Disposal	20,157	1,540	–	–	21,697
As at 31 December 2018	(420,435)	(126,539)	–	(1,275)	(548,249)
Impairment					
As at 1 January 2018	–	(4,756)	–	(16,252)	(21,008)
Disposal	–	–	–	5,777	5,777
As at 31 December 2018	–	(4,756)	–	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2018	327,008	74,571	1,066,264	4,581	1,472,424

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that securities and futures brokerage qualification was not impaired as at 31 December 2019 and 2018. Refer to Note 23 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

25. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2019	2018
Unlisted shares, carried at cost	**20,422,043**	15,789,770
Less: Impairment losses	**–**	–
Total	**20,422,043**	15,789,770

(a) Details of the subsidiaries held by the Company

The following list contains particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December 2019	2018
Guotai Junan Innovation Investment Co., Ltd. [1][4]	Shanghai PRC	RMB7,500,000,000	Equity investment and investment consulting	**100%**	100%
Shanghai Guotai Junan Securities Assets Management Co., Ltd. ("GTJA Assets Management") [1] [4]	Shanghai PRC	RMB2,000,000,000	Securities asset management	**100%**	100%
Guotai Junan Zhengyu Investment Co., Ltd [1][4]	Shanghai PRC	RMB2,000,000,000	Equity investment Financial products investment Industrial investment	**100%**	100%
Shanghai Guoxiang Real Estate Co., Ltd. [1] [4]	Shanghai PRC	RMB1,050,000,000	Real estate and property management	**100%**	100%
Guotai Junan Financial Holdings Limited [1]	HK PRC	HKD2,611,980,000	Investment service	**100%**	100%
Guotai Junan Risk Management Co., Ltd. [4]	Shanghai PRC	RMB800,000,000	Warehouse service Cooperation hedge Investment management Corporate management consulting	**100%**	100%
Shanghai Gelong Entrepreneurship Investment Co., Ltd. [4]	Shanghai PRC	RMB100,000,000	Venture capital investment and management	**100%**	100%
Shanghai GTJA Juntong Investment Management Co., Ltd. [4]	Shanghai PRC	RMB20,000,000	Investment management Industrial investment Investment consulting	**100%**	100%
Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd. [4]	Shanghai PRC	RMB20,000,000	Equity investment Venture capital investment Asset management	**100%**	100%
Guotai Junan Futures Co., Ltd. [1] [4]	Shanghai PRC	RMB2,000,000,000	Futures brokerage Futures investment consulting	**100%**	100%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December 2019	2018
Shanghai Securities Co., Ltd. (1) (2) (4)	Shanghai PRC	RMB2,610,000,000	Securities brokerage Securities investment Underwriting and consulting	**51%**	51%
Hicend Futures Co., Ltd. (4)	Shanghai PRC	RMB560,000,000	Futures brokerage Futures investment consulting	**51%**	51%
Guotai Junan Capital Management Co., Ltd. ("Guotai Junan Capital")(4)	Shanghai PRC	RMB100,000,000	Asset management Equity investment Fund management	**90%**	90%
Shanghai North Industries GTJA Investment Management Co., Ltd. (4)	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	**61%**	N/A
Shanghai GTJA Haojing Investment Management Co., Ltd. (4)	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	**100%**	N/A
Guotai Junan Investments (Hong Kong) Limited	HK PRC	HKD33,500,000	Investment	**100%**	100%
Guotai Junan Consultancy Services (Shenzhen) Limited(4)	Shenzhen PRC	HKD12,000,000	Investment consulting Marketing planning Corporate management consulting	**100%**	100%
Guotai Junan Holdings Limited (BVI)	British Virgin Is.	USD1	Investment	**100%**	100%
GJIHL	HK PRC	HKD771,500,000	Investment and financing	**68.48%**	66.35%
Guotai Junan (Hong Kong) Limited	Samoa	USD820,400,000	Investment Administrative management	**68.48%**	66.35%
Guotai Junan Fund Management Limited (3)	HK PRC	HKD10,000,000	Fund management Securities trading	**34.24%**	33.18%
Guotai Junan Securities (Hong Kong) Limited	HK PRC	HKD7,500,000,000	Securities brokerage	**68.48%**	66.35%
Guotai Junan Finance (Hong Kong) Limited	HK PRC	HKD300,000,000	Investment and financing	**68.48%**	66.35%
Guotai Junan Futures (Hong Kong) Limited	HK PRC	HKD50,000,000	Futures brokerage	**68.48%**	66.35%
Guotai Junan Capital (Hong Kong) Limited	HK PRC	HKD50,000,000	Investment consulting	**68.48%**	66.35%
Guotai Junan Assets Management (Asia) Limited	HK PRC	HKD50,000,000	Fund management	**68.48%**	66.35%
Guotai Junan FX Limited	HK PRC	HKD30,000,000	Foreign exchange dealing	**68.48%**	66.35%
Guotai Junan Finance Holdings Limited (BVI)	British Virgin Is.	USD1	Financial financing	**100%**	100%
Guotai Junan International (Singapore) Holdings Pte. Limited	Singapore	SGD9,300,000	Investment management	**68.48%**	66.35%
Guotai Junan International Asset Management (Singapore) Pte. Limited	Singapore	SGD4,200,000	Asset management	**68.48%**	66.35%
Guotai Junan Financial Products Limited	HK PRC	HKD1,000,000	Investment and securities trading	**68.48%**	66.35%

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) Details of the subsidiaries held by the Company *(continued)*

Name of company	Place of registration or primary business	Paid-in capital (Expressed in yuan)	Principal activities	Equity interests held as at 31 December 2019	2018
Guotai Junan International Securities (Singapore) Pte. Limited	Singapore	SGD3,500,000	Securities brokerage	**68.48%**	66.35%
Guotai Junan Global Limited	British Virgin Is.	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA Holding, Inc.	USA	USD5,000,000	Investment management	**100%**	100%
Guotai Junan Securities USA, Inc.	USA	USD5,000,000	M&A consulting services	**100%**	100%
Shanghai Shipping Capital (Hong Kong) Holding Co., Ltd.	HK PRC	–	Equity investment Fund management	**100%**	100%
Vietnam Investment Securities Company	Vietnam	VND693.5 Billion	Securities brokerage	**34.90%**	N/A

(1) These subsidiaries are directly held by the Company.

(2) In August 2019, on the 16th extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved, pursuant to which it was agreed that the issue of competition shall be solved by targeted capital increase of Shanghai Securities. In January 2020, at the 21st extraordinary meeting of the fifth session of the Board, the Proposal on Adopting the specific plan of Targeted Capital Increase of Shanghai Securities Co., Ltd. was considered and approved. the proposal has yet to be approved by regulators.

(3) GJIHL, a subsidiary controlled by the Company through its voting rights of 68.48%, via its wholly-owned subsidiary Guotai Junan (Hong Kong) Limited controls Guotai Junan Fund Management Limited through contractual arrangement between shareholders whereby Guotai Junan (Hong Kong) Limited has been granted the authority to direct relevant activities of Guotai Junan Fund Management Limited unilaterally. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.

(4) All of the subsidiaries established in the PRC are registered as companies with limited liability under PRC law.

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

Shanghai Securities	**As at 31 December**	
	2019	2018
NCI percentage	**49.00%**	49.00%
Current assets	**24,852,704**	22,307,947
Non-current assets	**9,968,729**	6,790,027
Current liabilities	**23,091,987**	15,689,967
Non-current liabilities	**3,181,822**	2,013,777
Net assets	**8,547,624**	11,394,230
Carrying amount of NCI	**5,235,519**	6,623,145

	Year ended 31 December	
	2019	2018
Total revenue and other income	**2,244,831**	1,639,590
Total expenses and income tax expense	**1,970,265**	1,595,935
Profit for the year	**274,566**	43,655
Total comprehensive income	**270,047**	42,366
Profit attributable to NCI	**176,357**	63,211
Distribution to NCI	**1,552,000**	—
Cash flows generated from operating activities	**5,759,018**	6,245,434
Cash flows used in investing activities	**(3,423,467)**	(2,987,873)
Cash flows used in financing activities	**(1,772,353)**	(3,693,103)

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests *(continued)*

GJIHL	As at 31 December	
	2019	2018
NCI percentage	**31.52%**	33.65%
Current assets	**77,981,893**	70,754,944
Non-current assets	**8,674,214**	6,380,702
Current liabilities	**69,531,052**	63,400,808
Non-current liabilities	**6,902,604**	3,926,408
Net assets	**10,222,451**	9,808,430
Carrying amount of NCI	**3,335,875**	3,585,232

	Year ended 31 December	
	2019	2018
Total revenue and other income	**3,739,003**	2,562,018
Total expenses and income tax expense	**2,944,995**	1,843,956
Profit for the year	**794,008**	718,062
Total comprehensive income	**793,608**	718,310
Profit attributable to NCI	**239,329**	287,909
Distribution to NCI	**139,430**	213,110
Cash flows used in operating activities	**(4,735,478)**	(2,523,450)
Cash flows used in investing activities	**(110,254)**	(23,834)
Cash flows generated from financing activities	**7,443,907**	4,147,502

25. INVESTMENTS IN SUBSIDIARIES *(continued)*

(c) Business combination

GJIHL acquired 50.97% equity interests in Vietnam Investment Securities Company from a third party in 2019. The purchase consideration for the acquisition was in the form of cash, with RMB115,944 thousand paid at the acquisition date on 6 December 2019. The fair values and book values of the identifiable assets and liabilities of Vietnam Investment Securities Company as at the date of acquisition were as follows:

	As at the acquisition date	
	Fair value	**Book value**
Cash and bank balances	**163,827**	**163,827**
Margin accounts receivable	**44,210**	**44,453**
Other current and non-current assets	**8,483**	**8,001**
Total assets	**216,520**	**216,281**
Total liabilities	**25,155**	**22,966**
Non-controlling interests	**93,826**	**94,782**
Goodwill	**18,405**	

The financial performance and cash flows of Vietnam Investment Securities Company were as follows:

	From the acquisition date to 31 December 2019
Total revenue	770
Net profit	101
Net cash inflow	2,232

26. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including limited partnerships and asset management products by acting as a manager or general partner during the year. Except for the structured entities the Group has consolidated as stated in note 26(a), in management's opinion, the Group's exposure to variable returns of these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2019 and 2018, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB5,939 million and RMB5,605 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB875 million and RMB855 million for the years ended 31 December 2019 and 2018, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statement of financial position approximate the maximum loss exposure for these unconsolidated structured entities.

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2019	2018
Share of net assets		
— Associates	**1,183,891**	1,294,133
— Joint ventures	**1,274,671**	1,333,516
Total	**2,458,562**	2,627,649

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

At the end of each reporting period, the Group had the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital/ Capital commitment (Expressed in yuan)	Principal activities	Percentage of equity interests as at 31 December 2019	2018
Associates:					
Anhui Panguhongye Equity Investment Centre LLP	Suzhou PRC	RMB30,300,000	Equity investment	**33%**	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	**25%**	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	**38%**	38%
Xiamen Hongxin Electron-Tech Co., Ltd. [2]	Xiamen PRC	RMB207,000,000	Flexible printed circuit board research and design	**3%**	5%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. [2]	Shanghai PRC	RMB100,000,000	Investment management and equity investment	**13%**	13%
Huaan Funds Management Co., Ltd. ("Hua An Fund")	Shanghai PRC	RMB150,000,000	Fund management	**20%**	20%
Shenzhen United Property and Share Rights Exchange [2]	Shenzhen PRC	RMB500,000,000	Provision of intermediary services and equity registration services for equity trading	**10%**	N/A
Joint ventures:					
Xiamen Junxin Equity Investment Company LLP [2]	Xiamen PRC	RMB200,100,000	Equity investment and advisory	**10%**	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai PRC	RMB100,000,000	Industrial investment and Investment management	**25%**	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai PRC	RMB500,000,000	Industrial investment and Investment management	**20%**	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP [1]	Shanghai PRC	RMB1,000,200,000	Industrial investment and Investment management	**55%**	55%
Shanghai Junzheng Investment Management Co., Ltd. [1]	Shanghai PRC	RMB10,000,000	Investment management and advisory	**51%**	51%
Shanxi GTJA Chuangtou Equity Investment Company LLP	Shanghai PRC	RMB200,000,000	Investment management and advisory	**30%**	30%
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	**25%**	25%
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP	Shanghai PRC	RMB233,000,000	Investment management and advisory	**28%**	15%
Shanghai Juntong Jinglian Investment LLP [1]	Shanghai PRC	RMB701,000,000	Investment management and advisory	**100%**	100%
Juntong Phase II Fund	Shanghai PRC	RMB401,000,000	Investment management and advisory	**50%**	50%
Shanghai North Industries GTJA Investment Centre LLP [2]	Shanghai PRC	RMB652,000,000	Investment management and advisory	**16%**	N/A

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

(2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Year ended 31 December	
	2019	2018
Share of associates' profit for the year	**72,945**	59,513
Share of joint ventures' profit for the year	**101,068**	68,032

	Year ended 31 December	
	2019	2018
Share of associates' total comprehensive income for the year	**75,637**	45,496
Share of joint ventures' total comprehensive income for the year	**225,912**	(864,735)

	As at 31 December	
	2019	2018
Aggregate carrying amount of the Group's investments in associates	**1,183,891**	1,294,133
Aggregate carrying amount of the Group's investments in joint ventures	**1,274,671**	1,333,516

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2019	2018
Government bonds	**10,979,202**	5,658,610
Financial bonds	**9,003,336**	8,818,045
Corporate bonds	**24,533,966**	13,983,921
Other bonds	**8,892,216**	4,984,727
Total	**53,408,720**	33,445,303
Analyzed as:		
Listed outside Hong Kong	**28,065,608**	15,685,430
Unlisted	**25,343,112**	17,759,873
Total	**53,408,720**	33,445,303

Current

	As at 31 December	
	2019	2018
Government bonds	**1,355,652**	499,472
Financial bonds	**337,463**	235,834
Corporate bonds	**3,313,903**	2,457,635
Other bonds	**1,851,090**	2,528,437
Total	**6,858,108**	5,721,378
Analyzed as:		
Listed outside Hong Kong	**4,303,152**	1,908,243
Unlisted	**2,554,956**	3,813,135
Total	**6,858,108**	5,721,378

As at 31 December 2019, debt instruments at fair value through other comprehensive income of the Group included approximately RMB47,317,435 thousand of pledged, restricted or transferred assets.

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**151,826**	238,621
Charge for the year	**76,027**	19,553
Reversal	**(5,622)**	(43,896)
Amounts written off	**(14,080)**	(62,452)
At the end of the year	**208,151**	151,826

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

(b) Analysis of the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	**122,265**	**85,886**	**–**	**208,151**
As at 31 December 2018	71,204	80,622	–	151,826

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2019	2018
Contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC investment") (1) (2)	**13,011,129**	12,393,180
Equity securities (2)	**4,535,947**	4,392,769
Total	**17,547,076**	16,785,949
Analyzed as:		
Listed in Hong Kong	**136,648**	–
Listed outside Hong Kong	**3,376,626**	3,530,723
Unlisted	**14,033,802**	13,255,226
Total	**17,547,076**	16,785,949

(1) As at 31 December 2019, the equity instruments at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). CSFC manages the operations and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 31 December 2019, the fair value of the Company's contribution was RMB13,011 million, based on the investment account statement provided by CSFC.

(2) The Group has designated some investments, including CSFC investment and those held for strategic investment purposes or for securities lending, as equity instruments at fair value through other comprehensive income during the year ended 31 December 2019. The dividend income relating to equity instruments at fair value through other comprehensive income is disclosed in note 8.

During the year ended 31 December 2019, the Group disposed of some of the equity instruments at fair value through other comprehensive income in response to an adjustment in its investment strategy. The accumulated net realized losses and the dividend income of the equity instruments disposed of amounted to RMB332 million and RMB138 million, respectively.

(3) As at 31 December 2019, equity instruments at fair value through other comprehensive income of the Group included approximately RMB1,219,711 thousand of pledged, restricted or transferred shares.

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current

	As at 31 December	
	2019	2018
Equity securities	**1,977,491**	6,529,812
Less: Allowance for ECLs	**(17,754)**	(85,227)
Total	**1,959,737**	6,444,585

Current

	As at 31 December	
	2019	2018
Equity securities	**31,763,998**	33,666,689
Debt securities	**22,668,973**	21,632,169
Precious metals	**191,701**	917,372
Others	**10,134**	6,103
Less: Allowance for ECLs	**(2,654,546)**	(1,549,334)
Total	**51,980,260**	54,672,999

(b) Analyzed by market:

Non-current

	As at 31 December	
	2019	2018
Stock exchanges	**1,977,491**	6,529,812
Less: Allowance for ECLs	**(17,754)**	(85,227)
Total	**1,959,737**	6,444,585

Current

	As at 31 December	
	2019	2018
Stock exchanges	**34,808,253**	37,735,743
Interbank market	**19,624,718**	17,563,114
Over the counter	**201,835**	923,476
Less: Allowance for ECLs	**(2,654,546)**	(1,549,334)
Total	**51,980,260**	54,672,999

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(c) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**1,634,561**	965,141
Charge for the year	**1,310,009**	669,480
Reversal	**(272,270)**	(60)
At the end of the year	**2,672,300**	1,634,561

(d) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	**129,378**	**295,877**	**2,247,045**	**2,672,300**
As at 31 December 2018	270,983	426,543	937,035	1,634,561

The carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB 47,465,925 thousand and RMB6,474,072 thousand respectively.

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing：

	As at 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount	**23,999,121**	**4,160,204**	**4,856,790**	**33,016,115**
Allowance for ECLs	**122,872**	**295,877**	**2,247,045**	**2,665,794**
Fair value of collateral	**74,968,637**	**10,747,268**	**3,637,303**	**89,353,208**

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	33,324,240	4,932,130	1,721,100	39,977,470
Allowance for ECLs	270,981	426,543	937,035	1,634,559
Fair value of collateral	75,637,393	6,701,352	1,080,751	83,419,496

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(f) Fair value of collateral:

	As at 31 December	
	2019	2018
Fair value	**115,006,605**	106,454,497
Including: Able to sell or pledge	**502,051**	1,092,954
Including: Sold or pledged	**–**	737,008

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2019	2018
At fair value through profit or loss:		
Funds	**7,212,279**	3,917,114
Equity securities	**2,427,263**	1,193,791
Asset-backed securities	**2,100,845**	1,371,180
Debt securities	**1,356,921**	477,175
Other investments [(1)]	**336,383**	405,283
Total	**13,433,691**	7,364,543
Analyzed as:		
Listed in Hong Kong	**470,935**	477,175
Listed outside Hong Kong	**2,728,098**	1,350,828
Unlisted	**10,234,658**	5,536,540
Total	**13,433,691**	7,364,543

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Current

	As at 31 December	
	2019	2018
At fair value through profit or loss:		
Debt securities	**95,314,955**	71,336,293
Funds	**44,112,122**	36,052,491
Equity securities	**17,999,884**	9,118,472
Wealth management products	**6,078,196**	4,742,829
Asset management schemes	**5,009,153**	4,490,705
Perpetual bonds	**3,502,108**	2,970,986
Asset-backed securities	**1,289,836**	1,410,829
Other investments [1]	**2,282,247**	194,932
Total	**175,588,501**	130,317,537
Analyzed as:		
Listed in Hong Kong	**18,639,994**	26,333,974
Listed outside Hong Kong	**103,402,041**	56,697,451
Unlisted	**53,546,466**	47,286,112
Total	**175,588,501**	130,317,537

(1) Other investments mainly represent investments in precious metals, etc.

(2) As at 31 December 2019, financial assets at fair value through profit or loss of the Group included approximately RMB55,866,500 thousand of pledged, restricted or transferred assets.

32. REFUNDABLE DEPOSITS

	As at 31 December	
	2019	2018
Deposits with exchanges and other financial institutions:		
Futures deposits	**10,204,363**	6,542,669
Performance deposits	**1,201,915**	294,691
Trading deposits	**1,082,727**	422,757
Credit deposits	**319,882**	265,968
Other deposits	**166,490**	26,593
Total	**12,975,377**	7,552,678

33. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2019	2018
Deferred tax assets	**1,251,032**	1,289,051
Deferred tax liabilities	**(13,762)**	(43,015)
	1,237,270	1,246,036

The following are the major deferred tax assets and liabilities recognized and the movements thereon for the years ended 31 December 2019 and 2018:

Deferred tax arising from:	Allowance for ECLs/impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 1 January 2018	472,365	892,464	(679,426)	(452,321)	13,828	(14,448)	232,462
Recognized in profit or loss	276,432	(71,719)	4,740	9,334	(1,391)	116,839	334,235
Recognized in other comprehensive income	–	–	862,383	–	–	–	862,383
Transferred out	–	–	(138,850)	–	–	–	(138,850)
Disposal of a subsidiary	–	(21,558)	(12,973)	–	–	(9,663)	(44,194)
As at 31 December 2018	748,797	799,187	35,874	(442,987)	12,437	92,728	1,246,036
Impact of adopting IFRS 16	–	–	–	–	–	26,778	26,778
As at 1 January 2019	748,797	799,187	35,874	(442,987)	12,437	119,506	1,272,814
Recognized in profit or loss	454,540	212,779	(329,990)	9,334	45,365	(133,774)	258,254
Recognized in other comprehensive income	(13,364)	–	(165,807)	–	–	(31,085)	(210,256)
Transferred out	–	–	(82,980)	–	–	(562)	(83,542)
As at 31 December 2019	1,189,973	1,011,966	(542,903)	(433,653)	57,802	(45,915)	1,237,270

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

34. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
Term loan	**776,571**	2,067,210
Advances relating to lawsuits	**256,037**	256,037
Deposit	**69,346**	68,777
Long-term deferred expenses	**58,156**	65,154
Prepayments	**–**	572,268
Others	**859,913**	568,826
Less: Allowance for ECLs	**(865,184)**	(666,235)
Total	**1,154,839**	2,932,037

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**666,235**	706,228
Charge for the year	**210,879**	45,213
Reversal	**(11,930)**	–
Amounts written off	**–**	(85,206)
At the end of the year	**865,184**	666,235

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2019	**–**	**25,489**	**839,695**	**865,184**
As at 31 December 2018	155	–	666,080	666,235

35. ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
Accounts receivable from:		
— Brokers and dealers	**2,125,007**	2,650,217
— Fee and commission	**932,281**	829,801
— Settlement	**314,738**	76,491
— Fund management fee	**83,092**	63,584
— Cash and custodian clients	**36,141**	41,106
Less: Allowance for ECLs	**(7,093)**	(26,465)
Total	**3,484,166**	3,634,734

(a) Analyzed by aging:

	As at 31 December	
	2019	2018
Within 1 year	**3,484,166**	3,634,734

(b) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**26,465**	41,720
Charge for the year	**–**	1,454
Reversal	**(19,372)**	(12,338)
Amounts written off	**–**	(4,371)
At the end of the year	**7,093**	26,465

(c) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	**7,093**	**–**	**–**	**7,093**
As at 31 December 2018	26,465	–	–	26,465

36. OTHER CURRENT ASSETS

	As at 31 December	
	2019	2018
Bulk commodity trading inventories	**587,019**	55,580
Term loans	**562,070**	925,095
Receivable from disposal of an associate	**139,078**	–
Prepayment for expenses	**99,176**	141,690
Deposit	**76,569**	173,755
Prepayments	**44,956**	116,826
Dividends receivable	**24,068**	171,985
Others	**616,685**	417,821
Less: Allowance for ECLs/impairment losses	**(132,168)**	(135,196)
Total	**2,017,453**	1,867,556

(a) Analysis of the movements of allowance for ECLs/impairment losses:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**135,196**	67,693
Charge for the year	**–**	69,591
Reversal	**(3,028)**	(2,088)
At the end of the year	**132,168**	135,196

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2019	**–**	**–**	**132,168**	**132,168**
As at 31 December 2018	1,195	–	132,851	134,046

37. MARGIN ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
Individuals	**55,160,769**	42,404,756
Institutions	**18,284,407**	11,842,680
Less: Allowance for ECLs	**(1,356,832)**	(592,078)
Total	**72,088,344**	53,655,358

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2019	2018
At the beginning of the year	**592,078**	441,191
Charge for the year	**777,089**	237,145
Reversal	**(12,335)**	(2,532)
Amounts written off	**–**	(83,726)
At the end of the year	**1,356,832**	592,078

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	**83,731**	**4,836**	**1,268,265**	**1,356,832**
As at 31 December 2018	88,770	44,616	458,692	592,078

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB71,577,263 thousand and RMB511,081 thousand respectively.

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 31 December	
	2019	2018
Fair value of collateral:		
— Stocks	**228,668,761**	140,380,877
— Cash	**10,135,486**	6,973,750
— Funds	**2,405,770**	1,843,195
— Bonds	**206,371**	34,417
Total	**241,416,388**	149,232,239

38. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2019		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	8,309,245	–	(20,147)
— Interest rate swap	1,037,310,494	10,024	(135,363)
— Interest rate options	594,000	408	(3,139)
— Others	6,319,305	50,345	(7,019)
Equity derivatives			
— Stock index futures	8,097,994	5,807	–
— Forward contracts	8,159,500	131,605	(120,853)
— Equity return swaps	6,546,765	120,986	(729,967)
— Stock options	29,727,888	93,584	(281,697)
Currency derivatives			
— Currency swaps	23,495,013	13,100	(23,004)
— Foreign exchange forward	8,698,694	71,236	(52,531)
— Foreign exchange options	208,053	7,609	(17,390)
— Others	1,364,569	5,611	–
Other derivatives			
— Precious metals futures	2,315,137	–	(59,235)
— Au (T+D)	273,636	1,058	–
— Commodity futures	2,606,484	–	(2,508)
— Gold options	18,571,491	1,803	(25,502)
— Commodity options	15,183,850	53,889	(47,541)
— Others	1,432,076	8,497	(4,307)
Less: Cash (received)/paid as settlement		(25,481)	171,394
Total		550,081	(1,358,809)

38. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2018		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
—Treasury futures	14,295,844	–	(22,585)
—Interest rate swap	2,395,878,384	13,453	(152,191)
—Others	11,481,715	1,472	(15,222)
Equity derivatives			
—Stock index futures	5,338,156	119	(248,214)
—Forward contracts	275,148	398	(3,616)
—Equity return swaps	8,572,873	387,210	(29,993)
—Stock options	16,093,300	167,957	(124,768)
Currency derivatives			
—Currency swaps	6,385,222	17,943	(3,091)
—Foreign exchange forward	2,151,078	21,948	(12,573)
—Foreign exchange options	307,300	937	(945)
—Others	1,487,381	11,221	–
Other derivatives			
—Precious metals futures	940,033	571	(8,159)
—Au (T+D)	166,767	268	–
—Commodity futures	1,757,227	15,140	515
—Gold options	6,336,187	363	(4,251)
—Commodity options	3,415,921	42,500	(44,130)
—Others	596,271	45	(559)
Less: Cash (received)/paid as settlement		(33,187)	413,809
Total		648,358	(255,973)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap and currency swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

39. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2019	2018
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	**4,248,348**	2,869,960
— Others	**211,804**	136,876
Total	**4,460,152**	3,006,836

As at 31 December 2019 and 2018, the Group's clearing settlement funds of RMB193,157 thousand and RMB74,829 thousand, respectively, were restricted.

40. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

41. CASH AND BANK BALANCES

	As at 31 December	
	2019	2018
Cash on hand	**513**	434
Bank balances	**25,252,316**	20,348,449
Total	**25,252,829**	20,348,883

As at 31 December 2019 and 2018, the Group's bank balances of RMB706,908 thousand and RMB481,793 thousand, respectively, were restricted.

As at 31 December 2019, the ECL allowance for cash and bank balances amounted to RMB5,919 thousand (31 December 2018: RMB6,939 thousand).

42. LOANS AND BORROWINGS

Current	As at 31 December	
	2019	2018
Unsecured loans and borrowings [(1)]	**10,312,724**	8,279,422
Total	**10,312,724**	8,279,422

Non-current	As at 31 December	
	2019	2018
Unsecured loans and borrowings [(2)]	**1,490,000**	–
Total	**1,490,000**	–

(1) As at 31 December 2019 and 2018, the current unsecured loans and borrowings of the Group were repayable within one year and bore interest at rates ranging from 2.41% to 5.31% per annum and from 3.48% to 3.89% per annum, respectively.

(2) As at 31 December 2019, the non-current unsecured loans and borrowings of the Group were repayable in 2 years and bore interest at a rate of 4.09% per annum.

43. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	**As at 1 January 2019**	**Increase**	**Decrease**	**As at 31 December 2019**
Short-term financing bills payable	**2.57%-3.15%**	**3,019,418**	**21,122,439**	**(18,123,307)**	**6,018,550**
Short-term corporate bonds	**3.70%-4.25%**	**507,862**	**2,020,992**	**(521,276)**	**2,007,578**
Medium-term notes	**1.50%-3.70%**	**2,289,294**	**3,151,646**	**(2,307,121)**	**3,133,819**
Structured notes	**2.70%-5.00%**	**1,228,850**	**13,209,915**	**(8,174,360)**	**6,264,405**
Total		**7,045,424**	**39,504,992**	**(29,126,064)**	**17,424,352**

	Nominal interest rate	As at 1 January 2018	Increase	Decrease	As at 31 December 2018
Short-term financing bills payable	3.15%-4.99%	6,000,000	16,714,994	(19,695,576)	3,019,418
Short-term corporate bonds	4.25%-5.10%	1,999,950	604,882	(2,096,970)	507,862
Medium-term notes	0.90%-2.80%	3,756,035	2,516,094	(3,982,835)	2,289,294
Structured notes	2.80%-5.50%	24,698,650	16,240,380	(39,710,180)	1,228,850
Total		36,454,635	36,076,350	(65,485,561)	7,045,424

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Placements from banks [(1)]	**5,469,923**	9,006,422
Placements from CSFC [(2)]	**4,018,719**	1,156,824
Total	**9,488,642**	10,163,246

(1) As at 31 December 2019 and 2018, placements from banks were repayable within one year, and bore interest at annual interest rates ranging from 1.85% to 2.95% and from 2.89% to 5.70%, respectively.

(2) As at 31 December 2019 and 2018, placements from CSFC were repayable within one year, and bore interest at annual interest rates ranging from 3.25% to 3.50% and from 4.80% to 5.10%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 31 December	
	2019	2018
Margin financing and securities lending deposits	**12,305,984**	11,159,295
Other brokerage business deposits	**97,030,542**	71,187,748
Total	**109,336,526**	82,347,043

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing and futures trading activities under the normal course of business. Only amounts in excess of the required deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not provide additional value in view of the nature of these businesses.

46. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2019	2018
Salaries, bonuses and allowances	**5,382,418**	4,665,499
Social welfare and others	**278,175**	295,002
Contributions to a defined contribution scheme	**24,512**	24,362
Total	**5,685,105**	4,984,863

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current	As at 31 December	
	2019	2018
Bonds	**104,028,206**	61,719,773
Precious metals	**10,896,125**	2,133,731
Funds	**8,090,127**	3,700,541
Margin accounts receivable-backed repurchase	**3,002,838**	3,004,500
Total	**126,017,296**	70,558,545

(b) Analyzed by market:

Current	As at 31 December	
	2019	2018
Interbank market	**73,411,056**	39,116,376
Stock exchanges	**38,707,277**	26,303,937
Over the counter	**13,898,963**	5,138,232
Total	**126,017,296**	70,558,545

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current	As at 31 December	
	2019	2018
At fair value through profit or loss (1)		
—Debt securities	**5,668,354**	3,705,281
—Gold	**–**	157,392
Designated as at fair value through profit or loss		
—Debt securities (2)	**32,049,360**	24,420,488
—Interest attributable to other holders of consolidated structured entities (3)	**127,332**	536,992
Total	**37,845,046**	28,820,153

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Non-current	As at 31 December	
	2019	2018
Designated as at fair value through profit or loss		
—Debt securities[2]	**5,891,494**	3,926,408
—Interest attributable to other holders of consolidated structured entities[3]	**550,153**	530,082
Total	**6,441,647**	4,456,490

(1) As at 31 December 2019 and 2018, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.

(2) As at 31 December 2019 and 2018, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 31 December 2019 and 2018, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

49. BONDS PAYABLE

Current	As at 31 December	
	2019	2018
Corporate bonds[1]	**9,357,582**	9,251,506
Subordinated bonds[1]	**8,297,637**	5,324,029
Medium-term notes	**16,925**	—
Structured notes	**—**	901,307
Total	**17,672,144**	15,476,842

Non-current	As at 31 December	
	2019	2018
Corporate bonds[1]	**47,507,688**	41,783,163
Subordinated bonds[1]	**3,000,000**	10,997,195
Medium-term notes	**1,393,721**	—
Total	**51,901,409**	52,780,358

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 31 December 2019

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G1	**4,700,000**	**2017.08**	**2020.08**	**4.57%**
17 GUOJUN G3	**3,700,000**	**2017.10**	**2020.10**	**4.78%**
Subordinated bonds				
17 GUOJUN C1	**5,000,000**	**2017.02**	**2020.02**	**4.60%**
17 Shanghai Securities C1	**1,400,000**	**2017.05**	**2020.05**	**5.30%**
17 Shanghai Securities C2	**600,000**	**2017.08**	**2020.08**	**5.30%**
17 GUOZI 01	**1,000,000**	**2017.05**	**2020.05**	**4.60%**
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	**1,000,000**	**2015.11**	**2022.11**	**3.80%**
16 GUOJUN G2 (ii)	**1,000,000**	**2016.04**	**2023.04**	**3.25%**
16 GUOJUN G4	**3,000,000**	**2016.08**	**2021.08**	**3.14%**
17 GUOJUN G2	**600,000**	**2017.08**	**2022.08**	**4.70%**
18 GUOJUN G1	**4,300,000**	**2018.03**	**2021.03**	**5.15%**
18 GUOJUN G2	**4,300,000**	**2018.04**	**2021.04**	**4.55%**
18 GUOJUN G3	**4,700,000**	**2018.07**	**2021.07**	**4.44%**
18 GUOJUN G4	**300,000**	**2018.07**	**2023.07**	**4.64%**
19 GUOJUN G1	**3,000,000**	**2019.04**	**2022.04**	**3.90%**
19 GUOJUN G3	**2,900,000**	**2019.05**	**2022.05**	**3.73%**
19 GUOJUN G4	**2,500,000**	**2019.10**	**2022.10**	**3.48%**
GUOJUN Convertible bonds (iii)	**7,000,000**	**2017.07**	**2023.07**	**1.00%**
GTJA HOLD B2203 (iv)	**3,437,271**	**2019.03**	**2022.03**	**3.875%**
GTJA SEC B2203 (v)	**1,993,335**	**2019.03**	**2022.03**	**0.757%**
19 GTJA Financial Bond 01	**8,000,000**	**2019.08**	**2022.08**	**3.48%**
Subordinated bonds				
16 GUOJUN C4	**3,000,000**	**2016.11**	**2021.11**	**3.55%**

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

As at 31 December 2018

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
GUOTAI FH B1905 (vi)	3,059,553	2014.05	2019.05	3.625%
16 GUOJUN G1 (vii)	5,000,000	2016.04	2021.04	2.97%
Subordinated bonds				
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
17 Shanghai Securities C3	2,000,000	2017.11	2019.11	5.50%
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (ii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G3 (viii)	5,000,000	2016.08	2021.08	2.90%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
16 GUOJUN G5 (ix)	3,000,000	2016.09	2021.09	2.94%
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	0.50%
Subordinated bonds				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

(i) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(ii) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(iii) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bond bear a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

As at 31 December 2019, convertible corporate bonds with a principal amount of RMB287 thousand were converted into 14,359 ordinary A shares.

49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

(iv) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.

(v) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.

(vi) In May 2014, Guotai Junan Finance Holding Limited (BVI) issued 5-year credit enhancement bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5754 and bear a fixed annual interest rate of 3.625% payable on a semi-annual basis. In May 2019, the company redeemed all of the bonds.

(vii) In April 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In April 2019, the Company redeemed all of the bonds.

(viii) In August 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In August 2019, the Company redeemed all of the bonds.

(ix) In September 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB3 billion. The bonds bear a fixed annual interest rate of 2.94% payable on an annual basis. At the end of the third year, the Company has the right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year. In September 2019, the Company redeemed all of the bonds.

50. OTHER CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Accounts payable arising from derivative brokerage	**5,132,673**	7,369,304
Settlement payables to clearing house and customers	**2,849,011**	2,073,732
Accounts payable to brokers	**1,439,982**	1,249,908
Payables to priority tranche holders of structured entities	**1,259,103**	2,101,399
Other tax payable	**859,486**	401,206
Dividends payable	**614,009**	622,889
Proceeds from underwriting securities received on behalf of customers	**499,566**	813,270
Underwriting fee payable in relation to the listing of A shares and H shares	**238,169**	261,054
Advance received from customers	**153,021**	26,708
Payable for construction projects	**136,189**	145,647
Advance received from issuance of financial products	**88,776**	128,757
Payables for the securities investor protection fund	**60,679**	45,438
Commission payable to other distributors	**56,611**	57,928
Gold borrowing expenses payable	**30,451**	4,335
Interest payable	**14,200**	25,317
Dividend received on behalf of customers	**10,899**	34,019
Others	**786,363**	749,446
Total	**14,229,188**	16,110,357

51. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Risk reserve for the futures brokerage business	**143,123**	130,297
Provisions	**82,114**	85,555
Total	**225,237**	215,852

52. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The number of shares issued by the Company and their nominal value are as follows:

	As at 31 December	
	2019	2018
At beginning of the year	**8,713,941**	8,713,934
The conversion of convertible bonds into ordinary shares	**7**	7
Issuance of shares (1)	**194,000**	–
At the end of the year	**8,907,948**	8,713,941

(1) In April 2019, The Company placed 194,000,000 new H Shares at a price of HKD16.34 per H Share.

53. OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2019	2018
Perpetual subordinated bonds (1)	**15,000,000**	10,000,000
Equity component of convertible bonds (2)	**1,129,799**	1,129,819
Total	**16,129,799**	11,129,819

(1) As approved by the CSRC, the Company issued three batches of perpetual subordinated bonds ("15 Guojun Y1", "15 Guojun Y2" and "19 Guojun Y1") amounting to RMB5 billion, RMB5 billion and RMB5 billion with an initial interest rate of 6.00%, 5.80% and 4.20% on 22 January 2015, 3 April 2015 and 23 September 2019, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards. On 10 December 2019, the Company announced that it would exercise the issuer's redemption option and consequently redeemed 15 Guojun Y1 on 22 January 2020. On 21 February 2020, the Company announced that it would exercise the issuer's redemption option with plans to redeem 15 Guojun Y2 on 3 April 2020.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

As at 31 December 2019 and 2018, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB590 million and RMB590 million (note 19), respectively.

(2) Refer to note 49 for the issuance of convertible bonds.

54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

54. RESERVES AND RETAINED PROFITS *(continued)*

(6) Retained profits

The movements in retained profits are set out below:

	Year ended 31 December	
	2019	2018
At the end of last year	**38,070,373**	38,347,216
Impact of adopting IFRS 16/IFRS 9	**(56,806)**	(314,011)
At beginning of the year	**38,013,567**	38,033,205
Profit for the year	**8,637,037**	6,708,116
Appropriation to surplus reserve	–	(668,361)
Appropriation to general reserve	**(2,025,614)**	(1,510,464)
Dividends	**(2,449,685)**	(3,485,576)
Distribution to other equity instrument holders	**(590,000)**	(590,000)
Others	**(249,338)**	(416,547)
At end of the year	**41,335,967**	38,070,373

55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash on hand	**513**	434
Bank balances	**25,252,316**	20,348,449
Clearing settlement funds	**4,460,152**	3,006,836
Financial assets held under resale agreements with original maturity of less than three months	**20,125,334**	21,550,747
Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	**(4,067,255)**	(6,959,215)
Total	**45,771,060**	37,947,251

55. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

	Loans and borrowings	Short-term debt instruments	Bonds payable	Lease liabilities
At 1 January 2018	11,520,278	36,454,635	68,312,091	–
Changes from financing cash flows	(3,496,937)	(29,753,903)	(3,781,512)	–
Non-cash changes	256,081	344,692	3,726,621	–
As 31 December 2018	8,279,422	7,045,424	68,257,200	–
Effect of adoption of IFRS 16	–	–	–	2,565,287
At 1 January 2019	8,279,422	7,045,424	68,257,200	2,565,287
Changes from financing cash flows	3,209,029	9,938,341	(1,811,060)	(638,762)
Interest expense	314,273	440,587	3,127,553	101,686
New leases	–	–	–	419,959
Other non-cash changes	–	–	(140)	(84,333)
At 31 December 2019	**11,802,724**	**17,424,352**	**69,573,553**	**2,363,837**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December 2019
Within operating activities	**281,542**
Within financing activities	**638,762**

56. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) Asset-backed securities management schemes

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

56. TRANSFERRED FINANCIAL ASSETS *(continued)*

(4) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

31 December 2019	**Repurchase agreements**	**Securities lending**	**Asset-backed securities management schemes**	**Margin financing borrowing**
Carrying amount of transferred assets	**7,566,316**	**1,501,038**	**–**	**1,637,179**
Carrying amount of related liabilities	**7,282,761**	**N/A**	**–**	**N/A**

31 December 2018	Repurchase agreements	Securities lending	Asset-backed securities management schemes	Margin financing borrowing
Carrying amount of transferred assets	6,640,057	528,340	505,378	406,985
Carrying amount of related liabilities	6,350,792	N/A	475,000	N/A

57. COMMITMENTS

(1) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2018
Within 1 year (inclusive)	798,004
1 to 2 years (inclusive)	612,356
2 to 3 years (inclusive)	506,187
After 3 years	1,706,590
Total	3,623,137

(2) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are not significant.

58. CONTINGENCIES

As at 31 December 2019 and 2018, the contingent liabilities due to pending litigations amounted to RMB274,702 thousand and RMB142,716 thousand, respectively.

59. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2019, the total equity-settled share-based compensation expense of RMB57,440 thousand was recognized in profit or loss (2018: RMB65,512 thousand).

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholdings of 5% or above in the Company.

Share percentage in the Company:

	As at 31 December	
	2019	2018
Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai SA")	**21.34%**	21.82%
Shanghai International Group Co., Ltd. ("SIG")	**7.66%**	7.83%
Shenzhen Investment Holding Co., Ltd. ("SIHC")	**6.84%**	6.99%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in note 25.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in note 27.

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(4) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. ("Zhengtong")	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	The director of the Company acts as a director of the entity
Great Wall Securities Co., Ltd. ("GW Securities")	The supervisor of the Company acts as the vice chairman of the entity
Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy")	The supervisor of the Company acts as the senior management of the entity
Guotai Junan Leasing (Shanghai) Co., Ltd. ("Guotai Junan Leasing")	The Shanghai SA holds more than 30% equity interests of the entity's parent company
Galaxy Asset Management Co., Ltd. ("Galaxy AMC")	The director of the Company acted as a director of the entity
Guosen Securities Co., Ltd. ("Guosen Securities")	The demission director of the Company acted as a director of the entity
China Minsheng Investment Group ("CMIG")	The director of the Company acted as the senior management of the entity
China Minsheng Financial Holding Co., Ltd. ("CM Financial")	The director of the Company acted as the chairman of the entity
Shenzhen Special Economic Zone Construction and Development Co., Ltd. ("SSEZ")	The demission director of the Company acts as a director and senior management of the entity
Shanghai International Trust Co., Ltd. ("Shanghai Trust")	The entity acted as the trustee of a trust of which Shanghai SA is a beneficiary
Shanghai International Group Asset Management Co., Ltd. ("SIG AM")	The entity is under the control of SIG
Yangtze River Economic United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Bright Food (Group) Co., Ltd. ("Bright Food")	The director of the Company acts as a director of the entity
SPDB Financial Leasing Co., Ltd. ("SPDB Financial Leasing")	The senior management of The Shanghai SA acts as a director of the entity
Shanghai Guoxin Investment Development Co., Ltd. ("GXID")	The entity is under the control of Shanghai SA
Shanghai SITICO Assets Management Co., Ltd. ("SITICO AM")	The entity is under the control of Shanghai SIG
FAW Group Co., Ltd. ("FAW")	The demission supervisor of the Company acted as the senior management of the entity

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2019**	2018
Shanghai SA	Securities brokerage	**499**	1,102
SIG	Securities brokerage	**901**	–
Shenzhen Energy	Securities brokerage	**–**	1,597
Shanghai Trust	Securities brokerage	**313**	N/A
Hua An Fund	Trading seats lending	**43,211**	32,788
Galaxy AMC	Trading seats lending	**2,591**	2,174
SPD Bank	Underwriting	**34,687**	264
Bright Food	Underwriting	**283**	5,825
CMIG	Underwriting	**708**	3,538
SSEZ	Underwriting	**–**	1,208
SPDB Financial Leasing	Underwriting	**–**	2,208
SIG	Underwriting	**1,563**	–
Shanghai SA	Underwriting	**2,792**	–
SPD Bank	Asset management	**17,085**	25,885
YUDC	Asset management	**468**	597
Shanghai SA	Asset management	**228**	461
SRCB	Asset management	**557**	390
Shanghai Trust	Asset management	**612**	N/A
CM Financial	Financial advisory	**–**	581
SIHC	Financial advisory	**–**	377
SRCB	Financial advisory	**830**	–

(2) Fee and commission expense to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2019**	2018
SPD Bank	Third-party funds depository business	**876**	820
Zhengtong	Third-party funds depository business	**600**	600

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(3) Interest received from related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2019**	2018
SPD Bank	Financial assets held under resale agreements	**1,718**	12,981
GW Securities	Financial assets held under resale agreements	**83**	461
Guosen Securities	Financial assets held under resale agreements	**103**	949
SPD Bank	Deposit in financial institutions	**263,667**	135,843

(4) Interest paid to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2019**	2018
SRCB	Financial assets sold under repurchase agreements	**5,260**	9,264
SPD Bank	Financial assets sold under repurchase agreements	**3,546**	759
Shanghai Trust	Accounts payable to brokerage customers	**564**	–
SIG	Accounts payable to brokerage customers	**372**	32
FAW	Accounts payable to brokerage customers	**–**	373
SRCB	Gold borrowing	**308**	–
SPD Bank	Placements from other financial institutions	**5,905**	148
SPD Bank	Bonds	**19,216**	15,682
Guosen Securities	Bonds	**916**	1,570
SIG	Loans and borrowings	**6,933**	–
SITICO AM	Loans and borrowings	**14,751**	–

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(5) Operating expenses and costs paid to related parties

		Year ended 31 December	
Name of related parties	**Description of transaction**	**2019**	2018
SPD Bank	Sales of financial products	**11,184**	3,360

(6) Related party transactions with Shanghai International Group Co., Ltd. constitute continuing connected transactions as defined by the Hong Kong Listing Rules. For the year ended 31 December 2019, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with Shanghai International Group Co., Ltd. and its associates are as follows:

	Year ended 31 December 2019	
Description of transaction	**Caps RMB in million**	**Actual amount RMB in million**
Securities and financial products		
Inflow		
Products with fixed income features	**4,306.60**	**2,848.70**
Other products and financing transactions	**29.10**	**24.20**
Outflow		
Products with fixed income features	**6,523.90**	**2,525.20**
Other products and financing transactions	**24.90**	**–**
Financial services		
Revenue generated	**187.78**	**8.72**
Fees paid	**58.94**	**0.74**

(c) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

	As at 31 December	
Name of related parties	**2019**	2018
SPD Bank	**11,228,264**	6,137,599
SRCB	**9**	2,402

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(2) Accounts receivable

Name of related parties	Description of transactions	As at 31 December 2019	2018
Hua An Fund	Trading seats lending	**20,062**	14,598
Galaxy AMC	Trading seats lending	**1,097**	306
SPD Bank	Management fee and Remuneration	**10,644**	10,691
SRCB	Management fee and Remuneration	**777**	220
GXID	Management fee and Remuneration	**534**	294
CM Financial	Management fee and Remuneration	**N/A**	2,107

(3) Financial assets held under resale agreements

Name of related parties	As at 31 December 2019	2018
SPD Bank	**800,480**	–
Guosen Securities	**N/A**	100,173

(4) Accounts payable

Name of related party	Description of transactions	As at 31 December 2019	2018
SPD Bank	Sales of financial products	**6,716**	2,202
SPD Bank	Third-party funds depository business	**298**	413

(5) Financial assets sold under repurchase agreements

Name of related party	As at 31 December 2019	2018
SPD Bank	**1,000,556**	–

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(6) Bonds payable to related parties

	As at 31 December	
Name of related parties	**2019**	2018
SPD Bank	**1,019,216**	—
Guosen Securities	**N/A**	50,606

(7) Loans and borrowings with related parties

	As at 31 December	
Name of related parties	**2019**	2018
SITICO AM	**1,014,689**	—
SIG	**476,933**	—

(8) Related parties' funds, asset management plans and trusts held by the Group

	As at 31 December	
Name of related party	**2019**	2018
Hua An Fund	**30,000**	30,000

(9) The Group's assets management plans or funds held by related parties

	As at 31 December	
Name of related parties	**2019**	2018
SIG AM	**826**	803
Shanghai SA	—	206,022
Guotai Junan Leasing	—	2,046

60. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 17, is as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits	**9,979**	9,656
Pension scheme contributions and other social welfare	**725**	931
Discretionary bonuses	**12,322**	15,781
Total	**23,026**	26,368

Further details of directors' and supervisors' emoluments are included in note 17.

61. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

(1) The institutional finance-Institutional investor services segment, which primarily includes institution brokerage, stock-pledged financing and securities repurchase and research services to institutional investors, as well as investment trading in equities, derivative financial instruments and FICC;

(2) The institutional finance-Investment banking segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients;

(3) The personal finance segment, which primarily includes securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services to individual clients through both online and offline channels;

(4) The investment management segment, which primarily includes asset management and fund management services to institutions and individuals and also includes alternative investment business;

(5) The international business segment, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, loans and financing services, financial products, market-making and investment businesses; and

(6) The other segment, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

61. SEGMENT REPORTING *(continued)*

(a) Operating segments

	Year ended 31 December 2019						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,294,988	2,060,367	5,947,643	1,598,643	1,223,150	–	12,124,791
Interest income	5,478,349	–	5,995,642	47,900	1,108,276	38	12,630,205
Net investment gains	5,900,347	–	–	534,569	1,661,694	–	8,096,610
Other income and gains	4,746,849	–	33,337	788,215	(64,197)	693,835	6,198,039
Total revenue and other income	17,420,533	2,060,367	11,976,622	2,969,327	3,928,923	693,873	39,049,645
Segment expenses	(12,181,361)	(1,043,400)	(9,545,636)	(1,003,185)	(3,079,154)	(926,303)	(27,779,039)
Including: Interest expenses	(3,677,310)	–	(2,656,014)	(56,787)	(969,274)	(44,065)	(7,403,450)
Provision for impairment losses	–	–	1,150	(22,052)	–	–	(20,902)
Credit loss expense	(1,184,305)	–	15,569	(43,335)	(837,506)	–	(2,049,577)
Segment operating profit	5,239,172	1,016,967	2,430,986	1,966,142	849,769	(232,430)	11,270,606
Share of profits of associates and joint ventures	–	–	–	174,013	–	–	174,013
Segment profit before income tax	5,239,172	1,016,967	2,430,986	2,140,155	849,769	(232,430)	11,444,619
Income tax expense							2,393,263
Segment profit for the year							9,051,356
As at 31 December 2019							
Segment total assets	243,730,534	861,681	189,995,465	23,802,426	94,575,489	6,348,683	559,314,278
Segment total liabilities	191,426,298	989,215	131,765,639	5,456,194	82,778,592	804,517	413,220,455
Year ended 31 December 2019							
Other segment information:							
Depreciation and amortization expenses	202,427	170,393	631,595	67,786	90,700	128,669	1,291,570
Capital expenditure	170,665	103,968	196,646	18,912	68,284	1,224,233	1,782,708

61. SEGMENT REPORTING *(continued)*

(a) Operating segments *(continued)*

	Year ended 31 December 2018						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,180,096	1,677,959	4,530,292	1,466,566	939,273	–	9,794,186
Interest income	5,626,609	–	6,038,115	10,330	1,166,897	38	12,841,989
Net investment gains	4,208,178	–	–	350,867	514,039	–	5,073,084
Gain on disposal of a subsidiary	–	–	–	648,287	–	–	648,287
Other income and gains	2,196,153	–	15,775	33,368	(131,976)	758,519	2,871,839
Total revenue and other income	13,211,036	1,677,959	10,584,182	2,509,418	2,488,233	758,557	31,229,385
Segment expenses	(7,660,189)	(1,096,109)	(9,327,001)	(1,146,777)	(1,899,804)	(958,708)	(22,088,588)
Including: Interest expenses	(3,406,679)	–	(2,841,436)	(47,519)	(713,495)	(756)	(7,009,885)
Provision for impairment losses	–	–	(1,150)	–	–	–	(1,150)
Credit loss expense	(679,052)	–	(69,475)	(11,143)	(216,823)	–	(976,493)
Segment operating profit	5,550,847	581,850	1,257,181	1,362,641	588,429	(200,151)	9,140,797
Share of profits of associates and joint ventures	–	–	–	127,545	–	–	127,545
Segment profit before income tax	5,550,847	581,850	1,257,181	1,490,186	588,429	(200,151)	9,268,342
Income tax expense							(2,198,304)
Segment profit for the year							7,070,038
As at 31 December 2018							
Segment total assets	205,571,719	1,168,074	130,469,082	18,538,279	78,037,585	2,944,341	436,729,080
Segment total liabilities	130,398,012	867,976	97,692,222	3,673,350	69,020,249	1,403,879	303,055,688
Year ended 31 December 2018							
Other segment information:							
Depreciation and amortization expenses	123,524	52,211	250,409	18,460	65,028	64,647	574,279
Capital expenditure	194,304	119,870	160,581	19,936	79,273	344,385	918,349

61. SEGMENT REPORTING *(continued)*

(b) Geographical segments

	Year ended 31 December	
Revenue	**2019**	2018
Mainland, China	**28,858,486**	25,089,050
Hong Kong, China	**3,993,120**	2,620,209
Total	**32,851,606**	27,709,259

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2019 and 2018.

62. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: compliance, completeness, independence, segregation of duties, prudence, effectiveness, timeliness, Chinese wall and a combination of qualitative and quantitative analyses.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Structure of risk management *(continued)*

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behaviors.

Organizational structure of risk management

The Group has established a four-level risk management system, which consists of the Board of Directors as the core, top management level, dedicated risk supervision departments, and relevant functional and business departments. The dedicated risk supervision departments comprise the First Risk Management Department, the Internal Audit Department, the Compliance Department, the Legal Department and the Second Risk Management Department.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is the risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

In order to manage the credit risk arising from the brokerage business, securities and futures brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Credit risk arises from the margin financing and securities lending business and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full in a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, and the involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on the periodic assessment of customers' ability to repay. The Credit and Risk Management Department monitors the status of margin deposits and stock-pledged financing, and makes margin calls when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. When determining the expected credit loss of the margin financing and securities lending business, securities repurchase and stock-pledged financing, the Group estimates the probability of default based on practical experience and historical data, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. When determining the expected credit loss on bond investments, the Group estimates the probability of default based on the mapping relationship of rating, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

For trade receivables, the Group applies a simplified approach in calculating ECLs based on the historical credit loss experience, adjusted for related information specific to the debtors and the economic environment, etc.

For other financial assets where the simplified approach was not adopted, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under the requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When debt financial assets are first recognized, the Group recognizes an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.

- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered to be a (partial) derecognition of the financial asset.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

For financial assets held under resale agreements and margin accounts receivable, the allowance for ECLs may significantly fluctuated due to the decline in fair value of collaterals caused by stock market volatility, which may not fully cover the receivables. The Group considers multiple factors to determine the allowance for ECLs, such as the credit situation, repayment ability of the debtor, the credit enhancement measures of the third party, the liquidity and disposal cycle of collaterals.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Criteria of significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analyses based on historical data, internal and external credit risk ranking, and forward-looking information. The Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition, on either an individual basis or a collective basis for the underlying portfolio of financial instruments with similar credit risk characteristics, to determine the change in the risk of a default occurring over the expected life of the financial instrument.

Relevant considerations in assessing whether the credit risk on the financial instrument has increased significantly include: whether the probability of default has increased significantly at the reporting date since initial recognition, whether the borrower's operating and financial condition has significant and adverse changes, whether the maintenance margin ratio has under a force liquidation level, whether the latest rating has under investment grade. Generally, the credit risk on a financial instrument is considered to have increased significantly when the contractual payment is more than or equal to 30 days past due regardless of the way in which the Group assesses significant increases in credit risk unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Definition of credit-impaired financial asset

Credit impairment may be due to the combined effect of several events rather than a single discrete event. To determine whether a financial asset is credit-impaired, the Group considers one or more of the following both quantitative and qualitative indicators:

- The borrower is more than 90 days past due on its contractual payments;
- The collateral valuation falls short of the related loan amounts;
- The latest ratings are in default grade;
- Significant financial difficulty of the issuer or the borrower;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Other circumstances that shows financial assets is credit-impaired.

For Stock-pledged financing, based on the borrowers' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, restrictions, concentration, volatility, maintenance margin ratio, issuers' operation condition and related information, the Group sets differentiated collateral to loan ratios (generally no less than 130%) as force liquidation thresholds against different exposures related to these transactions.

- Stock-pledged financing with maintenance margin ratio above the force liquidation thresholds, past due for no more than 30 days are classified under Stage 1;
- Stock-pledged financing with maintenance margin ratio above 100% while fall below the force liquidation thresholds, past due for more than 30 days but less than 90 days are classified under Stage 2;
- Stock-pledged financing with maintenance margin ratio fall below 100%, past due for more than 90 days are classified under Stage 3

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Key parameters for expected credit losses

Depending on whether the credit risk is significantly increased or credit-impaired, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month or lifetime expected credit losses. The key parameters for measuring expected credit losses include the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group considers the quantitative analysis of historical data (such as the credit rating of counter parties, ways of guarantee, the category of collateral, and ways of repayment, etc.) and forward-looking information, to establish a model of PD, LGD, and EAD.

Methods that is used in the calculation of expected credit losses

The Group considers PD/LGD impact on measuring expected credit losses:

- PD is an estimate of the likelihood that a borrower will be unable to meet its debt obligations over the future 12 months or the whole remaining lifetime. The Group estimates PD based on the historical default data, internal and external credit ratings and forward-looking information, etc.

- LGD is the estimated share of the exposure at default that is lost when a borrower defaults. LGD varies depending on the category of counterparties, ways and priority of recourse, and the category of collateral. LGD is the percentage of loss when default occurs;

- EAD is an estimation of the extent to which the Group may be exposed to a counterparty in the event of the counterparty's default in the future 12 months or the whole remaining lifetime;

- Forward-looking information, both the assessment of a significant increase in credit risk and calculation of expected credit losses include forward-looking information. The Group identifies the key economic factors affecting credit risk and the expected credit losses of different kinds of business based on historical data analysis. The Group forecasts economic factors periodically and applies expert judgments to determine the impact of forward-looking information on PD, etc.

For Stock-pledged financing, the Group periodically make assessment on the borrowers' credit risk based on available internal and external information, such as: historical default data, maintenance margin ratio, the liquidity, etc. Loss ratio (considers PD& LGD) applied by the Group under the 3 stages as at 31 December 2019 were as follows:

Stage 1: 0.2% to 1.9% according to different maintenance margin ratios;

Stage 2: 5% to 10% according to different maintenance margin ratios;

Stage 3: Evaluate and determine the allowance for ECLs after considering the recoverable amount of each contract based on multiple factors, including qualitative and quantitative indicators such as the value of collaterals, maintenance margin ratio, the credit quality and repayment ability of the borrower, other collaterals conditions, the credit enhancement measures of the third party.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Methods that is used in the calculation of expected credit losses *(continued)*

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

	As at 31 December	
	2019	2018
Debt instruments at fair value through other comprehensive income	**60,266,828**	39,166,681
Financial assets held under resale agreements	**53,939,997**	61,117,584
Financial assets at fair value through profit or loss	**96,671,876**	71,813,468
Refundable deposits	**12,975,377**	7,552,678
Other non-current assets	**1,056,555**	2,294,615
Accounts receivable	**3,484,166**	3,634,734
Other current assets	**1,176,829**	1,400,009
Margin accounts receivable	**72,088,344**	53,655,358
Derivative financial assets	**203,906**	92,792
Clearing settlement funds	**4,460,152**	3,006,836
Cash held on behalf of brokerage customers	**102,533,823**	77,492,497
Bank balances	**25,252,316**	20,348,449
Total maximum credit risk exposure	**434,110,169**	341,575,701

62. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the assets liability ratio, the debt to net assets ratio, the proprietary equity investment ratio, the net capital ratio, etc. according to "Administrative Measures for Risk Control Indicators of Securities Companies". Meanwhile, the Company strictly adheres to the requirements as per "Guidance for Liquidity Risk Management of Securities Companies" and sets up a framework of the liquidity risk management which features with the liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling the scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facilities, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB8,300 million and RMB8,300 million as at 31 December 2019 and 2018, respectively, in case of any temporary position shortage.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk *(continued)*

Temporary liquidity replenishment mechanism *(continued)*

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

31 December 2019	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	–	8,310,762	843,049	1,246,612	1,530,123	–	11,930,546
Short-term debt instruments	–	457,444	11,408,036	5,748,023	–	–	17,613,503
Placements from other financial institutions	–	4,703,858	515,483	4,357,744	–	–	9,577,085
Accounts payable to brokerage customers	109,336,526	–	–	–	–	–	109,336,526
Financial assets sold under repurchase agreements	–	108,754,653	6,993,944	10,511,657	–	–	126,260,254
Financial liabilities at fair value through profit or loss	25,102,011	2,546,054	5,764,993	5,428,674	6,428,632	157,961	45,428,325
Derivative financial liabilities	–	70,559	306,383	307,800	13,188	660,879	1,358,809
Bonds payable	–	58,330	5,598,724	13,316,244	54,706,283	–	73,679,581
Lease liabilities	–	67,462	121,730	495,478	1,412,021	535,707	2,632,398
Other current liabilities	–	10,231,835	595,210	2,181,122	–	–	13,008,167
Total financial liabilities	134,438,537	135,200,957	32,147,552	43,593,354	64,090,247	1,354,547	410,825,194

31 December 2018	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	–	8,300,741	–	–	–	–	8,300,741
Short-term debt instruments	–	3,707,157	1,727,785	1,714,662	–	–	7,149,604
Placements from other financial institutions	–	9,615,739	51,272	512,715	–	–	10,179,726
Accounts payable to brokerage customers	82,347,043	–	–	–	–	–	82,347,043
Financial assets sold under repurchase agreements	–	62,866,215	6,618,450	1,386,087	–	–	70,870,752
Financial liabilities at fair value through profit or loss	15,069,836	1,919,350	3,038,114	9,307,527	4,193,614	262,876	33,791,317
Derivative financial liabilities	704	59,274	41,477	154,518	–	–	255,973
Bonds payable	–	–	451,450	16,569,272	56,877,290	–	73,898,012
Other current liabilities	–	12,887,770	107,423	2,536,700	–	–	15,531,893
Total financial liabilities	97,417,583	99,356,246	12,035,971	32,181,481	61,070,904	262,876	302,325,061

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in the stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. Market risk is controlled within the predetermined range set by management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to financial instruments that are interest-bearing.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing dates or maturity dates, and are stated at their carrying amounts.

31 December 2019	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	1,444,317	799,519	4,870,020	41,629,957	11,523,015	–	60,266,828
Equity Instruments at fair value through other comprehensive income	–	–	–	–	–	17,547,076	17,547,076
Financial assets held under resale agreements	28,777,176	2,011,032	21,192,052	1,959,737	–	–	53,939,997
Financial assets at fair value through profit or loss	3,050,929	3,483,442	60,252,341	24,576,665	5,308,499	92,350,316	189,022,192
Refundable deposits	2,129,299	–	–	–	–	10,846,078	12,975,377
Other non-current assets	–	–	–	776,571	–	279,984	1,056,555
Accounts receivable	2,125,101	–	–	–	–	1,359,065	3,484,166
Other current assets	254,286	–	245,362	–	–	677,181	1,176,829
Margin accounts receivable	14,219,237	14,169,824	43,699,283	–	–	–	72,088,344
Derivative financial assets	–	6,322	42,807	–	–	500,952	550,081
Clearing settlement funds	4,460,152	–	–	–	–	–	4,460,152
Cash held on behalf of brokerage customers	82,491,637	6,532,186	13,510,000	–	–	–	102,533,823
Cash and bank balances	18,445,300	332,680	6,474,336	–	–	513	25,252,829
Total	157,397,434	27,335,005	150,286,201	68,942,930	16,831,514	123,561,165	544,354,249
Financial liabilities							
Loans and borrowings	8,303,069	837,144	1,170,889	1,491,622	–	–	11,802,724
Short-term debt instruments	448,837	11,336,749	5,638,766	–	–	–	17,424,352
Placements from other financial institutions	4,701,637	506,756	4,280,249	–	–	–	9,488,642
Accounts payable to brokerage customers	93,428,782	–	–	–	–	15,907,744	109,336,526
Financial assets sold under repurchase agreements	108,729,100	6,940,592	10,347,604	–	–	–	126,017,296
Financial liabilities at fair value through profit or loss	6,744,507	10,679,777	20,293,431	5,891,494	–	677,484	44,286,693
Derivative financial liabilities	809	246	54,963	–	–	1,302,791	1,358,809
Bonds payable	–	7,187,225	11,613,915	50,772,413	–	–	69,573,553
Lease liabilities	57,251	103,034	478,097	1,246,655	478,800	–	2,363,837
Other current liabilities	–	–	1,217,007	–	–	11,737,811	12,954,818
Total	222,413,992	37,591,523	55,094,921	59,402,184	478,800	29,625,830	404,607,250
Interest rate sensitivity exposure	(65,016,558)	(10,256,518)	95,191,280	9,540,746	16,352,714	93,935,335	139,746,999

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

31 December 2018	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	846,536	495,583	3,733,232	24,608,592	9,482,738	–	39,166,681
Equity Instruments at fair value through other comprehensive income	–	–	–	–	–	16,785,949	16,785,949
Financial assets held under resale agreements	27,444,320	5,448,958	21,779,721	6,444,585	–	–	61,117,584
Financial assets at fair value through profit or loss	1,576,265	5,397,341	38,622,114	20,204,091	6,013,657	65,868,612	137,682,080
Refundable deposits	1,700,981	–	–	–	–	5,851,697	7,552,678
Other non-current assets	–	–	–	2,067,057	–	227,558	2,294,615
Accounts receivable	2,660,529	–	–	–	–	974,205	3,634,734
Other current assets	186,333	604,716	–	–	–	608,960	1,400,009
Margin accounts receivable	14,397,450	10,293,514	28,964,394	–	–	–	53,655,358
Derivative financial assets	4,866	8,279	1,780	–	–	633,433	648,358
Clearing settlement funds	3,006,836	–	–	–	–	–	3,006,836
Cash held on behalf of brokerage customers	63,867,571	6,738,713	6,886,213	–	–	–	77,492,497
Cash and bank balances	16,176,188	2,462,262	1,709,999	–	–	434	20,348,883
Total	131,867,875	31,449,366	101,697,453	53,324,325	15,496,395	90,950,848	424,786,262
Financial liabilities							
Loans and borrowings	8,279,422	–	–	–	–	–	8,279,422
Short-term debt instruments	3,671,827	1,685,344	1,688,253	–	–	–	7,045,424
Placements from other financial institutions	9,612,311	50,871	500,064	–	–	–	10,163,246
Accounts payable to brokerage customers	72,778,192	–	–	–	–	9,568,851	82,347,043
Financial assets sold under repurchase agreements	62,848,090	6,344,411	1,366,044	–	–	–	70,558,545
Financial liabilities at fair value through profit or loss	4,544,018	5,873,933	17,707,818	3,926,408	–	1,224,466	33,276,643
Derivative financial liabilities	4,896	1,095	26,010	–	–	223,972	255,973
Bonds payable	–	–	14,475,001	53,782,199	–	–	68,257,200
Other current liabilities	–	–	1,620,116	–	–	13,838,307	15,458,423
Total	161,738,756	13,955,654	37,383,306	57,708,607	–	24,855,596	295,641,919
Interest rate sensitivity exposure	(29,870,881)	17,493,712	64,314,147	(4,384,282)	15,496,395	66,095,252	129,144,343

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Sensitivity analysis

The Group uses sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

The table below summarizes the results of the sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2019 and 2018, with all other variables held constant.

	As at 31 December			
	2019		2018	
	+50 BP	**-50 BP**	+50 BP	-50 BP
Change in				
— net profit	**(560,945)**	**574,441**	(344,756)	349,986
— other comprehensive income	**(735,533)**	**768,064**	(500,136)	519,419
Change in equity	**(1,296,478)**	**1,342,505**	(844,892)	869,405

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

The Group's currency risk is not material because the net foreign currency exposure is relatively low.

62. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in the stock index level or the price of individual securities.

The Group mainly invests in listed equity securities, warrants, funds, stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for equity instruments at fair value through other comprehensive income, the impact only takes into account changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

	As at 31 December			
	2019		2018	
	+10%	**-10%**	+10%	-10%
Change in				
— net profit	**6,780,340**	**(6,780,340)**	5,274,150	(5,274,150)
— other comprehensive income	**1,316,031**	**(1,316,031)**	1,258,946	(1,258,946)
Change in equity	**8,096,371**	**(8,096,371)**	6,533,096	(6,533,096)

62. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in the economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts net capital as the indicator to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 16 June 2016, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2016 amended) and the Calculation Rules for Risk Control Indicators of Securities Companies with amendments to the framework and criteria of risk control indicators which securities companies must be continually compliant, which came into effect on 1 October 2016. Based on the rules above and other related rules issued or revised subsequently, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) the ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");

(iii) the ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) the ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");

(v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");

(vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500% ("Ratio 6");

(vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8% ("Ratio 7");

62. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management *(continued)*

(viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100% ("Ratio 8");

(ix) the ratio of stable funds available divided by stable funds required shall be no less than 100% ("Ratio 9"); and

(x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400% ("Ratio 10");

As at 31 December 2019 and 2018, the Company has maintained the above ratios as follows:

		As at 31 December	
	Requirement	**2019**	2018
Net capital		**85,971,493**	86,576,140
Ratio 1	≥ 100%	**271.23%**	343.15%
Ratio 2	≥ 20%	**68.05%**	76.97%
Ratio 3	≥ 8%	**40.53%**	58.05%
Ratio 4	≥ 10%	**59.57%**	75.42%
Ratio 5	≤ 100%	**41.75%**	27.45%
Ratio 6	≤ 500%	**194.63%**	133.40%
Ratio 7	≥ 8%	**19.97%**	21.54%
Ratio 8	≥ 100%	**258.18%**	372.53%
Ratio 9	≥ 100%	**146.85%**	151.12%
Ratio 10	≤ 400%	**107.14%**	90.20%

The above ratios are calculated based on the financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in Mainland China.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	**2,912,305**	**93,759,571**	**–**	**96,671,876**
— Funds	**24,130,212**	**19,812,779**	**7,381,410**	**51,324,401**
— Equity securities	**17,484,776**	**170,657**	**2,771,714**	**20,427,147**
— Other investments	**7,494,181**	**12,786,169**	**318,418**	**20,598,768**
Debt instruments at fair value through other comprehensive income				
— Debt securities	**1,822,685**	**58,444,143**	**–**	**60,266,828**
Equity Instruments at fair value through other comprehensive income				
— Equity securities	**3,775,849**	**5,797**	**754,301**	**4,535,947**
— CSFC investment	**–**	**13,011,129**	**–**	**13,011,129**
Derivative financial assets	**110,155**	**345,007**	**94,919**	**550,081**
Total	**57,730,163**	**198,335,252**	**11,320,762**	**267,386,177**
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	**–**	**5,668,354**	**–**	**5,668,354**
Designated as at fair value through profit or loss				
— Debt securities	**–**	**31,300,721**	**6,640,133**	**37,940,854**
— Others	**–**	**45,974**	**631,511**	**677,485**
Derivative financial liabilities	**132,873**	**987,387**	**238,549**	**1,358,809**
Total	**132,873**	**38,002,436**	**7,510,193**	**45,645,502**

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: *(continued)*

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
—Debt securities	2,395,768	69,316,966	100,734	71,813,468
—Funds	16,635,004	18,349,587	4,985,014	39,969,605
—Equity securities	8,204,864	355,588	1,751,811	10,312,263
—Other investments	5,232,926	10,253,818	100,000	15,586,744
Debt instruments at fair value through other comprehensive income				
—Debt securities	2,371,070	36,795,611	–	39,166,681
Equity Instruments at fair value through other comprehensive income				
—Equity securities	3,601,815	44,515	746,439	4,392,769
—CSFC investment	–	12,393,180	–	12,393,180
Derivative financial assets	184,922	435,739	27,697	648,358
Total	38,626,369	147,945,004	7,711,695	194,283,068
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
—Debt securities	–	3,705,281	–	3,705,281
—Others	157,392	–	–	157,392
Designated as at fair value through profit or loss				
—Debt securities	–	23,972,227	4,374,669	28,346,896
—Others	–	329,180	737,894	1,067,074
Derivative financial liabilities	29,811	86,217	139,945	255,973
Total	187,203	28,092,905	5,252,508	33,532,616

During the year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the year, the Group held no changes on the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

	Year ended 31 December 2019				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2019	**6,937,559**	**746,439**	**27,697**	**(5,112,563)**	**(139,945)**
Gains/(losses) for the year	**309,700**	–	**(204,385)**	**112,646**	**(312,514)**
Changes in fair value recognized in other comprehensive income	–	**(145,131)**	–	–	–
Purchases	**3,754,730**	**190,877**	**1,220,572**	–	–
Issues	–	–	–	**(2,635,910)**	**(1,606,000)**
Transfers in	**940,751**	–	–	–	–
Transfers out	**(123,012)**	**(32,662)**	–	–	–
Disposal and settlements	**(1,348,186)**	**(5,222)**	**(948,965)**	**364,183**	**1,819,910**
As at 31 December 2019	**10,471,542**	**754,301**	**94,919**	**(7,271,644)**	**(238,549)**

	Year ended 31 December 2018				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2018	2,870,975	676,045	131,346	(1,388,323)	(299,033)
Gains/(losses) for the year	(320,381)	–	3,318	354,573	(74,208)
Changes in fair value recognized in other comprehensive income	–	(125,852)	–	–	–
Purchases	3,987,065	4,694	416,588	–	–
Issues	–	–	–	(3,323,608)	(513,987)
Transfers in	774,406	196,692	–	(817,033)	–
Transfers out	(8,511)	–	–	–	–
Disposal and settlements	(365,995)	(5,140)	(523,555)	61,828	747,283
As at 31 December 2018	6,937,559	746,439	27,697	(5,112,563)	(139,945)

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investments with disposal restrictions within a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Stocks/unlisted equity investments	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/unlisted equity investments	Level 3	Recent transaction price	N/A	N/A
Unlisted funds	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted funds	Level 3	Recent transaction price	N/A	N/A
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Derivative assets	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value
Derivative assets	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	Level 3	Recent transaction price	N/A	N/A
Derivative liabilities	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

63. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(5) Financial assets and liabilities not measured at fair value

As at 31 December 2019 and 31 December 2018, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 31 December	
Bonds payable	**2019**	2018
Carrying amounts	**69,573,553**	68,257,200
Fair values		
— Level 1	**6,479,540**	7,368,802
— Level 2	**62,184,988**	61,412,726
— Level 3	**1,403,206**	962,359
Total	**70,067,734**	69,743,887

64. EVENTS AFTER THE REPORTING PERIOD

Other than those matters as already disclosed elsewhere in the consolidated financial statements, significant events after the reporting period included the following event:

1. Issuance of corporate bonds and perpetual subordinated bonds

On 9 January 2020, the Company issued the first batch of 3-year corporate bonds of Year 2020 amounting to RMB4 billion. The bonds bear a fixed annual interest rate of 3.37% payable on an annual basis.

On 11 March 2020, the Company issued the first batch of perpetual subordinated bonds of Year 2020 amounting to RMB5 billion. The bonds bear an initial annual interest rate of 3.85%. The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years.

On 23 March 2020, the Company issued the second batch of 3-year corporate bonds of Year 2020 amounting to RMB4 billion. The bonds bear a fixed annual interest rate of 3.05% payable on an annual basis.

65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2019	2018
Non-current assets		
Property and equipment	**1,795,390**	1,649,953
Right-of-use assets	**1,661,268**	—
Other intangible assets	**445,570**	355,606
Investments in subsidiaries	**20,422,043**	15,789,770
Investments in associates	**918,062**	234,997
Debt instruments at fair value through other comprehensive income	**47,414,426**	30,034,611
Equity instruments at fair value through other comprehensive income	**16,354,566**	15,792,128
Financial assets held under resale agreements	**1,959,737**	6,424,527
Financial assets at fair value through profit or loss	**4,144,205**	2,329,556
Refundable deposits	**3,130,510**	1,660,064
Deferred tax assets	**835,004**	1,115,299
Other non-current assets	**1,680,691**	1,810,893
Total non-current assets	**100,761,472**	77,197,404
Current assets		
Accounts receivable	**2,849,604**	1,083,902
Other current assets	**473,399**	1,048,681
Margin accounts receivable	**57,625,930**	41,644,659
Debt instruments at fair value through other comprehensive income	**6,338,081**	5,316,810
Financial assets held under resale agreements	**46,787,321**	48,559,614
Financial assets at fair value through profit or loss	**105,631,481**	70,425,441
Derivative financial assets	**273,482**	550,733
Clearing settlement funds	**3,794,032**	2,539,476
Cash held on behalf of brokerage customers	**64,268,337**	46,445,755
Cash and bank balances	**12,819,101**	12,847,764
Total current assets	**300,860,768**	230,462,835
Total assets	**401,622,240**	307,660,239

65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	As at 31 December	
	2019	2018
Current liabilities		
Short-term debt instruments	**12,159,112**	4,248,268
Placements from other financial institutions	**9,488,642**	10,112,375
Accounts payable to brokerage customers	**63,172,725**	46,036,444
Employee benefits payable	**4,602,487**	4,190,269
Income tax payable	**862,686**	1,236,191
Financial assets sold under repurchase agreements	**99,816,786**	52,771,568
Financial liabilities at fair value through profit or loss	**10,826,571**	5,972,936
Derivative financial liabilities	**998,927**	167,153
Bonds payable	**14,524,626**	9,030,848
Lease liabilities	**468,508**	—
Other current liabilities	**9,753,457**	11,545,020
Total current liabilities	**226,674,527**	145,311,072
Net current assets	**74,186,241**	85,151,763
Total assets less current liabilities	**174,947,713**	162,349,167
Non-current liabilities		
Bonds payable	**47,038,870**	49,783,162
Lease liabilities	**1,307,260**	—
Financial liabilities at fair value through profit or loss	**175,152**	—
Other non-current liabilities	**82,115**	82,115
Total non-current liabilities	**48,603,397**	49,865,277
Net assets	**126,344,316**	112,483,890
Equity		
Share capital	**8,907,948**	8,713,941
Other equity instruments	**16,129,799**	11,129,819
Reserves	**68,573,481**	63,589,752
Retained profits	**32,733,088**	29,050,378
Total equity	**126,344,316**	112,483,890

65. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

				Reserves				
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained profits	Total
At 1 January 2018	8,713,934	11,129,841	42,402,719	1,238,166	6,508,077	12,716,606	28,846,646	111,555,989
Profit for the year	–	–	–	–	–	–	6,683,614	6,683,614
Other comprehensive income for the year	–	–	–	(1,664,265)	–	–	–	(1,664,265)
Total comprehensive income for the year	–	–	–	(1,664,265)	–	–	6,683,614	5,019,349
Dividends	–	–	–	–	–	–	(3,485,576)	(3,485,576)
Appropriation to surplus reserve	–	–	–	–	668,361	–	(668,361)	–
Appropriation to general reserve	–	–	–	–	–	1,336,723	(1,336,723)	–
Distribution to other equity instrument holders	–	–	–	–	–	–	(590,000)	(590,000)
Reclassification of other comprehensive income to retained profits	–	–	–	399,222	–	–	(399,222)	–
Conversion of convertible bonds	7	(22)	136	–	–	–	–	121
Others	–	–	(15,993)	–	–	–	–	(15,993)
At 31 December 2018	8,713,941	11,129,819	42,386,862	(26,877)	7,176,438	14,053,329	29,050,378	112,483,890
Impact of adopting IFRS 16	–	–	–	–	(3,909)	(7,817)	(27,360)	(39,086)
Restated opening balance	8,713,941	11,129,819	42,386,862	(26,877)	7,172,529	14,045,512	29,023,018	112,444,804
Profit for the year	–	–	–	–	–	–	8,747,228	8,747,228
Other comprehensive income for the year	–	–	–	571,551	–	–	–	571,551
Total comprehensive income for the year	–	–	–	571,551	–	–	8,747,228	9,318,779
Placement of H shares	194,000	–	2,486,405	–	–	–	–	2,680,405
Issue of perpetual bonds	–	5,000,000	–	–	–	–	–	5,000,000
Dividends	–	–	–	–	–	–	(2,449,685)	(2,449,685)
Distribution to other equity instrument holders	–	–	–	–	–	–	(590,000)	(590,000)
Appropriation to general reserve	–	–	–	–	–	1,749,446	(1,749,446)	–
Reclassification of other comprehensive income to retained profits	–	–	–	248,027	–	–	(248,027)	–
Conversion of convertible bonds	7	(20)	152	–	–	–	–	139
Others	–	–	(60,126)	–	–	–	–	(60,126)
At 31 December 2019	8,907,948	16,129,799	44,813,293	792,701	7,172,529	15,794,958	32,733,088	126,344,316

66. COMPARATIVE AMOUNTS

The accounting treatment and presentation of certain items and balances in the financial statements have been revised in accordance with relevant requirements following the adoption of new accounting standards. Along with the prior year adjustments made, certain comparatives have been reclassified and restated to conform with the current year's presentation and accounting treatment.

67. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 24 March 2020.

ISSUER

Guotai Junan Holdings Limited
國泰君安控股有限公司
Units 1804-1807, 18/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

GUARANTOR

Guotai Junan Securities Co., Ltd.
（国泰君安证券股份有限公司）
Guotai Junan Building
No.768 West Nanjing Road,
Shanghai

TRUSTEE

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

ISSUING AND PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR IN RESPECT OF EUROCLEAR/ CLEARSTREAM NOTES

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4, rue Eugène Ruppert
L-2453 Luxembourg

REGISTRAR IN RESPECT OF CMU NOTES

The Bank of New York Mellon, Hong Kong Branch
Level 26, Three Pacific Place
1 Queen's Road East
Hong Kong

TRANSFER AGENT IN RESPECT OF EUROCLEAR/CLEARSTREAM NOTES

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4, rue Eugène Ruppert
L-2453 Luxembourg

TRANSFER AGENT IN RESPECT OF CMU NOTES

The Bank of New York Mellon, Hong Kong Branch
Level 26, Three Pacific Place
1 Queen's Road East
Hong Kong

CALCULATION AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

CMU LODGING AND PAYING AGENT

The Bank of New York Mellon, Hong Kong Branch
Level 26, Three Pacific Place
1 Queen's Road East
Hong Kong

FORMER AUDITORS OF THE GUARANTOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CURRENT AUDITORS OF THE GUARANTOR

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISORS

To the Issuer and the Guarantor as to English law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central, Hong Kong

To the Issuer and the Guarantor as to British Virgin Islands law

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Hong Kong

To the Issuer and the Guarantor as to PRC law

Haiwen & Partners
20/F Fortune Financial Center
5 Dong San Road, Chaoyang District
Beijing 100020
PRC

LEGAL ADVISORS TO THE DEALERS

To the Dealers and the Trustee as to English law

Linklaters
11th Floor
Alexandra House
Chater Road
Hong Kong

To the Dealers as to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing 100025
PRC

api A.Plus International
FINANCIAL PRESS LIMITED
210180055