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海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6837)**

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors (the “**Board**”) of Haitong Securities Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

The Group’s final results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company.

### **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.htsec.com](http://www.htsec.com)).

The Company’s 2021 annual report will be dispatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Shanghai, the PRC  
29 March 2022

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

\* For identification purpose only

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## IMPORTANT NOTICE

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

This Report was considered and approved at the 25th meeting of the seventh session of the Board. All the Directors of the Company attended the Board meeting.

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

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers have audited the annual financial reports of the Company prepared in accordance with PRC GAAP and IFRS respectively, and issued a standard and unqualified audit report of the Company.

Mr. Zhou Jie, the head of the Company, Mr. Zhang Xinjun, the Chief Financial Officer, and Mr. Ma Zhong, the head of the accounting department warrant the truthfulness, accuracy and completeness of the financial report contained in the Report. All financial data in this Report are denominated in RMB unless otherwise indicated.

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

On the basis of the total share capital of the Company on the record date in this dividend distribution, cash dividends of RMB3.00 (inclusive of tax) for every 10 shares will be distributed to the A shareholders and H shareholders registered on the record date in this dividend distribution, with total cash dividends amounting to RMB3,919,260,000.00, representing 30.56% of the net profit attributable to the shareholders of the parent company on a consolidated basis in 2021. The total cash dividends to be distributed and the percentage of dividend distribution will be determined by the total share capital of the Company on the equity registration date in the dividend distribution, and the retained profit available for distribution to investors in 2021 will be carried forward to the next year.

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

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

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

## CHAIRMAN'S STATEMENT

The year 2021 is the first year for the implementation of the 14th Five-Year Plan and the Long-Range Objectives Through the Year 2035, and also marks the 100th anniversary of the founding of the Communist Party of China. Under the guideline of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we insist on scientifically addressing the new development stage, comprehensively practicing the new development concept, and actively serving the new development pattern. Committed to serving the overall national strategy, implementing Shanghai's mission and supporting the development of the real economy, we forge ahead with vigor and enthusiasm, and continuously lead the industry in key financial and business indicators.

In 2021, we seized the development opportunities in the "post-epidemic" era, proactively served and actively integrated into the new development pattern. We continued to improve our revenue structure, make breakthroughs in key businesses, and further consolidate our strategic advantages of "integrated, global and information intensive" operations, and make a good start for the 14th Five-Year Plan.

Looking back, we are clearly aware that Haitong Securities' achievements are built upon opportunities brought about by national economic development and financial reform of China, hence we need to actively integrate our development into the overall national development to align with the development of the state and echo the progress of the times. In 2021, through all business segment we assisted domestic enterprises to secure the financing of RMB670 billion in total, including over RMB240 billion for enterprises in the Yangtze River Delta region, particularly over RMB140 billion for enterprises in Shanghai. We took the new opportunities from the launch of the Beijing Stock Exchange, built an ecosystem serving the growth and development of science and innovation enterprises through the multi-level capital market, continued to improve the financial services for high-quality private enterprises and small, medium and micro enterprises, and promoted regional construction and opening up; we actively served the "carbon peaking, carbon neutrality" strategy and made innovation in green development paths to support the development of green industries and green projects through multi-channel and multi-variety green investment and financing tools and continuously expand the technical strength and influence of financial services for carbon neutrality; our private equity investment fund business closely followed the national strategy and the development trend, took root in national key areas, and tapped deeply into sub-sector leaders, the Company recorded total AUM of RMB27.05 billion of private equity investment funds, increasing the AUM of funds by around RMB10 billion in 2021. The Macau branch of Haitong Bank was successfully launched, becoming an important platform for the Company to proactively participate in the construction of the "Belt and Road" initiative and the Guangdong-Hong Kong-Macao Greater Bay Area.

## CHAIRMAN'S STATEMENT

Three years ago, we stated clearly that to achieve the strategic goal of building ourselves into “China’s benchmark investment bank” and practice the “client-centered” philosophy, we need to achieve breakthroughs in “exploring the service value chain and building a customer ecosystem” and cultivate Haitong Securities’ irreplaceable core competitiveness. Three years later, “exploring the service value chain and building a customer ecosystem” has become the key focus and breakthrough point in the new stage of our development. Based on our main business of investment banking, we give play to our pivotal role in the industrial chain and the value chain and continue to enhance our ability to serve the real economy through close synergy between business segments of investment, financing, sponsorship and research. Since the establishment of Sci-Tech Innovation Board, we underwrote the IPOs of 30 enterprises as the sponsor and successfully built the “Haitong brand” in key areas; in particular, our services have basically covered issuers in all links of the industrial chain of integrated circuits, our differentiated competition strategy in the bio-pharmacy sector has yielded initial results, and new breakthroughs have been made in the field of artificial intelligence. We have further transformed the resources accumulated in related industrial chains toward wealth management, equity investment, asset management and other businesses and strengthened internal linkages and business synergy, gradually building a complete customer ecosystem.

While pursuing the growth of our business, we took up our social responsibility and created shared value for our shareholders, customers, employees and society. In 2021, the Company established the development strategy and ESG management committee under the Board to further promote standardized and efficient operation of ESG management, and the Company thus entered into a new stage of ESG management. Furthermore, we continued to improve the governance system, held fast to the bottom line of compliance risk, and strived to put into practice the industrial and corporate culture featured with “compliance, integrity, professionalism and prudence”. We continued to push forward paired assistance between the eastern and western regions and urban and rural areas and made every effort to promote effective connection between consolidation of the results of poverty alleviation and rural revitalization, further building up our public welfare brand of “Love in Haitong”.

In Haitong Securities’ 14th Five-year Plan, we deem the year 2022 as a year of “overcoming challenges and achieving breakthrough”. We will adhere to spirit of “United as One” to make new achievements; we will focus on “upholding the fundamentals and down-to-earth approach” to do the right thing; we will “maintain our focus” to secure the fundamentals of our business and consolidate the ballast store to ensure a stable performance; and we will “embrace the reform” to shore up weak business, further develop advantageous business and make breakthroughs to effectively achieve growth. In 2022, Haitong people will make new advances with a new look in pursuing the high-quality development of the Company and press ahead with hard work and concrete efforts for achievement. We always adhere to making achievement, and remaining focused and pragmatic. We will exert the utmost effort, gather strength and inspire enthusiasm to make practical achievements in strengthening Party capacity building, intensifying the reform and serving the national strategy, in a bid to build a benchmark investment bank in China with unswerving efforts.

Chairman of the Board: **ZHOU Jie**





## STATEMENT OF GENERAL MANAGER

2021 is a year of special significance for connecting the past and the future. In 2021, we celebrated the 100th anniversary of the founding of the Communist Party of China, realized its first centenary goal – building a moderately prosperous society in all respects, withstood the once-in-a-century changes and the pandemic of COVID-19, continued to promote its reform and development and managed to maintain sustainable and healthy economic and social development. In-depth reform of China's capital market was further promoted under the guidelines of "system development, non-intervention, and zero tolerance", and the fundamental systems of the capital market were gradually enhanced, and a multi-level capital market system was further developed, and the ability to prevent and defuse major risks was continuously enhanced. Capital market played the pivotal role as the bedrock for technological innovation and the transformation and real economy upgrading. Flow of the household sector wealth into the capital market expedited and increased market activity.

2021 is also the first year of the "14th Five-Year Plan" period. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we adhered to scientifically addressing the new development stage, fully practiced the concept of new development, and actively served the new development pattern. The Company's business progressed steadily and orderly, and the business development maintained stable. The main operating indicators such as total assets, net assets, operating income and net profit continued to rank top in the industry, which is a good start.

In the surging tide of the times, we deeply recognized that only by actively integrating into the overall development of the State and society can a company position itself accurately and secure a future. We kept and strengthened the focus on the main line of serving the national strategy and the real economy, deepened the service value chain, and built a customer ecosystem. In 2021, the number of A-share IPOs the Company underwrote hit a record high, and our brand advantage in integrated circuits, bio-pharmacy and other fields was further expanded. We seized the market share of approximately 10% of the fiercely competed market of IPOs of enterprises in the Yangtze River Delta region. In the field of green and sustainable development, we supported the development of green industries and green projects through a variety of green investment and financing tools, and achieved positive results.

Looking back at the 34 years of development of our Company, we deeply recognized that only by taking customers as our top priority in the work and growing together with them can we develop and go further. In the highly competitive wealth management market, we never forget the origin of wealth management. We believe that the wealth management business may only be prosperous by adhering to customer-centricity, expanding customer base, and creating value for customers. As a wealth management institution with more than 14 million clients, we never stopped asking ourselves these fundamental questions about wealth management business. Are we truly gaining insight into each client's needs? Can our product mix meet the effective needs of our clients? Have we achieved long-term value preservation and appreciation of client's assets? In 2021, we established the financial products committee, and through the adjustment of structure and system, we shifted our focus from short-term gains and losses to long-term value. We actively explored and utilized our accumulated experience in the capital market over the years to improve the quality of customer service and built up the competitive edge of our wealth management business by strengthening the linkage with advantageous businesses such as trading and investment banking. With a focus on customer experience, we continued to enhance digital empowerment, expanded the boundaries of customer service, and created a more inclusive wealth management platform through online to offline collaboration to be closer to customers.

## STATEMENT OF GENERAL MANAGER

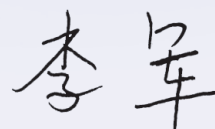
With a deep understanding of new financial regulatory policies, we deeply recognized that only by firmly holding the bottom line of compliance in the corporate development can we achieve stable and long-term success. 2021 is another year that witnessed “strengthened regulatory scrutiny” in the capital market. As the Company shifted from pursuit of “scale growth” to the new stage of “professional and deep cultivation”, we also faced new challenges of regulatory compliance and risk control. We realized that in the regulatory status of “zero tolerance” and “severe punishment”, the practice of “form over substance” in compliance would be futile to avoid regulatory risks. We cannot afford ignoring the requirements on the bottom line and principle and a detailed control. A well-regulated and compliance business is the only pathway of development. Facing the compliance risk event, we conducted the comprehensive inspection of possible inspected internal control loopholes and strengthened accountability and disciplinary measures, to demonstrate the power of the bottom line of compliance.

Regarding the social responsibility of the Company as a financial enterprise, we deeply recognized that only by giving back to the society, proactively serving, and actively contributing can a company become deeply rooted, grow and prosperous. We actively fulfill our corporate responsibilities and practice ESG and sustainable development concepts. To serve the State’s initiative of effective connection from consolidating the achievements of poverty alleviation to promoting the rural revitalization, we continue to promote the cooperation between the east and the west, and carry out the paired assistance through “hundred enterprises in support of hundred villages” and “one company to one county” to help consolidate the achievements of poverty alleviation, promote rural revitalization, and promote common prosperity. In 2021, the Company established the ESG risk management system and the customer ESG due diligence systems and procedures to promote the systematic and standardized management of ESG risks at the business level.

“Time and tide wait for no man.” Looking forward to 2022, China will start a new journey to comprehensively build a modern socialist country and advance towards the second centenary goal. The Company will also accelerate its high-quality sustainable development. In the new journey of building the Company into a benchmark investment bank in China, we put forward the concept of “One Haitong” to build consensus, pool efforts, develop synergy, and strive to achieve that “One Haitong” represents “One Group”, “One Brand”, “One Strategy” and “One Home”.

In the new year, we will continue to improve our political position, carry forward the spirit of the great Party building, respond to major changes with a bigger mind set, and respond to big challenges with great courage, so as to effectively transform the Party’s leadership, combat force and cohesion into a powerful driving force and source of strength to promote the high-quality development of the Company, work hard and forge ahead to welcome the Party’s 20th National Congress with excellent results!

General manager of the Company: **Li Jun**



## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

### I. DEFINITIONS

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

|   |   |
|---|---|
| "A Share(s)"                            | domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange                                      |
| "Articles of Association" or "Articles" | the articles of association of Haitong Securities   |
| "Board"                                 | the board of Directors of Haitong Securities  |
| "BSE"                                   | the Beijing Stock Exchange  |
| "Code"                                  | the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules   |
| "Company" or "Haitong Securities"       | Haitong Securities Co., Ltd.  |
| "Company Law"                           | the Company Law of the People's Republic of China   |
| "CSRC"                                  | the China Securities Regulatory Commission  |
| "CSRC Shanghai Bureau"                  | Shanghai Regulatory Bureau of the China Securities Regulatory Commission  |
| "Director"                              | the director(s) of Haitong Securities   |
| "ETF"                                   | exchange traded fund  |
| "EUR"                                   | the official currency of the Eurozone   |
| "FICC"                                  | fixed-income instruments, currencies, and commodities   |
| "Fullgoal Fund"                         | Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)   |
| "Group"                                 | the Company and its subsidiaries  |
| "H Share(s)"                            | ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange |



## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

|                                    |   |
|------------------------------------|---|
| "Haitong Bank"                     | Haitong Bank, S.A.  |
| "Haitong Capital"                  | Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)   |
| "Haitong Futures"                  | Haitong Futures Co., Ltd. (海通期貨股份有限公司)  |
| "Haitong Innovation Securities"    | Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)   |
| "Haitong International Securities" | Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange, stock code: 665                  |
| "Haitong International Holdings"   | Haitong International Holdings Limited (海通國際控股有限公司)   |
| "Haitong UT"                       | Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司), listed on the Hong Kong Stock Exchange, stock code: 1905 |
| "Haitong UT Capital"               | Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)  |
| "Haitong UT Holdings"              | Haitong UT Holdings Limited (海通恒信融資租賃控股有限公司)  |
| "Haitong-Fortis PE"                | Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)  |
| "HFT Investment"                   | HFT Investment Management Co., Ltd. (海富通基金管理有限公司)   |
| "HK\$", "HKD" or "HK dollars"      | the lawful currency of Hong Kong  |
| "Hong Kong Listing Rules"          | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| "Hong Kong Stock Exchange"         | The Stock Exchange of Hong Kong Limited   |
| "HT Asset Management"              | Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司)   |

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

|                              |  |
|------------------------------|--|
| "IPO"                        | initial public offering  |
| "Model Code"                 | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules              |
| "NAFMII"                     | National Association of Financial Market Institutional Investors   |
| "NEEQ"                       | National Equities Exchange and Quotations (全國中小企業股份轉讓系統)   |
| "NSSF"                       | the National Council for Social Security Fund of the PRC   |
| "QDII"                       | Qualified Domestic Institutional Investor  |
| "QFII"                       | Qualified Foreign Institutional Investor   |
| "Reporting Period"           | from 1 January 2021 to 31 December 2021  |
| "RMB" or "Renminbi"          | the lawful currency of the PRC   |
| "RQFII"                      | Renminbi Qualified Foreign Institutional Investor  |
| "SFO"                        | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Shanghai Guosheng Group"    | Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司)   |
| "Shanghai Weitai Properties" | Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)   |
| "Shanghai Zechun"            | Shanghai Zechun Investment & Development Co. Ltd. (上海澤春投資發展有限公司)   |
| "SSE"                        | the Shanghai Stock Exchange  |
| "Supervisor"                 | the supervisor(s) of Haitong Securities  |
| "Supervisory Committee"      | the supervisory committee of Haitong Securities  |
| "SZSE"                       | the Shenzhen Stock Exchange  |

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

|                                 |   |
|---------------------------------|---|
| “US\$”, “USD” or “U.S. dollars” | the lawful currency of the United States of America |
| “WIND”                          | Wind Information Co., Ltd.                          |
| “WOFE”                          | Wholly Owned Foreign Enterprises                    |

### II. MATERIAL RISK WARNINGS

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

The Group is exposed to major risks in its business operations, including legal and compliance risks, whereby the securities firms may be subject to legal liabilities or regulatory penalties, disciplinary actions due to failure to comply with laws, regulations and rules; credit risks, which may result in losses to the operations due to the inability of a borrower, counterparty or debt issuer to meet its agreed financial obligations; market risks, where proprietary investments record losses due to adverse fluctuations of market prices; operational risks triggered by deficiencies in internal processes, operational error and misconduct of staff, IT system failures, or impact from external sources; liquidity risks, where the Group is unable to obtain sufficient funds in a timely manner at a reasonable cost to repay the due debts, fulfil other payment obligations and meet the capital requirements for carrying out normal business; and reputational risks, where the corporate image among stakeholders is damaged due to the Group’s operations, management, other acts or the external incidents. All these risks may directly affect the results of operations and financial conditions of the Group. In addition, these effects may overlap with each other due to the certain inherent correlation among these risk factors.

For the specific analysis of the abovementioned risks and measures that the Group has taken or will take, please refer to “Potential risks and countermeasures” in the “REPORT OF THE BOARD OF DIRECTORS” of this Report and pay special attention to the above risk factors.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

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

Note: On 3 March 2022, the resolution on the Appointment of Deputy General Manager and Chief Compliance Officer of the Company was considered and approved at the 24th meeting (extraordinary meeting) of the seventh session of the Board, and the appointment of Mr. Li Haichao (李海超) as deputy general manager and chief compliance officer of the Company was approved, while Mr. Wang Jianye, the former chief compliance officer of the Company, ceased to be the chief compliance officer due to age concern.

### Registered Capital and Net Capital of the Company

|                    | Unit: Yuan Currency: RMB                 |                               |
|--------------------|--|-------------------------------|
|                    | As at the end of<br>the Reporting Period | As at the end<br>of last year |
| Registered capital | 13,064,200,000.00                        | 13,064,200,000.00             |
| Net capital        | 85,222,467,669.07                        | 84,129,715,034.91             |

### Business scope of the Company

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

### Qualification for each individual business of the Company

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

6. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han〔2005〕No. 079)
7. Qualification for short-term financial bond underwriting business (Yin Fa〔2005〕No. 173)
8. Qualification for quotation transfer business (Zhong Zheng Xie Han〔2006〕No. 3)
9. Qualification for trading on integrated electronic platform of fixed-income securities at Shanghai Stock Exchange (Shang Zheng Hui Han〔2007〕No. 86)
10. Qualification for National Association of Financial Market Institutional Investors (August 2007)
11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke〔2008〕No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi〔2008〕No. 22)
13. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi〔2010〕No. 122)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han〔2008〕No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi〔2009〕No. 302)
16. Qualification for providing trading units for insurance agency investors (Bao Jian Zi Jin Shen Zheng〔2009〕No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke〔2010〕No. 315)
18. Qualification for engaging in stock index futures hedging business through proprietary trading of the company (Hu Zheng Jian Ji Gou Zi〔2010〕No. 372)
19. Qualification for fund evaluation business (Zhong Zheng Xie Fa〔2010〕No. 070)
20. Qualification for securities house assigned by NSSF (August 2011)
21. Qualification for engaging of stock index futures through asset management (Hu Zheng Jian Ji Gou Zi〔2011〕No. 237)
22. Stock repurchase transaction business trials (Ji Gou Bu Bu Han〔2011〕No. 512) (Shang Zheng Jiao Zi〔2011〕No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke〔2011〕No. 1821) (H Share)
24. Trial business of bond collateralised repurchase with quotes (Ji Gou Bu Bu Han〔2011〕No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han〔2012〕No. 686)
26. Over-the-counter (the "OTC") transaction business (Zhong Zheng Xie Han〔2012〕No. 825)
27. Pilot qualification of engaging in margin and securities refinancing business (Zhong Zheng Jin Han〔2012〕No. 113)
28. Pilot qualification of underwriting of private debts for SMEs (Zhong Zheng Xie Han〔2012〕No. 561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. NEEQ recommendation business and brokerage business (Gu Zhuan Xi Tong Han〔2013〕No. 61)
31. Qualification for agency sale of financial products (Hu Zheng Jian Ji Gou Zi〔2013〕No. 180)
32. Equity income swaps business and OTC option trading business (Zhong Zheng Xie Han〔2013〕No. 996)
33. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han〔2013〕No. 741)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

34. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No. 204)
35. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
36. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
37. Qualification for agency business of securities pledge registration (February 2014)
38. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
39. Membership qualification of the gold exchange (Certificate No.: T004)
40. Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies (Shenzhen Han [2014] No. 321)
41. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
42. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
43. Business qualification for options settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
44. Futures membership certificate (Certificate number: NO. G02008)
45. Certificate of Membership of the Asset Management Association of China (Certificate number: 00000147)
46. Qualification for offshore proprietary business (Ji Gou Bu Han [2015] No. 1204)
47. No comment letter on innovative program of one-way video account opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
48. Qualification for inter-bank gold price asking transactions (Shang Jin Jiao Fa [2015] No. 120)
49. Qualification for carrying on main underwriting business of debt financial instruments for nonfinancial enterprises (August 2016)
50. Qualification for note dealing (November 2016)
51. Qualification for relevant business on tools mitigating credit risk (January 2017)
52. Qualification for secondary dealers for OTC options business (Zhong Zheng Xie Fa [2018] No. 386)
53. Qualification for credit derivatives business (Ji Gou Bu Han [2019] No. 469)
54. Qualification for recording military confidential business consultancy services in a secured and confidential condition (October 2019)
55. Stock index and options market making business (Ji Gou Bu Han [2019] No. 3073)
56. Qualification for interest rate swap real-time undertaking business (The announcement of China Foreign Exchange Trade System)
57. Qualified establishment of a credit-protected bond pledge-type repurchase business (Zhong Guo Jie Suan Han Zi [2021] No. 201)

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### II. CONTACT PERSON AND CONTACT METHODS

|                        | Secretary to the Board  | Representative of Securities Affairs  |
|------------------------|---|---|
| Name                   | Jiang Chengjun  | Sun Tao   |
| Correspondence address | 12/F, Haitong Securities Building,<br>No. 689 Guangdong Road,<br>Shanghai, the PRC (Postal Code:<br>200001) | 12/F, Haitong Securities Building,<br>No. 689 Guangdong Road,<br>Shanghai, the PRC (Postal Code:<br>200001) |
| Telephone              | +86-21-23219000   | +86-21-23219000   |
| Facsimile              | +86-21-63410627   | +86-21-63410627   |
| Email                  | jiangcj@htsec.com   | sunt@htsec.com  |

### III. BASIC CORPORATE INFORMATION

|  |   |
|--|---|
| Registered address   | No. 689 Guangdong Road, Shanghai, the PRC   |
| Historical change of the registered address                          | 200 Middle Jiangxi Road, Shanghai, the PRC (1988)<br>480 Middle Sichuan Road, Shanghai, the PRC (1990)<br>30 Beihaining Road, Shanghai, the PRC (1994)<br>218 Tangshan Road, Shanghai, the PRC (1998)<br>98 Huaihai Middle Road, Shanghai, the PRC (2001)<br>Haitong Securities Building, No. 689 Guangdong Road,<br>Shanghai, the PRC (2012) |
| Business address   | No. 689 Guangdong Road, Shanghai, the PRC   |
| Postal code of business address                                      | 200001  |
| Internet website   | <a href="http://www.htsec.com">http://www.htsec.com</a>   |
| Email  | <a href="mailto:haitong@htsec.com">haitong@htsec.com</a>  |
| Search index for changes in registration during the Reporting Period | <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a><br><a href="http://www.sse.com.cn">http://www.sse.com.cn</a>  |
| Principal place of business in Hong Kong                             | 21/F, Li Po Chun Chambers, 189 Des Voeux Road<br>Central, Hong Kong   |
| Unified social credit code in the business license                   | 9131000013220921X6  |

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

|  |   |
|--|---|
| Newspapers that disclose the annual reports of the Company                           | China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily            |
| Stock exchange websites on which the annual reports of the Company are disclosed     | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>   |
| Website designated by the Hong Kong Stock Exchange for publication of annual reports | <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>                                       |
| Place where annual reports of the Company are available                              | Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the PRC |

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

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER INFORMATION OF THE COMPANY

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

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

History of Haitong Securities:

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

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

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

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

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

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

### (II) Organisational Structure of the Company

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

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

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

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

Establishment date: 23 October 2008

Registered capital: RMB7,500 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: +86-021-63410311

Scope of business: Engaging in equity investment business and other businesses permitted by the China Securities Regulatory Commission. (Projects shall be conducted independently with business license according to the laws except for those subject to approval as required by laws)

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

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

Establishment date: 24 July 2007

Authorised share capital: HK\$11,180 million

Issued share capital: HK\$11,180 million

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

Shareholding percentage: 100%

Tel: +852-39268888

Nature of business: Investment holdings

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 24 April 2012

Registered capital: RMB11,500 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: +86-021-23219000

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

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

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

Establishment date: 26 June 2012

Registered capital: RMB2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: +86-021-23219000

Scope of business: Securities asset management. [Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities]

(5) *Shanghai Zechun Investment & Development Co. Ltd.*

Registered address: No. 366 Jing Ya Road, No. 691.725 De'an Road, Blocks 3-4 and 15-18, Pudong New Area, Shanghai

Establishment date: 18 November 2013

Registered capital: RMB100 million

Shareholding percentage: 100%

Legal representative: He Deyu

Tel: +86-021-23219000

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 8 January 2014

Registered capital: RMB10 million

Shareholding percentage: 100%

Legal representative: He Deyu

Tel: +86-021-23219000

Scope of business: Real estate development and management, property management and catering management. [Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities]

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

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

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: +86-021-62883005

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

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

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

Establishment date: 18 March 1993

Registered capital: RMB1,301.5 million

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

Tel: +86-021-38917000

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 18 April 2003

Registered capital: RMB300 million

Shareholding percentage: 51%

Legal representative: Yang Cangbing

Tel: +86-021-38650999

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

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

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

Establishment date: 13 April 1999

Registered capital: RMB520 million

Shareholding percentage: 27.775%

Legal representative: Pei Changjiang

Tel: +86-021-20361818

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

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

As of the end of the Reporting Period, the Company had 301 securities branches (see Appendix II of this Report for details).

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VII. OTHER RELEVANT INFORMATION

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

| Items   | 2021              | 2020        | As compared to the corresponding period of last year | 2019       |
|---|-------------------|-------------|--|------------|
| <b>Results of operations (RMB'000)</b>                      |                   |             | Change   |            |
| Total revenue, gains and other income                       | <b>57,809,561</b> | 54,277,200  | 6.51%  | 51,552,112 |
| Profit before income tax                                    | <b>18,543,799</b> | 15,757,310  | 17.68%   | 13,871,921 |
| Profit for the year – attributable to owners of the Company | <b>12,826,517</b> | 10,875,396  | 17.94%   | 9,523,248  |
| Net cash from/(used in) operating activities                | <b>52,747,409</b> | (6,251,302) | NA   | 8,556,205  |
| Other comprehensive income                                  | <b>(351,298)</b>  | (838,179)   | NA   | 660,096    |
| <b>Earnings per share (RMB/share)</b>                       |                   |             | Change   |            |
| Basic earnings per share                                    | <b>0.98</b>       | 0.90        | 8.89%  | 0.83       |
| Diluted earnings per share                                  | <b>0.98</b>       | 0.90        | 8.89%  | 0.83       |
| <b>Index of profitability</b>                               |                   |             | Change   |            |
| Weighted average returns on net assets (%)                  | <b>8.09</b>       | 7.88        | +0.21 percentage point                               | 7.81       |

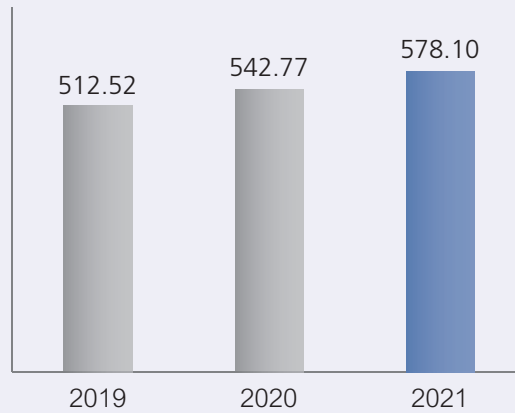
## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

| Items   | 31 December<br>2021 | 31 December<br>2020 | As compared<br>to the end<br>of the<br>last year | 31 December<br>2019 |
|---|---------------------|---------------------|--|---------------------|
| <b>Indices of size (RMB'000)</b>  |                     |                     | Change   |                     |
| Total assets  | <b>744,925,149</b>  | 694,073,351         | 7.33%  | 636,793,631         |
| Total liabilities   | <b>567,170,363</b>  | 525,947,039         | 7.84%  | 495,674,888         |
| Accounts payable to brokerage clients   | <b>123,202,200</b>  | 108,167,568         | 13.90%   | 87,464,142          |
| Equity attributable to owners of the Company                                  | <b>163,137,964</b>  | 153,448,468         | 6.31%  | 126,090,993         |
| <b>Total share capital ('000)</b>   | <b>13,064,200</b>   | 13,064,200          | 0.00%  | 11,501,700          |
| <b>Net assets per share attributable to owners of the Company (RMB/share)</b> | <b>12.49</b>        | 11.75               | Change<br>6.30%                                  | 10.96               |
| <b>Gearing ratio (%)<sup>(1)</sup></b>  | <b>71.41</b>        | 71.30               | +0.11<br>percentage<br>point                     | 74.31               |

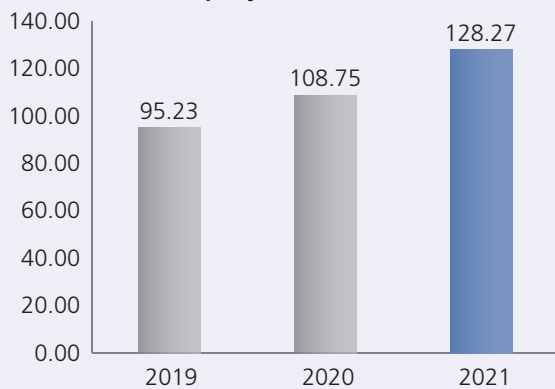
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

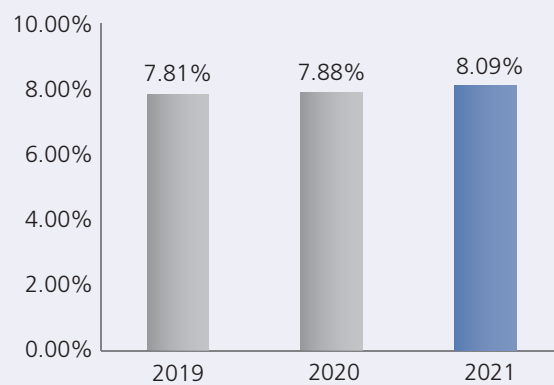
**Total revenue, gains and other income**  
(RMB in 100 million)



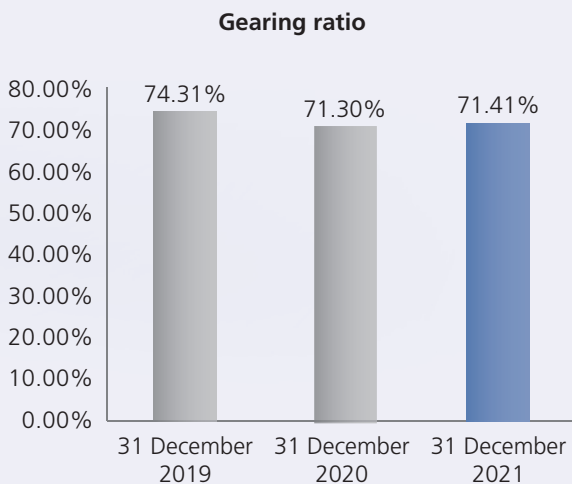
**Profit for the year – attributable to owners of the Company (RMB in 100 million)**



**Weighted average returns on net assets**



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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

#### 1. Profitability

Unit: '000 Currency: RMB

|   | 2021       | 2020       | 2019       | 2018       | 2017       |
|---|------------|------------|------------|------------|------------|
| Total revenue, gains and other income                       | 57,809,561 | 54,277,200 | 51,552,112 | 38,669,707 | 41,324,502 |
| Total expenses  | 40,915,651 | 39,062,907 | 37,829,835 | 31,132,050 | 29,143,592 |
| Profit before income tax                                    | 18,543,799 | 15,757,310 | 13,871,921 | 7,570,366  | 12,889,397 |
| Profit for the year – attributable to owners of the Company | 12,826,517 | 10,875,396 | 9,523,248  | 5,211,093  | 8,618,423  |

#### 2. Financial Position

Unit: '000 Currency: RMB

|  | 31 December 2021 | 31 December 2020 | 31 December 2019 | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|------------------|------------------|------------------|
| Total assets                                 | 744,925,149      | 694,073,351      | 636,793,631      | 574,623,634      | 534,706,333      |
| Total liabilities                            | 567,170,363      | 525,947,039      | 495,674,888      | 444,437,715      | 405,012,029      |
| Accounts payable to brokerage clients        | 123,202,200      | 108,167,568      | 87,464,142       | 71,893,535       | 83,774,388       |
| Equity attributable to owners of the Company | 163,137,964      | 153,448,468      | 126,090,993      | 117,858,575      | 117,755,479      |
| Share capital                                | 13,064,200       | 13,064,200       | 11,501,700       | 11,501,700       | 11,501,700       |

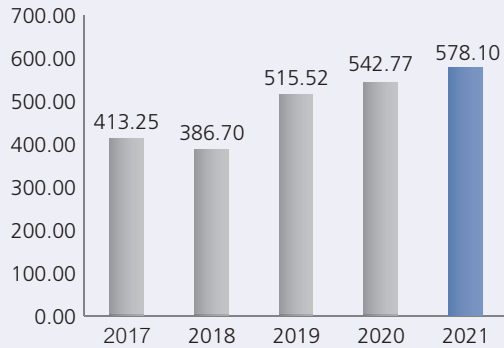
#### 3. Key financial indicators

|  | 2021  | 2020  | 2019  | 2018  | 2017  |
|--|-------|-------|-------|-------|-------|
| Dividends per share  |       |       |       |       |       |
| Basic earnings per share (RMB/share)                                   | 0.98  | 0.90  | 0.83  | 0.45  | 0.75  |
| Diluted earnings per share (RMB/share)                                 | 0.98  | 0.90  | 0.83  | 0.45  | 0.74  |
| Weighted average returns on net assets (%)                             | 8.09  | 7.88  | 7.81  | 4.42  | 7.56  |
| Gearing ratio (%) <sup>(1)</sup>                                       | 71.41 | 71.30 | 74.31 | 74.10 | 71.24 |
| Net assets per share attributable to owners of the Company (RMB/share) | 12.49 | 11.75 | 10.96 | 10.25 | 10.24 |

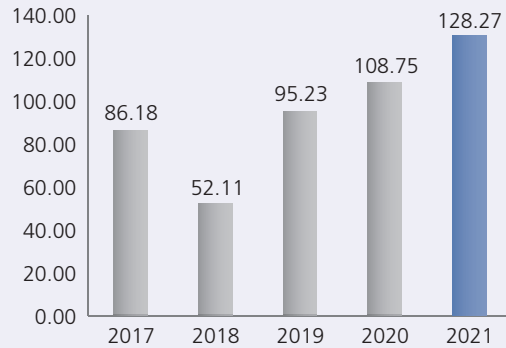
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

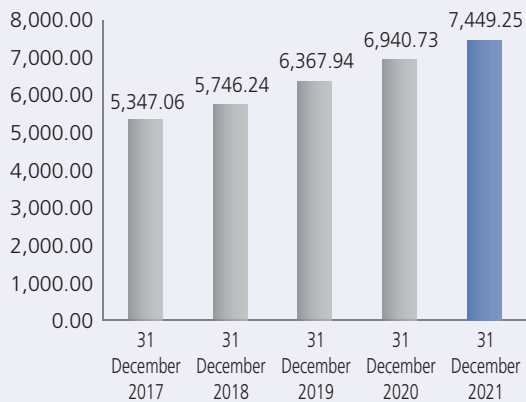
**Total revenue, gains and other income  
(RMB in 100 million)**



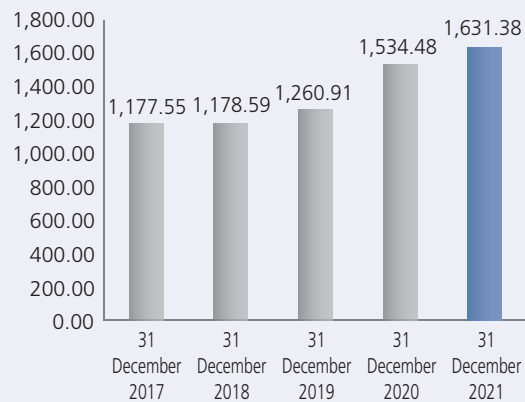
**Profit for the year – attributable to owners of  
the Company (RMB in 100 million)**



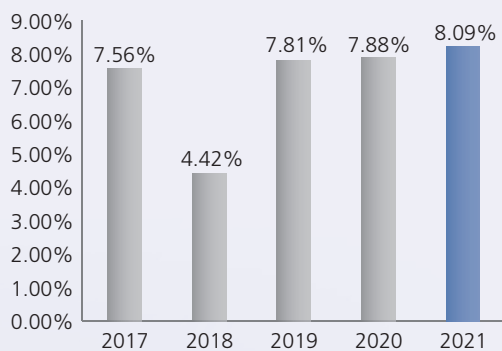
**Total assets  
(RMB in 100 million)**



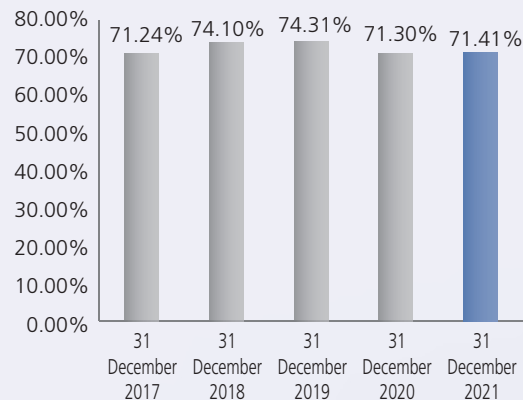
**Equity attributable to owners of the Company  
(RMB in 100 million)**



**Weighted average returns on net assets**



**Gearing ratio**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

The net profits for the years ended 31 December 2021 and 2020 and the net assets as at 31 December 2021 and 31 December 2020 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

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

As at 31 December 2021, the net capital of the Company was RMB85,222 million, representing an increase of RMB1,092 million as compared to such amount as at the end of the previous year (RMB84,130 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

| Items  | 31 December 2021          | 31 December 2020   |
|--|---------------------------|--------------------|
| Net capital (RMB)  | <b>85,222,467,669.07</b>  | 84,129,715,034.91  |
| Net assets (RMB)   | <b>144,509,229,830.85</b> | 137,445,187,712.53 |
| Risk coverage ratio (%)  | <b>200.25</b>             | 344.45             |
| Capital leverage ratio (%)   | <b>22.28</b>              | 26.03              |
| Liquidity coverage ratio (%)   | <b>259.39</b>             | 208.11             |
| Net stable funding rate (%)  | <b>157.72</b>             | 157.16             |
| Net capital/net assets (%)   | <b>58.97</b>              | 61.21              |
| Net capital/liabilities (%)  | <b>34.48</b>              | 43.70              |
| Net assets/liabilities (%)   | <b>58.47</b>              | 71.39              |
| Proprietary equity securities and securities derivatives/net capital (%)     | <b>24.03</b>              | 30.06              |
| Proprietary non-equity securities and securities derivatives/net capital (%) | <b>201.85</b>             | 135.83             |

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

#### (I) Overall operations

In 2021, the Company focused on the central theme of serving national strategy and real economy, through enhanced interaction of the business units of the Company including investment, financing, sponsorship and research, further improved the client-centric business system, maintained positive business development momentum, further optimized its revenue structure, and achieved steady growth in financial indicators including total assets, net assets attributable to shareholders of the parent company, operating revenue and net profit attributable to the parent company, and maintained its top places in the industry.

The Company's investment banking business maintained the essential roles in the industry chain and key positions in the value chain, and ranked top in the industry in term of both the number of IPO projects and the offering size. The Company's asset management business continued to improve its active management capability and achieved a total asset under management (AUM) of around RMB1.9 trillion, a historical high. The Company's wealth management business achieved effective transformation and optimized its multi-level financial product sales system, and both the average daily scale of financial products and sales income increased rapidly. The Company continuously consolidated the advantage of its internationalization strategy and further optimized its global layout. Haitong International Securities continued to maintain the leading position in terms of global investment banking capability. Haitong Bank opened its Macau branch and actively implemented China's "Belt and Road" Initiative by providing cross-border financial services support. The Company's financial leasing business achieved the asset scale of more than RMB100 billion and over 1,000 staff and continued to build the professional ecosystem and recorded a net profit of all-time high.

#### (II) Analysis of principal operations

##### 1. Wealth management business

###### *Market conditions:*

In 2021, the trading volume of domestic stock markets rose remarkably. According to WIND, the average daily turnover of stocks and funds in the SSE and SZSE amounted to RMB1,137.0 billion in 2021, representing a year-on-year increase of 25.3%. With the in-depth institutionalization and productization characterizing the capital market, breadth and depth of customers' demand for financial services further expanded, and the wealth management business makes higher requirements on specialization and resource integration ability of securities companies.

Benefiting from favourable market environment and sufficient liquidity, the margin financing and securities lending business featured an active and liquid trading market and steady increase in scale. As at the end of 2021, the balance of margin financing and securities lending business amounted to RMB1.83 trillion, representing a year-on-year increase of 13.16%. Insurance companies' permitted entry into the securities lending business further diversified the source of securities available for lending in the market. SSE and SZSE made more prudent requirements on stock pledging business, which further emphasized the function of serving the real economy. The market size of stock pledging business decreased mildly during the year.



## SECTION III REPORT OF THE BOARD OF DIRECTORS

### *Operating measures and performance:*

The Company adhered to the customer eccentricity approach and promoted the transformation of the wealth management business through enhancing its trading services, investment advisory capability and asset allocation-based product sales capabilities. During the Reporting Period, the Company achieved high-quality growth of customer base, and further consolidated the foundation of its wealth management business. The Company's ranking in terms of sales amount and the existing size of the financial products improved rapidly. The Company continued to leverage upon financial technology to improve the service quality and scope of its wealth management services, and created a more inclusive and accessible wealth management platform through online to offline approach. As at the end of 2021, the Company's wealth management business has 14.268 million customers (excluding dormant accounts), increased by 8.50% as compared to the beginning of the Reporting Period. As at the end of the Reporting Period, the total asset under management (tradable) for the customers was RMB2.82 trillion, increased by 16.40% as compared to the beginning of the Reporting Period. The assets and commission income of the new customer increased by 42.37% and 22.40% year-on-year respectively, and the quality of the new customer is further improved. During the Reporting Period, the Company's stock and fund trading volume amounted to RMB19.1 trillion, representing a year-on-year increase of 14.73%.

### ***Changes in trading volume of the Company as of the end of 2021***

|   | <b>The Reporting Period</b> | <b>The corresponding period of previous year</b> |
|---|-----------------------------|--|
| Trading volume of stocks (RMB100 million)             | 178,101                     | 156,183  |
| Trading volume of funds (RMB100 million) <sup>1</sup> | 12,659                      | 10,092   |
| <b>Total (RMB100 million)</b>                         | <b>190,760</b>              | <b>166,275</b>                                   |

#### **(1) Retail brokerage business**

In 2021, the Company deepened its cooperation with channels, and relied on its competitiveness in products, services and content output to secure high-quality channel resources to intensify and expand its retail customer service. By integrating, sorting and layering various business functions, the Company built "Tongying Wealth (通盈財富)" branded service consisting of four dimensions of services of intelligent tools services, investment advisory value-added services, fund recommendation products and fund holding services. By matching customers to the tiered system in the Universal Membership (通享會員), the Company provided customers with differentiated services meeting their diversified wealth management needs. The Company also relied upon the advantages of financial technology to

## SECTION III REPORT OF THE BOARD OF DIRECTORS

cover long-tail retail customers. The Company has been committed to building a customer portrait system, portraying the account, trading and behavioural characteristics of each customer to gain deeper and more accurate insight into customers from the business perspective; formed a precision operation closed loop according to the life cycle of customers, matching target users with target products, and improving business conversion rate. In order to seize the market opportunity and increase BSE customer base, the Company vigorously developed potential BSE customers and solidifying the customer base. As at the end of 2021, the total number of the Company's BSE and NEEQ customers amounted to 200,000, ranking top in the market, showcasing the Company's business brand and market influence.

### (2) Internet finance

Based on the brands of "eHaitong Cai" (e海通財) and "ShareEBook" (e海方舟), the Company improved different trading terminals for retail, wealth, high net worth individuals, institutions and quantitative trading clients, to meet the comprehensive wealth management and professional trading needs of clients at different levels. As at the end of 2021, the total number of users of eHaitong Cai's mobile platform exceeded 41 million, and the monthly active users exceeded 5.75 million, ranking among the top four in the industry steadily. ShareEBook's average daily customer assets reached RMB27.95 billion, increased by 240% year-on-year, and the annual stock and fund trading volume increased by 55.58% year-on-year, and the number of active users increased by 76.75% year-on-year. The Company's online operation mainly conducted through online wealth management content platform, live broadcast and other content services, in cooperation with various asset management institutions, and the internal department of the Company investment research, product departments and investment consultant of the branches of the Company to provide full service for clients and create an Internet service ecosystem.

### (3) The sales of financial products

The Company vigorously promoted the sales of the key products, established a financial products committee to centrally plan and coordinate the development of financial product sales, and continuously promoted the standardization and streamlining of the product sales process, and built the product system meeting customers' demands of wealth management. On the product end, the Company achieved comprehensive cooperation with leading asset managers, expanded and improved the product layout and enriched the product portfolios to meet the investment demands of investors with different risk appetite. As at the end of the Reporting Period, the average daily scale of the Company's financial products increased to RMB98.02 billion, representing a year-on-year increase of 39.5%; in particular, the average daily scale of products (other than monetary funds) was RMB67.32 billion, representing a year-on-year increase of 106.8%; the percentage of the size of products other than monetary funds in the total product portfolio increased from 48.52% to 68.66%, and the average daily scale of privately offered and public offered fund products (other than monetary fund products) increased by

## SECTION III REPORT OF THE BOARD OF DIRECTORS

105.93% and 85.14% respectively over the last year, and the Company's product portfolio structure was further optimized. The Company's product sales revenue increased by 175% year-on-year. Furthermore, the Company focused on promoting the products offered by public funds under broker settlement mode (券結模式) and leading privately offered quantitative funds, to enhance customer recognition of the products distributed by the Company and the Company's brand influence. During the Reporting Period, the AUM of the tradable financial products distributed by the Company in the product account and the corresponding supporting resources amounted to RMB37.67 billion, and the trading volume of those products amounted to RMB1.4 trillion.

### (4) Financing business

In 2021, the Company focused on developing its margin financing and securities lending business and stabilizing its stock pledging business. The Company vigorously developed incremental customers for margin financing and securities lending, product customers and high-net worth customers, optimized the management of collateral securities, business concentration management and product account approval, and further provide customers with high-quality financing service experience. At the same time, the Company improved its capacity to serve customers of security lending by developing more security lenders and strengthening channel maintenance and other measures to secure diversified source of securities, and the Company's market share of securities lending increased substantially compared to the beginning of the year. As at the end of the Reporting Period, the size of the Company's financing business was RMB105.374 billion, representing an increase of RMB4.2 billion as compared with the beginning of the year, of which the size of margin financing and securities lending business was RMB73.926 billion, increasing by RMB6.243 billion as compared with the beginning of the year; the size of stock pledge business was RMB31.234 billion, decreasing by RMB2.068 billion as compared with the beginning of the year.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### *Changes in the scale of financing business of the Company as at the end of 2021*

|   | As at<br>the end of the<br>Reporting Period | As at<br>the end of the<br>previous year |
|---|---|--|
| Balance of margin financing and securities lending<br>business (RMB100 million) | 739.26                                      | 676.83                                   |
| Balance of stock pledge business (RMB100 million) <sup>2</sup>                  | 312.24                                      | 333.02                                   |
| Balance of stock repo transaction (RMB100 million)                              | 2.24  | 1.89                                     |
| Total (RMB100 million)  | 1,053.74                                    | 1,011.74                                 |

#### (5) Futures business

Haitong Futures steadily developed its business and achieved the financial results of a new historical high, for example, its return on net assets reached 13.3%; its market share of the futures agency transaction volume was 7.4% and continuously ranking second in the industry; its client equity (i.e., the sum of the client margin and available fund) amounted to RMB50.41 billion, representing a year-on-year increase of 55.2%. The size of asset management business was RMB18 billion, representing a year-on-year increase of 11.1%. During the Reporting Period, Haitong Futures obtained the fund consignment business licence to enable it to carry out fund distribution business.

## 2. Investment banking business

### *Market conditions:*

The year of 2021 is the third year after the pilot registration system is introduced in the Chinese capital market. The market regulators set higher standards for information disclosure and accountability of intermediaries. A total of 524 companies completed IPOs in 2021 raising an aggregate amount of proceeds of RMB542.7 billion and achieved a record high. Among the different markets, STAR Market raised an aggregate amount of proceeds of RMB202.9 billion, which is highest among all markets and accounts for 37.39% of the total amount of fund raised. In 2021, there was 466 projects of placing, down by 2.31% year on year, and the fund raised amounted to RMB842.387 billion, up by 8.60% year on year. In 2021, BSE successfully launched, signifying the further development of the multi-layer capital market in China. As at the end of 2021, 82 companies were listed on the BSE, including 71 companies shifted to BSE from the NEEQ Select Board and 11 companies completed their new listing on BSE.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

In 2021, the bond issuance in PRC slowed down compared with previous years, with total amount of bond issuance of RMB61.63 trillion, up by 8% year on year. Treasury and policy bank bonds issuance reached RMB19.84 trillion, up by 5% year on year, among which treasury bond issuance declined slightly, policy bank bonds issuance increased slightly, and the local government bonds issuance increased substantially by 16% over the last year. The credit bonds issuance was RMB20 trillion, representing a year-on-year increase of 4%.

### *Operating measures and performance:*

#### (1) Equity financing

In the domestic equity capital market, the Company completed 35 IPOs as the sponsor(s) with the fund raised amounted RMB33.964 billion in 2021, accounting for 6.68% and 6.26% of the total number of and the total fund raised from IPOs in domestic equity capital market, respectively. The Company ranked third in term of the deal number and ranked fourth in terms of fundraising amount. Among these IPOs deals, 16 were on the STAR Market, ranking second and fourth in terms of deal number and the fundraising amount respectively. The Company's equity capital market business seized the opportunities in the capital market development, further implemented the strategy of "specialization and regionalization" and achieved good results. The Company further consolidated its competitive edge in key sectors such as integrated circuit and biopharmaceuticals. The Company also fully exerted its geographical location advantages and completed 23 IPO deals with issuers located the Yangtze River Delta region (namely Jiangsu, Zhejiang, Shanghai and Anhui), accounting for 9.62% of the IPO deals in the region, and raised funds of RMB28.484 billion, accounting for 13.60% of the IPO deals in the region.

The Company also seized the market opportunity of the merger and acquisition (M&A) of state-owned assets and enterprises and continued to serve strategic clients. The M&A deals completed by the Company in 2021 ranked fifth in the market. The Norinco Group's restructuring of Anhui Jiangnan Chemical Industry and the reverse acquisition by the latter of the civil blast assets of Norinco Group, with a total transaction value of RMB5.7 billion, achieved multiple goals of mixed shareholding reform of centrally owned SOE, industrial integration and distressed private enterprises relief, which is in line with the national industrial development policy and is highly recognized by the SASAC under the State Council and the Ministry of Industry and Information Technology. The RMB1.6 billion acquisition of Paslin by Changchunjingkai (Group), enabled the listed real estate enterprise to convert to a technology enterprise. Furthermore, the Company actively expanded business for "specialized, sophisticated, distinctive and innovative" ("專精特新") enterprise and modern service-oriented SMEs, and completed the IPO of Ebidding (國義招標) as one of the first batch of the companies listed on the BSE.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

The investment banking business of the Company also strengthened cooperation and synergy with wealth management, institutional client business, asset management, equity capital market and other businesses through referring high quality clients and introducing business opportunities to the Company, which consolidated the service value chain. In 2021, the IPO deals underwritten by the Company has introduced the custodian business with a market value of over RMB150.0 billion.

### ***Domestic equity financing project issuance and project reserves***

|  |   | The Reporting Period | The corresponding period of previous year |
|--|---|----------------------|---|
| IPO  | Underwritten amount<br>(RMB100 million) | 339.64               | 626.51                                    |
|  | Number of underwritten transactions     | 35                   | 25  |
| Subsequent offering  | Underwritten amount<br>(RMB100 million) | 273.61               | 164.85                                    |
|  | Number of underwritten transactions     | 26                   | 26  |
| Number of projects under CSRC review and pending for listing |   | 42                   | 58  |
|  |   | IPO                  |   |

Source: WIND, CSRC, SSE and SZSE

In overseas equity capital market, Haitong International Securities maintained its leading position among investment banks in Hong Kong. It completed 47 equity capital market transactions in Hong Kong with the total underwriting amount of US\$4.3 billion, ranking third in Hong Kong in terms of the number of deals completed. It also completed 39 IPOs with fundraising amount of US\$2.9 billion, ranking second in Hong Kong in terms of both the number of deals and the fundraising amount.

### (2) Bond financing

In 2021, our domestic debt capital market business maintained steady but positive growth momentum. The Company underwrote 1,434 bonds as the lead manager with an aggregate underwritten amount of RMB520,857 million, representing a year-on-year increase of 9%. The Company ranked sixth in the market in terms of both the number of deals completed and the fundraising amount. The Company ranked first in the market in term of underwriting amount of enterprise bonds for the third year. Based on serving the national strategy and seizing the opportunity of innovation and

## SECTION III REPORT OF THE BOARD OF DIRECTORS

development, the Company successfully underwrote the first batch bonds issued by science and technology innovation enterprise (科技創新公司債券), the first batch of carbon-neutral bonds in the SSE, the first offshore bond in the Shanghai free trade zone, the first batch of and first special corporate bond for rural revitalization (鄉村振興專項公司債券) in China and SSE. The Company was recognized as the “Excellent Corporate Bonds Underwriter” (“公司債券優秀承銷商”) and “Excellent Underwriter of Innovative Products in Corporate Bonds” (“公司債券創新產品優秀承銷商”) by SSE in 2021.

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

|                  |   | The Reporting Period | The corresponding period of previous year |
|------------------|---|----------------------|---|
| Enterprise bonds | Underwritten amount<br>(RMB100 million) | 474                  | 397                                       |
|                  | Number of underwritten transactions     | 64                   | 53  |
| Corporate bonds  | Underwritten amount<br>(RMB100 million) | 1,345                | 1,494                                     |
|                  | Number of underwritten transactions     | 337                  | 329                                       |
| Others           | Underwritten amount<br>(RMB100 million) | 2,265                | 2,385                                     |
|                  | Underwritten number of transactions     | 539                  | 501                                       |

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

*Source:* WIND

In the overseas debt capital market, Haitong International Securities maintained its leading position in the debt capital market in the Hong Kong. As at the end of the Reporting Period, Haitong International Securities ranked second among Asian high-yield dollar bond markets (excluding Japan) in the number of deals underwritten. Haitong International Securities also actively embraced ESG and made great efforts in green bond underwriting. As at the end of the Reporting Period, Haitong International Securities has completed underwriting of 40 green bonds and sustainable development bonds, with the fundraising amount of USD11.3 billion, ranking first in ESG investment and financing among Chinese financial institutions.



## SECTION III REPORT OF THE BOARD OF DIRECTORS

### 3. *Asset management business*

#### *Market conditions:*

In 2021, the transitional period set under the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions promulgated in 2018 (the “New Asset Management Regulations”) has expired. In line with the principles and guidance of the New Asset Management Regulations, market players in the “general asset management” segment expanded steadily and the market competition became increasingly intense. According to the Asset Management Association of China (AMAC), as of the end of 2021, the total AUM of the fund management companies and their subsidiaries, securities companies, futures companies, and the private fund management institutions amounted to approximately RMB67.87 trillion, of which the AUM of the publicly offered funds was RMB25.56 trillion, the AUM of the private asset management business of the securities companies and their subsidiaries was RMB8.24 trillion, the AUM of the private asset management business of the fund management companies and their subsidiaries was RMB7.39 trillion, and the AUM of the pension funds business of the fund companies was RMB3.96 trillion.

#### *Operating measures and performance:*

The Group’s asset management business seized the opportunities of market development, maintained growth in scale and achieved excellent operational performance. As at the end of the Reporting Period, the total AUM of the asset management business of the whole Group was RMB1.9 trillion, representing an increase of 23% from the beginning of the year.

#### (1) *HT Asset Management*

As at the end of the Reporting Period, the AUM of HT Asset Management amounted to RMB111 billion, of which, the AUM of the actively managed business was RMB106.9 billion. As at the end of 2021, HT Asset Management’s 12 collective investment schemes targeted small and medium investors (大集合產品) have obtained CRSC’s approval reply, of which nine schemes completed transformation to public offered mutual funds. The Company has developed the matrix of publicly offered products covering different risk grade and different maturity. HT Asset Management also endeavoured to develop a variety of publicly offered and privately placed asset management products covering equity investment, fixed income investment, quantitative investment, cross-border investment and other alternative investments to meet various wealth management needs of investors.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

|                              | The Reporting Period    |                                | The corresponding period of previous year |                                |
|------------------------------|-------------------------|--------------------------------|---|--------------------------------|
|                              | AUM<br>(RMB100 million) | Net income<br>(RMB10 thousand) | AUM<br>(RMB100 million)                   | Net income<br>(RMB10 thousand) |
| Collective asset management  | 399                     | 122,619                        | 768                                       | 124,834                        |
| Targeted asset management    | 326                     | 37,139                         | 1,302                                     | 13,817                         |
| Specialized asset management | 385                     | 1,489                          | 374                                       | 1,523                          |
| Total                        | 1,110                   | 161,247                        | 2,444                                     | 140,174                        |

#### (2) Fund management company

As at the end of the Reporting Period, the AUM of HFT Investment amounted to RMB416.1 billion, hitting a record high, up 28.7% as compared to the beginning of 2021; the AUM of pension funds business amounted to RMB201.7 billion, up 26.2% as compared to the beginning of the year, among which the AUM of occupational annuity amounted to RMB60.1 billion, up 44% as compared to the beginning of the year; the AUM of public funds business amounted to RMB165.3 billion, up 32.1% as compared to the beginning of the year, among which, the AUM of the public funds other than monetary market funds was RMB101.0 billion, up 27.6% as compared to the beginning of the year.

As at the end of the Reporting Period, the total AUM of Fullgoal Fund exceeded RMB1.3 trillion, hitting a record high, among which, the AUM of public funds amounted to RMB889.7 billion. The Company successfully obtained the qualification for fund investment and advisory business. Several innovative products such as Fullgoal's first Water REIT, Fullgoal Interbank Certificate of Deposit Index and Fullgoal Technology Innovation and Entrepreneurship 50ETF have been among the first batch in the industry. The Company ranked top among large companies in overall performance of equity and fixed income funds with a term of one year or three years.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### (3) Private equity investment funds

The PE investment fund business of the Company focused on following the national strategies and development trends and the key strategic sectors and research the leading market players in segments. The total AUM of the Company's PE investment funds amounted to RMB27.05 billion. The Company also launched several funds including the SME Development Fund (中小企業發展基金), the CCTV Financial Media Industry Investment Fund (央視融媒體產業投資基金), Yangtze River Delta G60 Sci-tech Innovation Corridor Technology Achievement Transformation Fund (長三角G60科創走廊科技成果轉化基金), Wanneng Haitong Dual Carbon Industry Merger Fund (皖能海通雙碳產業併購基金), etc., increasing the AUM of funds by approximate RMB10 billion in 2021. In 2021, the Company's PE investment business made investment in 42 projects, and 11 projects invested by the Company completed IPO, and six projects have been approved by CSRC for listing.

In 2021, Haitong Capital was selected among as the first batch of sub-fund management institutions by China SME Development Fund (國家中小企業發展基金). Haitong Capital and Haitong-Fortis PE received more than 30 awards from multiple well-known institutions, including Zero2IPO Group, CV Info, China Securities Journal and New Fortune.

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

|   | As at<br>the end of the<br>Reporting Period | As at<br>the end of the<br>previous year |
|---|---|--|
| Number of funds managed                                       | 49  | 45                                       |
| AUM balance (RMB100 million)                                  | 271   | 254                                      |
| Accumulated number of investment<br>projects                  | 42  | 40                                       |
| Accumulated amount of investment<br>projects (RMB100 million) | 28  | 29                                       |
| Number of exited projects<br>(including partial exit)         | 67  | 65                                       |

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### (4) Overseas asset management

The asset management department of Haitong International Securities continues to build a professional investment and management system, continuously enriches product lines and optimizes products based on market environment and customer needs, provides customers with interconnected global asset management solutions, and builds a one-stop professional investment service platform. During the Reporting Period, Haitong International Securities proactively deleveraged and adjusted the AUM in response to the change of the market, effectively diversifying investment risks and income sources, maintaining the continuous growth of fee-based income, and achieving a more balanced and diversified asset management structure. It continued to improve its global asset management capabilities and won many industry awards from the Lipper Fund Awards Hong Kong (《理柏基金香港年獎》), Benchmark (《指標》), etc.

### 4. *Trading and institutional client services*

#### *Market Conditions:*

In 2021, A Share market showed a structured market. CSI 300 Index dropped by 5.20% and ChiNext Index rose by 12.02% in 2021. In the fixed income market, the declining interest rate pivot fuelled the upward trend of the bond market. ChinaBond Total Net Price Index rose by 2.23%, of which, ChinaBond Treasury Bond Total Net Price Index rose by 2.56%, and ChinaBond Corporate Bond Total Net Price Index rose by 0.79% from the beginning of the year.

#### *Operating measures and performance:*

### (1) Trading business

In 2021, the domestic equity investment trading business of the Company responded properly to structural market fluctuations, grasped time windows and balanced sector allocation. For equity derivatives product business, the Company, being the lead market maker for four options varieties of the three major exchanges and the market maker for 100 ETFs of the SSE and SZSE, continued to provide liquidity to the market against high market volatility, and achieved substantial revenue by relying on its proprietary system and effective strategies. The OTC derivative products business achieved a relatively high yield in 2021, with the scale of existing notional principal amount of OTC derivative products exceeding RMB100 billion and the market share of OTC options business being about 10%. The autocallable products launched by the Company have established a brand name for the business, and driven the income from the distribution of financial products, providing a strong grip for the Company to enhance its wealth management capability.

In 2021, the Company adopted a prudent plus market timing strategy for domestic fixed income investments, seized the opportunity to increase the investment scale of interest rate bonds at the right time, and optimized the allocation of credit bonds, achieving remarkable revenue for the year.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

While combining conventional bond investment and quantitative investment strategies, the Company actively prepared for the launch of bond derivatives product business, achieving diversified and balanced development.

During the Reporting Period, adhering to concentrate on the speciality and focusing on investment direction of strategic and emerging industries, the alternative subsidiary of the Company completed 11 new direct equity investment projects with new investment of RMB0.57 billion; and 20 new STAR Market co-investment projects with new investment of RMB1.01 billion.

During the Reporting Period, Haitong International Securities further improved its global market trading capability, actively strengthened sell-side attributes, transitioned from product-oriented principle to client-oriented principle, vigorously strengthened the cash stock business, optimized the prime brokerage business, and enriched the products offering to meet institutional investors' needs for market entry, income enhancement, cash management and risk control. The number of cash stock clients grew significantly with a more diversified structure. The top 10 institutional clients covered international long-term investors, hedge funds and Chinese funds, showing the influence and sales ability of Haitong International's various products among clients.

### (2) Institutional client business

The Company is committed to build up a leading research brand in the industry to boost the development of its institutional brokerage business, and support the expansion of investment banking projects and retail customer consulting service by means of research. The Company continued to rank among the top three in the evaluation of research institutions of securities companies held by the New Fortune and other media in 2021, and went on the list in respect of more than twenty researches such as strategic and non-bank financial research, further consolidating and exerting its brand advantages. The Company made good progress in synergy with its internal and overseas business. Connecting domestic and overseas research platforms and covering more than 1,000 stocks in Greater China, Japan, the United States, India, Korea and other regions, equity research team of Haitong International Securities provided clients with professional, in-depth and timely research and consulting services with an international vision. The Company ranked first in 19 items in the 2021 "Asiamoney" brokers' poll.

During the Reporting Period, the Company continued to remain at the forefront of the QFII/RQFII market, with a total of 166 clients and a total trading volume of RMB858.1 billion, representing an increase of 26.8% year-on-year. In 2021, the Company strengthened cooperation with leading fund companies, optimized the custody and outsourcing operation process, and strived to explore the product lines and achieved good operational results

## SECTION III REPORT OF THE BOARD OF DIRECTORS

with asset management products, broker settlement model funds, ETF funds and quantitative private equity funds. The Company had 4,326 new custody and outsourcing products and the total scale of the Company's custody and outsourcing amounted to RMB629.9 billion during the year, with total trading volume of the prime brokerage system reaching RMB2.3 trillion.

### 5 *Financial leasing business*

#### *Market conditions:*

Year of 2021 is a critical year for the development of the financial leasing industry. In the context of increasingly sophisticated regulatory policies and standardization of industry development, financial leasing business faced with escalating pressure of asset quality and risk control, and its business strategies and business models need to be adjusted urgently. The financial leasing industry continued the trend of slowdown in 2020. As at the end of 2021, the number of market players in the domestic financial leasing industry was 11,917, down by 246 from the end of 2020, and the balance of financial leasing contracts decreased by 4.5%. China's financial leasing industry faced certain challenges in the short term, but still showed strong viability in the mid-to-long term. On the one hand, with the further implementation of the "carbon peaking, carbon neutral" strategy and industrial structure updating, the function of the financial leasing industry in green development received greater attention, and the equipment-intensive emerging sectors such as high-end equipment manufacturing and digital economy have entered a stage of rapid development. Financial leasing, characterized by "financing + assets-leasing" and close integration with the real economy, would usher in a broader space for development and new opportunities for green leasing by leveraging its increasingly deepened professional advantages. On the other hand, with the release of the regulatory provisions of the local financial leasing industries and the implementation of specific regulatory measures, the industry would enter a new phase of sound policy and steady development, creating a more favourable business environment and development opportunities for large-scale financial leasing companies with sound corporate governance, compliant operation and strong capabilities.

#### *Operating measures and performance:*

In 2021, the Company's financial leasing business closely followed national strategy and policy guidance, firmly took root in the business of leasing, further served the real economy, upheld the operational philosophy of "pragmatic, pioneering, steady and excellent", actively planned for innovation and upgrading, and continued to promote the construction of "professionalization, conglomeration, internationalisation and informatisation" to comprehensively promote the high-quality and sustainable growth of the Company. Haitong UT actively responded to the government's call to vigorously support the small, medium and micro enterprises with inclusive finance, continued to increase investment in small and micro businesses customers, served the real economy, contributed to the healthy development of small and micro businesses, and actively performed its corporate social responsibility. Haitong UT continued to uphold the concept of prudent risk management, improved the comprehensive risk management system, embedded all risk management measures into the business operation segments, continuously improved the overall risk



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management, enhanced the active risk management ability, and made efforts to promote a long-term balance of stable growth and risk prevention of the Company. As at the end of the Reporting Period, Haitong UT's non-performing asset ratio was 1.07%, and provision coverage ratio for non-performing asset was 258.8%.

### II. THE INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

During the Reporting Period, please refer to "I. Management Discussion and Analysis" in this section for information of the industry in which the Group operates. In 2021, the Group realised an operating income of RMB57.81 billion, a net profit attributable to the shareholders of the parent company of RMB12.827 billion, the total assets of RMB744.925 billion and the net asset attributable to shareholders of the parent company of RMB163.138 billion. The main financial indicators of the Company have remained at the forefront of the industry for many years.

### III. THE BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

The Group's principal business lines comprise wealth management, investment banking, asset management, trading and institutional client services, and financial leasing. Please refer to "I. Management Discussion and Analysis" in this section for the business of the Group.

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

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

#### 1. Solid capital strength

From 2007 to 2021, the Company seized market opportunities, rapidly enhanced and attained its solid capital strength through several strategic equity financings and bond financings including A-share and H-share listing and secondary offering. In 2021, the Company seized market opportunities and completed several rounds of debt financings. The Company completed a series of domestic financing activities, raising over RMB80.0 billion through the issuance of corporate bonds, short-term corporate bonds and beneficiary certificates. Through a combination of several debt financing instruments, the capital strength, the liquidity management capacity and the risk prevention and control capability of the Company were enhanced. Besides, the Company also actively expanded overseas financing channels to ensure the healthy and orderly development of overseas business. Adequate capital has laid a solid foundation for the Company's business transformation and upgrade, satisfying domestic and overseas customers' diversified needs for financial services as well as continuously improving its service capability for the real economy.

#### 2. Outstanding comprehensive financial service platform

Based on the parent company's business, the Group has continuously expanded the scope of its financial products and services and extended the boundaries of financial services through setting up and acquiring professional subsidiaries. The Group has developed into a financial service group with businesses covering securities and futures brokerage, investment banking, proprietary trading, assets management, private equity investment, alternative investment, financial leasing



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and overseas banks. The Group's brokerage business boasts a solid customer base; its investment banking business has ranked in the forefront of the industry; the assets under management (the "AUM") of actively managed assets business increases steadily; the scale and brand influence of its private equity investment business has ranked top in the industry; the performance indicators of its Hong Kong business are in the forefront among all market players; its financial leasing business has been established and continues to maintain an industry-leading position; and its research services business enjoys strong market influence. The Group's integrated financial platform generates strong scale effect and cross-selling potentiality, which vigorously supports the business development and enables comprehensive financing services for customers.

### 3. Extensive branch network and strong customer base

The Group's branch network covered six international financial centers in New York, London, Hong Kong, Singapore, Shanghai and Tokyo. As of the end of the Reporting Period, the Group had 340 securities and futures branches (including 301 securities branches and 39 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC. The Group also established branches or subsidiaries in 14 countries and regions in five continents (Asia, Europe, North America, South America and Oceania). With a nationwide branch network and a strategic international presence, the Group has built a large and stable customer base. As of the end of the Reporting Period, the Group had over 19 million domestic and overseas customers.

### 4. Industry-leading international cross-border service platform

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

Haitong International Securities continued to reinforce its leading position among Hong Kong's investment banks. For equity financing, Haitong International Securities took the lead in IPO business among all investment banks in Hong Kong in terms of the number of bonds underwritten, and continued to boost its project execution capabilities and brand influence in overseas markets. For global debt financing business, Haitong International Securities strove to implement the Environmental, Social and Governance ("ESG") concept and became a leader among Chinese financial institutions in the field of ESG investment and financing. For derivatives business, Haitong International Securities steadily maintained its position as an industry leader in warrants and CBBCs business, being the only Chinese financial institution in the top five market players. For asset management business, Haitong International Securities took the initiative to optimize the AUM and product structure and focused on building a distinctive investment and research platform, with the AUM remaining stable. For wealth planning business, Haitong International Securities continued to foster a top-tier talent team in private wealth management, kept upgrading its products and services, and formally laid out its global family office business.

Haitong Bank is an important part of the Group for deepening the Group's globalisation strategy and an important platform for the Group to implement the "Belt and Road" initiative. Haitong Bank specializes in local market in the European Union and South America with over 20 years'

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experience. With full banking licenses, Haitong Bank is committed to developing the cross-border business cooperation between China and Europe as well as China and Latin America while supporting its extensive coverage of local business, with a focus on three key business areas including corporate banking, investment banking and asset management. In December 2021, Haitong Bank, Macau Branch was officially opened, marking another important step forward in the Group's globalisation strategy.

In respect of cross-border business in the free trade zone, Shanghai FTZ branch, as one of the first securities institutions participating in the FTU (自貿區分賬核算單元) system of the free trade zone, has become the first PRC securities firm completed in the cross-border financing project under FT (自由貿易賬戶). In 2021, the Group, as the general coordinator, assisted Shanghai Land Group in issuing two tranches of Shanghai FTZ RMB bonds, which were the first FTZ RMB bonds for Shanghai enterprises and the largest FTZ offshore RMB bonds raised in a single issue. It also assisted Suzhou Industrial Park State-owned Capital Investment Operation Holding Co., Ltd. in successfully issuing Shanghai FTZ offshore RMB bonds with a term of 5+5 years, which were the first long-term public offered FTZ bonds in China.

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

### 5. Prudential operational philosophy, effective compliance and risk management and internal control system

Upholding the operational philosophy of "pragmatic, pioneering, steady and excellent" and the risk management philosophy of "prudence and even conservativeness", the Company has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations in over 30 years of operations. The Company has basically established a group-wide risk management system to implement the requirements for overall risk management and to effectively manage, among others, market risks, credit risks, liquidity risks and operational risks. The Company established and improved the compliance management system and organizational system in accordance with the regulatory requirements, continuously strengthened the performance of compliance review, compliance monitoring and compliance inspection functions to ensure and facilitate the Company's continued compliance and steady development. Meanwhile, the Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations.

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### 6. Technology-leading digital transformation at an accelerated phase

The Company has adhered to the development strategy of “leading by technology” for a long time. The 14th Five-Year Plan for science and technology development was officially released in 2021, promoting the construction of “Digital Haitong 2.0” in five major areas: business development, operation management, data application, technological capabilities, and mechanisms. In 2021, the Group’s investment in technology amounted to RMB1.85 billion, remaining firmly at the forefront of the industry. The Company has adhered to the two-wheel drive of technology and business, and achieved fruitful scientific and technological achievements. Firstly, the digital base has been continuously consolidated. The Zhangjiang Science and Technology Park was fully launched and passed the National A-level Computer Room Certificate and the international LEED V4.1 GOLD certificate, which had the largest self-developed data center with the most advanced equipment and most intelligent management among securities and futures funds. Secondly, the effectiveness of technology-enabled business has become increasingly prominent. The unified service platform for institutional clients “E-Haitong Da (e海通達)” has integrated the resources and service advantages of the Group’s business chain to provide comprehensive, fast and personalized one-stop integrated financial services focusing on the business needs of institutional clients including research, investment banking, credit and custody. Our self-developed integrated intelligent trading platform “ShareEBook (e海方舟)” integrated the functions of high-speed trading and high-speed market information in a bid to provide customized services for professional investors. The annual shares and mutual funds trading volume exceeded RMB2 trillion. The newly-launched unified securities source management system “e-Haitong Securities (e海通券)” provided a unified online service platform for the suppliers and demanders of securities sources, enhancing the matching efficiency with an average daily transaction of over RMB100 million. Our self-developed new core trading system, based on the technical base of “distributed mode, full memory, high concurrency, low latency”, has led the industry in system reliability, concurrent processing capacity and trading performance, with an average daily transaction amount of over RMB10 billion. Our self-developed one-stop online financial platform “e-Haitong Cai (e海通財)” APP and PC achieved a total installation of 41 million and the monthly average number of platform active users of more than 5.75 million, thus remaining in the top ranking. Thirdly, the technology innovation capability has significantly enhanced. It has led the industry in a number of technological innovations and obtained a total of eight national patents and 48 software copyrights, and successively won more than 20 fintech awards, including the second prize of the FinTech Development Award jointly elected by the People’s Bank of China and the CSRC, the Excellent Award of the 2021 Key Research Topic of the Securities Association of China, and the second prize of the Excellent Topic of The Financial Science and Technology Research and Development Centre of the Securities and Futures Industry (Shenzhen). Fourthly, the technology management level has continued to improve. The Company has achieved comprehensive digitalization of technology governance, application research and development, system operation and maintenance, network security management, quality assurance, structure control and other work, and continuously improved management maturity, becoming the first securities company in the industry with the international authoritative certification in four areas including operation and maintenance service system, information security system, software research and development system and software testing system.

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### V. OPERATIONS DURING THE REPORTING PERIOD

As of 31 December 2021, the total assets of the Group amounted to RMB744,925 million, and the net assets attributable to the parent company amounted to RMB163,138 million. In 2021, the Group realised revenue of RMB57,810 million, and net profit attributable to the parent company amounted to RMB12,827 million; the weighted average return on net assets was 8.09%. Its subsidiaries realized revenue of RMB32,400 million, accounting for 54% of the total revenue of the Group; and its overseas business realised revenue of RMB14,473 million, accounting for 21% of the total revenue of the Group.

#### (I) Analysis of the consolidated statement of profit or loss

##### 1. Composition of revenue

Unit: '000 Currency: RMB

| Items  | 2021              | 2020       | Increase/decrease<br>Amount Percentage |         |
|--|-------------------|------------|--|---------|
| Commission and fee income                        | <b>18,762,734</b> | 17,387,414 | 1,375,320                              | 7.91%   |
| Interest income                                  | <b>15,625,976</b> | 13,975,952 | 1,650,024                              | 11.81%  |
| Finance lease income                             | <b>3,336,406</b>  | 3,932,863  | (596,457)                              | -15.17% |
| Investment income and gains<br>(net)             | <b>10,678,856</b> | 11,076,986 | (398,130)                              | -3.59%  |
| Other income and gains                           | <b>9,405,589</b>  | 7,903,985  | 1,501,604                              | 19.00%  |
| <b>Total revenue, gains and<br/>other income</b> | <b>57,809,561</b> | 54,277,200 | 3,532,361                              | 6.51%   |

In 2021, the total revenue, gains and other income realised by the Group amounted to RMB57,810 million, representing an increase of RMB3,532 million or 6.51% as compared to the corresponding period of last year, mainly due to the increase of interest income and commission and fee income.

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### a. Commission and fee income

Unit: '000 Currency: RMB

| Items  | 2021              | 2020              | Increase/decrease |              |
|--|-------------------|-------------------|-------------------|--------------|
|  |                   |                   | Amount            | Percentage   |
| Commission and fee income of securities and futures brokerage business | 9,668,840         | 8,549,407         | 1,119,433         | 13.09%       |
| Underwriting and sponsors fees   | 4,578,454         | 4,548,113         | 30,341            | 0.67%        |
| Asset management fee income (including fund management income)         | 3,691,479         | 3,403,089         | 288,390           | 8.47%        |
| Financial advisory and consultancy fee income                          | 651,515           | 738,003           | (86,488)          | -11.72%      |
| Others   | 172,446           | 148,802           | 23,644            | 15.89%       |
| <b>Total commission and fee income</b>                                 | <b>18,762,734</b> | <b>17,387,414</b> | <b>1,375,320</b>  | <b>7.91%</b> |

Commission and fee income amounted to RMB18,763 million, representing an increase of RMB1,375 million or 7.91% as compared to the corresponding period of last year, mainly due to the increase of commission and fee income of securities and futures brokerage business.

### b. Interest income

Interest income amounted to RMB15,626 million, representing an increase of RMB1,650 million or 11.81% as compared to the corresponding period of last year, mainly due to the increase in interest from advances to customers on margin financing.

### c. Investment income and gains (net)

Investment income and gains (net) amounted to RMB10,679 million, representing a decrease of RMB398 million or 3.59% as compared to the corresponding period of last year.

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### Statement of the Principal Businesses of the Group

#### Principal businesses by segment

Unit: '000 Currency: RMB

| Segment                                   | Segment income | Segment expense | Segment profit margin | Segment income movement as compared to last year | Segment expense movement as compared to last year | Segment profit margin movement as compared to last year |
|---|----------------|-----------------|-----------------------|--|---|---|
| Wealth management business                | 17,491,517     | 12,556,507      | 28.21%                | 9.35%  | 8.02%   | 0.88%   |
| Investment banking business               | 5,715,894      | 2,721,431       | 52.39%                | -5.99%   | -12.25%   | 3.40%   |
| Asset management business                 | 4,148,860      | 2,372,493       | 42.82%                | -1.24%   | -3.37%  | 1.26%   |
| Trading and institutional client services | 15,667,264     | 10,008,524      | 36.12%                | 8.43%  | 5.24%   | 1.94%   |
| Financial leasing business                | 8,877,646      | 7,284,804       | 17.94%                | 6.17%  | 1.99%   | 3.36%   |
| Others                                    | 5,908,380      | 5,971,892       | -1.07%                | 13.85%   | 14.19%  | -0.30%  |

#### Principal businesses by region

Unit: '000 Currency: RMB

| By region         | Segment income | Segment expense | Segment profit margin | Segment income movement as compared to last year | Segment expense movement as compared to last year | Segment profit margin movement as compared to last year |
|-------------------|----------------|-----------------|-----------------------|--|---|---|
| Domestic business | 43,336,331     | 28,194,019      | 34.94%                | 15.72%   | 12.04%  | 2.14%   |
| Overseas business | 14,473,230     | 12,721,632      | 12.10%                | -14.00%  | -8.47%  | -5.31%  |
| Sub-total         | 57,809,561     | 40,915,651      | 29.22%                | 6.51%  | 4.74%   | 1.19%   |

In 2021, the Group's wealth management segment income amounted to RMB17,492 million, representing an increase of RMB1,496 million or 9.35% compared to RMB15,996 million of last year, mainly due to the vigorous promotion of the transformation of wealth management, the continuous improvement of core client service capacity as well as the product sale capacity, and the further optimization of financing business structure. Investment banking segment income amounted to RMB5,716 million, representing a decrease of RMB364 million or 5.99% as compared to RMB6,080 million of last year. Asset management segment income amounted to RMB4,149 million, representing a decrease of RMB52 million or 1.24% as compared to

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RMB4,201 million of last year. Trading and institutional client services segment income amounted to RMB15,667 million, representing an increase of RMB1,218 million or 8.43% as compared to RMB14,449 million of last year, mainly due to the continuous improvement of the service system of investing business focusing on institutional client, proper response to structural market fluctuation, the seize of timing and the balanced allocation of industries. Financial leasing segment income amounted to RMB8,878 million, representing an increase of RMB516 million or 6.17% as compared to RMB8,362 million of last year, mainly due to the adherence to promoting business development with focus on providing leasing services, the establishment of industry ecosystem, the active promotion of the transaction of leasing assets, resulting in significant project income. Other segment income amounted to RMB5,908 million, representing an increase of RMB718 million or 13.85% as compared to RMB5,190 million of last year.

### 2. Composition of expenses

Unit: '000 Currency: RMB

| Total expenses  | 2021              | 2020              | Increase/decrease<br>Amount Percentage |              |
|---|-------------------|-------------------|--|--------------|
| Depreciation and amortisation                             | 1,569,341         | 1,363,882         | 205,459                                | 15.06%       |
| Staff costs   | 9,025,250         | 7,656,682         | 1,368,568                              | 17.87%       |
| Brokerage transaction fees and<br>other services expenses | 3,770,637         | 3,535,266         | 235,371                                | 6.66%        |
| Interest expenses   | 12,341,619        | 13,018,271        | -676,652                               | -5.20%       |
| Impairment losses under<br>expected credit loss           | 3,351,674         | 4,586,225         | -1,234,551                             | -26.92%      |
| Impairment losses of other<br>assets                      | 499,168           | 10,923            | 488,245                                | 4,469.88%    |
| Other expenses  | 10,357,962        | 8,891,658         | 1,466,304                              | 16.49%       |
| <b>Total</b>  | <b>40,915,651</b> | <b>39,062,907</b> | <b>1,852,744</b>                       | <b>4.74%</b> |

In 2021, total expenses of the Group amounted to RMB40,916 million, representing an increase of RMB1,853 million and 4.74% as compared to that for the same period in 2020, mainly due to the increase in staff costs.

In 2021, the Group realised a net profit attributable to owners of the Company of RMB12,827 million, representing an increase of 17.94% as compared to the corresponding period of last year. The Group realized basic earnings per share of RMB0.98, representing an increase of 8.89% as compared to the corresponding period of last year; the weighted average return on net assets amounted to 8.09%, representing an increase of 0.21 percentage point as compared to the corresponding period of last year.



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### 3. Public welfare contributions

In 2021, the Group contributed a total of RMB27,613 thousand in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

#### Breakdown of public welfare contributions for 2021

Unit: '000 Currency: RMB

| Items             | Amount during<br>the Reporting<br>Period |
|-------------------|--|
| Charity donations | 27,613                                   |
| <b>Total</b>      | <b>27,613</b>                            |

### 4. Others

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

#### Cash flow

In 2021, the Group's net cash and cash equivalents increased to RMB57,705 million, in which:

Net cash from operating activities was RMB52,747 million which was mainly due to cash inflow of RMB31,349 million caused by increase in financial assets sold under repurchase agreements, cash inflow of RMB20,873 million caused by increase in accounts payable to brokerage clients and other payables and accruals, and cash inflow of RMB14,489 million caused by decrease in financial assets held under resale agreements.

Net cash used in investing activities was RMB20,937 million which was mainly due to cash outflow of RMB30,272 million caused by purchases of debt instruments at fair value through other comprehensive income.

Net cash used in financing activities was RMB11,162 million which was mainly due to cash outflow of RMB8,361 million caused by interest paid for borrowings and bonds.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

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

Unit: '000 Currency: RMB

|  | 2021               |             | 2020        |             | Increase/decrease |            |
|--|--------------------|-------------|-------------|-------------|-------------------|------------|
|  | 31 December        | Composition | 31 December | Composition | Amount            | Percentage |
| <b>Non-current assets</b>  | <b>157,943,199</b> |             | 138,221,209 |             | 19,721,990        | 14.27%     |
| Of which: finance lease receivables  | 11,270,189         | 1.51%       | 20,751,276  | 2.99%       | -9,481,087        | -45.69%    |
| Receivables arising from sale and leaseback arrangements                   | 31,521,846         | 4.23%       | 20,132,302  | 2.90%       | 11,389,544        | 56.57%     |
| Debt instruments measured at fair value through other comprehensive income | 33,050,889         | 4.44%       | 11,873,648  | 1.71%       | 21,177,241        | 178.35%    |
| Equity instruments at fair value through other comprehensive income        | 10,246,871         | 1.38%       | 16,239,187  | 2.34%       | -5,992,316        | -36.90%    |
| Financial assets at fair value through profit or loss                      | 25,132,195         | 3.37%       | 26,145,088  | 3.77%       | -1,012,893        | -3.87%     |
| Other loans and receivables  | 2,394,396          | 0.32%       | 3,235,445   | 0.47%       | -841,049          | -25.99%    |
| Investments accounted for using equity method                              | 6,454,420          | 0.87%       | 4,428,307   | 0.64%       | 2,026,113         | 45.75%     |
| Financial asset held under resale agreements                               | 575,403            | 0.08%       | 2,195,793   | 0.32%       | -1,620,390        | -73.80%    |
| Property and equipment   | 15,088,876         | 2.03%       | 15,109,289  | 2.18%       | -20,413           | -0.14%     |
| Loans and advances   | 4,119,086          | 0.55%       | 2,775,492   | 0.40%       | 1,343,594         | 48.41%     |
| Goodwill   | 3,365,313          | 0.45%       | 3,884,910   | 0.56%       | -519,597          | -13.37%    |
| <b>Current assets</b>  | <b>586,981,950</b> |             | 555,852,142 |             | 31,129,808        | 5.60%      |
| Of which: bank balances and cash   | 156,448,163        | 21.00%      | 122,583,420 | 17.66%      | 33,864,743        | 27.63%     |
| Clearing settlement funds  | 16,765,418         | 2.25%       | 11,852,301  | 1.71%       | 4,913,117         | 41.45%     |
| Financial assets at fair value through profit or loss                      | 195,277,554        | 26.21%      | 194,251,416 | 27.99%      | 1,026,138         | 0.53%      |
| Advances to customers on margin financing                                  | 75,223,404         | 10.10%      | 73,067,592  | 10.53%      | 2,155,812         | 2.95%      |
| Accounts receivable  | 11,372,016         | 1.53%       | 8,410,000   | 1.21%       | 2,962,016         | 35.22%     |
| Financial asset held under resale agreements                               | 39,185,614         | 5.26%       | 55,769,601  | 8.04%       | -16,583,987       | -29.74%    |
| Finance lease receivables  | 22,202,398         | 2.98%       | 27,660,127  | 3.99%       | -5,457,729        | -19.73%    |
| Receivables arising from sale and leaseback arrangements                   | 23,566,177         | 3.16%       | 15,082,174  | 2.17%       | 8,484,003         | 56.25%     |
| Debt instruments measured at fair value through other comprehensive income | 4,002,056          | 0.54%       | 1,234,515   | 0.18%       | 2,767,541         | 224.18%    |
| Deposits with exchanges  | 17,491,923         | 2.35%       | 17,208,163  | 2.48%       | 283,760           | 1.65%      |
| Derivative financial assets  | 1,084,731          | 0.15%       | 1,837,912   | 0.26%       | -753,181          | -40.98%    |
| Other loans and receivables  | 12,544,269         | 1.68%       | 16,884,562  | 2.43%       | -4,340,293        | -25.71%    |
| <b>Total assets</b>  | <b>744,925,149</b> |             | 694,073,351 |             | 50,851,798        | 7.33%      |

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|  | 2021               |             | 2020        |             | Increase/decrease |            |
|--|--------------------|-------------|-------------|-------------|-------------------|------------|
|  | 31 December        | Composition | 31 December | Composition | Amount            | Percentage |
| <b>Current liabilities</b>                                 | <b>401,513,715</b> |             | 356,936,346 |             | 44,577,369        | 12.49%     |
| Of which: accounts payable to brokerage clients            | 123,202,200        | 21.72%      | 108,167,568 | 20.57%      | 15,034,632        | 13.90%     |
| Financial assets sold under repurchase agreements          | 91,911,952         | 16.21%      | 60,563,433  | 11.52%      | 31,348,519        | 51.76%     |
| Borrowings   | 48,402,335         | 8.53%       | 59,132,650  | 11.24%      | -10,730,315       | -18.15%    |
| Placements from banks and other financial institutions     | 12,723,438         | 2.24%       | 12,059,685  | 2.29%       | 663,753           | 5.50%      |
| Financial liabilities at fair value through profit or loss | 10,456,105         | 1.84%       | 22,226,074  | 4.23%       | -11,769,969       | -52.96%    |
| Derivative financial liabilities                           | 1,548,316          | 0.27%       | 2,672,279   | 0.51%       | -1,123,963        | -42.06%    |
| Other payables and accruals                                | 28,635,826         | 5.05%       | 21,187,155  | 4.03%       | 7,448,671         | 35.16%     |
| Short-term financing bills payables                        | 24,986,688         | 4.41%       | 25,718,523  | 4.89%       | -731,835          | -2.85%     |
| Customer accounts  | 2,758,837          | 0.49%       | 4,413,388   | 0.84%       | -1,654,551        | -37.49%    |
| Tax liabilities  | 3,477,590          | 0.61%       | 2,986,567   | 0.57%       | 491,023           | 16.44%     |
| Bonds payables   | 52,513,925         | 9.26%       | 36,233,688  | 6.89%       | 16,280,237        | 44.93%     |
| <b>Net current assets</b>                                  | <b>185,468,235</b> |             | 198,915,796 |             | -13,447,561       | -6.76%     |
| <b>Non-current liabilities</b>                             | <b>165,656,648</b> |             | 169,010,693 |             | -3,354,045        | -1.98%     |
| Of which: bonds payable                                    | 111,072,145        | 19.58%      | 111,604,522 | 21.22%      | -532,377          | -0.48%     |
| Long-term borrowings                                       | 30,751,726         | 5.42%       | 33,597,907  | 6.39%       | -2,846,181        | -8.47%     |
| Financial liabilities at fair value through profit or loss | 5,860,112          | 1.03%       | 10,012,227  | 1.90%       | -4,152,115        | -41.47%    |
| Placements from banks and other financial institutions     | 2,941,219          | 0.52%       | 3,009,828   | 0.57%       | -68,609           | -2.28%     |
| <b>Total liabilities</b>                                   | <b>567,170,363</b> |             | 525,947,039 |             | 41,223,324        | 7.84%      |
| <b>Total equity</b>  | <b>177,754,786</b> |             | 168,126,312 |             | 9,628,474         | 5.73%      |

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

As of 31 December 2021, the total assets of the Group amounted to RMB744,925 million, representing an increase of RMB50,852 million or 7.33% as compared to the end of 2020, and the total liabilities of the Group amounted to RMB567,170 million, representing an increase of RMB41,223 million or 7.84% as compared to the end of 2020.

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As of 31 December 2021, the non-current assets amounted to RMB157,943 million, representing an increase of 14.27% as compared to the end of 2020, mainly due to the increase of purchase of debt instruments at fair value through other comprehensive income; the current assets amounted to RMB586,982 million, representing an increase of 5.60% as compared to the end of 2020, mainly due to the increase of bank balances and cash. The current liabilities of the Group were RMB401,514 million, representing an increase of 12.49% as compared to the end of 2020, mainly due to an increase in financial assets sold under repurchase agreements. The net current assets of the Group were RMB185,468 million, representing a decrease of 6.76% as compared to the end of 2020. The non-current liabilities of the Group were RMB165,657 million, representing a decrease of 1.98% as compared to the end of 2020, mainly due to the decrease of long-term borrowings.

As of 31 December 2021, the Group's equity attributable to owners of the Company was RMB163,138 million, representing an increase of RMB9,689 million or 6.31% as compared to the end of 2020; excluding the influencing of accounts payable to brokerage customers, the Group's gearing ratio was 71.41%, representing an increase of 0.11 percentage point as compared to 71.30% as at the end of 2020. The Group's asset-liability structure remained relatively stable.

### *Borrowings and bond investment*

As of 31 December 2021, the total borrowings and bond financing of the Group amounted to RMB267,727 million. The following table sets forth the breakdown of the Group's borrowings and bond financing as at the end of 2021:

*Unit: '000    Currency: RMB*

|                                     | <b>31 December<br/>2021</b> | 31 December<br>2020 |
|-------------------------------------|-----------------------------|---------------------|
| Bonds payables                      | <b>163,586,070</b>          | 147,838,210         |
| Borrowings                          | <b>79,154,061</b>           | 92,730,557          |
| Short-term financing bills payables | <b>24,986,688</b>           | 25,718,523          |
| <b>Total</b>                        | <b>267,726,819</b>          | 266,287,290         |

For the interest rates and maturities of the borrowings and debt financing, please refer to Notes 47, 48 and 49 set out in the appended financial report.

As at 31 December 2021, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB125,903 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB185,468 million. Therefore, liquidity risk exposure of the Group was immaterial. Except the liabilities disclosed in this report, as at 31 December 2021, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and financial leasing commitment, guarantee or other material contingent liabilities.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### (II) Analysis of industry business information

For details, please refer to the relevant contents in “Section III Report of the Board of Directors” in this Report.

### (III) Analysis of investment

#### *General analysis on external equity investments*

At the end of the Reporting Period, the Group’s long-term equity investment was RMB6,454 million, representing an increase of RMB2,026 million and 45.75% as compared to the end of last year (RMB4,428 million). For long-term equity investment, please refer to Note 25 to the Consolidated Financial Statements of this Report.

#### *1. Material equity investment*

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

#### *2. Material non-equity investment*

During the Reporting Period, the Company had no material non-equity investment.

#### *3. Financial assets measured at fair value*

The financial assets measured at fair value of the Group is mainly consist of financial assets at fair value through profit or loss of RMB220,410 million, financial liabilities at fair value through profit or loss of RMB16,316 million, equity instruments at fair value through other comprehensive income of RMB10,247 million, debt instruments at fair value through other comprehensive income of RMB37,053 million, and derivative financial instruments of RMB-464 million.

#### *4. Specific progress on the restructuring and integration of material assets during the Reporting Period*

During the Reporting Period, the Company had no material restructuring and integration of assets.

### (IV) Material assets and equity disposal

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

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

1. Haitong Innovation Securities, with a registered capital of RMB11,500 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of Haitong Innovation Securities reached RMB20,445 million, and the net asset was RMB19,783 million. In 2021, Haitong Innovation Securities realised an operating income of RMB2,172 million with a net profit of RMB1,683 million.
2. Haitong International Holdings, with a registered capital of HK\$11,180 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of Haitong International Holdings reached HK\$281,343 million, and the net asset was HK\$39,066 million. In 2021, Haitong International Holdings realised a revenue of HK\$10,853 million with a net profit of HK\$1,016 million.
3. Haitong Capital, with a registered capital of RMB7,500 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of Haitong Capital reached RMB13,203 million, and the net asset was RMB10,995 million. In 2021, Haitong Capital realised an operating income of RMB4,138 million with a net profit of RMB2,553 million.
4. HT Asset Management, with a registered capital of RMB2,200 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of HT Asset Management reached RMB8,087 million, and the net asset was RMB5,052 million. In 2021, HT Asset Management realised an operating income of RMB1,713 million with a net profit of RMB698 million.
5. Shanghai Zechun, with a registered capital of RMB100 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of Shanghai Zechun reached RMB474 million, and the net asset was RMB188 million. In 2021, Shanghai Zechun realised an operating income of RMB86 million with a net profit of RMB52 million.
6. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities holds 100% equity interest. As at 31 December 2021, the total assets of Shanghai Weitai Properties reached RMB216 million, and the net asset was RMB10 million. In 2021, Shanghai Weitai Properties realised an operating income of RMB64 million with a net profit of RMB32.2 thousand.
7. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities holds 67% equity interest. As at 31 December 2021, the total assets of Haitong-Fortis PE reached RMB309 million, and the net asset was RMB228 million. In 2021, Haitong-Fortis PE realised an operating income of RMB149 million with a net profit of RMB55 million.
8. Haitong Futures, with a registered capital of RMB1,301.5 million, in which Haitong Securities holds 66.667% equity interest. As at 31 December 2021, the total assets of Haitong Futures reached RMB56,234 million, and the net asset was RMB3,241 million. In 2021, Haitong Futures realised an operating income of RMB7,003 million with a net profit of RMB403 million.

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9. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities holds 51% equity interest. As at 31 December 2021, the total assets of HFT Investment reached RMB3,554 million, and the net asset was RMB2,046 million. In 2021, HFT Investment realised an operating income of RMB1,638 million with a net profit of RMB530 million.
10. Fullgoal Fund, with a registered capital of RMB520 million, in which Haitong Securities holds 27.775% equity interest. As at 31 December 2021, the total assets of Fullgoal Fund reached RMB12,646 million, and the net asset was RMB7,049 million. In 2021, Fullgoal Fund realised an operating income of RMB8,306 million with a net profit of RMB2,564 million.

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

The Company has recognised and included 64 structured entities (which are managed by the Company's subsidiaries) in its consolidated financial statements, considering the variable returns from such structured entities to which the Company is entitled in the consolidated financial statements or the risks to which the Company is exposed.

### (VII) Use of proceeds

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

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

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



## SECTION III REPORT OF THE BOARD OF DIRECTORS

- (4) an amount of no more than RMB2.0 billion will be used to increase capital injection to investment banking business and promote development of investment banking business;
- (5) an amount of no more than RMB0.5 billion will be used to replenish working capital.

As of the end of the Reporting Period, the net proceeds were fully utilized, in which, an amount of RMB6.0 billion was used for the development of capital-based intermediary business, RMB10.0 billion was used for FICC investment, RMB1.5 billion was used for information system construction, RMB2.0 billion was used for capital injection to investment banking business, and approximately RMB0.34 billion was used for replenishment of working capital.

### (VIII) Others

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

During the Reporting Period, the Company has not established new securities branch and discontinued one securities branch; as at the end of the Reporting Period, the Company had 29 securities branch offices and 301 securities branches (please refer to Appendix II in this Report for details).

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

During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively prevented non-standard accounts by standardising the processes and enhancing supervision, review, etc. The Company also made further clean-up of unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been put in separated reserve category. During the Reporting Period, the Company has totally cleaned up 73 unqualified capital accounts (including 47 unqualified cash-only accounts), 1,070 small-amount-dormant capital accounts (including 113 cash-only small-amount-dormant accounts), and 195 dormant accounts without risk management. As at 31 December 2021, the Company still had 25,752 unqualified capital accounts (including 22,817 unqualified cash-only capital accounts), 1,538,376 small-amount-dormant capital accounts (including 444,986 cash only small-amount-dormant capital accounts) and 97,028 dormant capital accounts without risk management.

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

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

- (1) The Company actively promoted the innovations advocated by the regulatory authorities. In 2021, the Company became one of the first batch of members of Beijing Stock Exchange and obtained the qualification as one of the first batch of institutions for establishment of a credit-protected bond pledge-type repurchase business launched by China Securities Depository and Clearing Corporation Limited; its shareholding subsidiary, Fullgoal Fund, obtained the qualification for pilot in fund

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investment advisory business and the qualification for infrastructure public REITs innovative business; its subsidiary, Haitong International Securities, was approved to become a clearing member of the securities and derivatives market of Singapore Exchange (SGX) and the depository agent of The Central Depository (Pte) Limited (CDP) of SGX, becoming the first Chinese financial institution to obtain the full membership of SGX.

- (2) The Company insisted on business innovation and continued to provide industry-leading business solutions to our customers. The Company continued to build its investment banking and sponsoring brand advantages in such fields as integrated circuits, biomedicine and intelligent manufacturing, and completed the A-share listing project of ACM Research (Shanghai), Inc., the first US-stock spin-off subsidiary to pass the review for listing on Sci-Tech Innovation Board, and the first project of CIMC Vehicles which sought A-share listing as an H-share listing company under the registration-based IPO system on ChiNext. The Company won the first prize in Shanghai Financial Innovation Achievements Award for the year 2020 for the SMIC project. The Company continued to maintain the vitality of bond business innovation and created many first-of-its-kind and benchmark projects in the bond market, including the first RMB bond of China (Shanghai) Pilot Free Trade Zone for Shanghai enterprises, the first RMB bond of China (Shanghai) Pilot Free Trade Zone jointly underwritten by Chinese and foreign investors, the first carbon neutrality bond on the Shenzhen Stock Exchange, the first carbon neutrality bond on the Shanghai Stock Exchange, and the first batch of technology innovation corporate bonds; participated in launching and managing the funds for transformation of scientific and technological achievements of Yangtze River Delta G60 Science and Technology Innovation Corridor and the first national media industry fund “Total Media Integration Industry Development Fund”; its subsidiary HFT Investment established the first carbon neutrality thematic fund in China; and its subsidiary Haitong Bank, Macau Branch was officially opened.
- (3) The Company accelerated independent innovation to enhance management efficiency with science and technology. By following the technology-based guiding principle of “unified management, independence and controllability, integrated business and leading development”, and driven by “technology + data + scenario”, the Company leveraged big data, artificial intelligence, cloud computation and other technologies to improve the technology support and technology leading functions and made efforts to build a number of independent brand technology products with market influence, including the Company’s business platforms such as e-Haitong Cai (e海通財) and ShareEBoook (e海方舟) and other management platforms such as e-Haitong Zhishu (e海智數) and e-Haitong Zhihe (e海智核). For its self-developed intelligent review and regeneration platform of standard working text for investment banks, the Company won the second prize of 2020 Financial Technology Development Award jointly selected by the People’s Bank of China and CSRC.

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

#### (I) Industry layout and trend

Given the unprecedented importance given to capital market, the long-term trend of transforming from an indirect financing-oriented model to a direct financing-oriented model and the increasing demand for cross-border investment and financing, and under the new development of domestic and international dual circulation, assets accumulated by enterprises and wealth accumulated by residents under the phase of high-quality economic growth will provide huge potential for the development of the capital market and the securities companies. On the one hand, alongside the shaping of the capital market by the formal implementation of the new Securities Law, the probably comprehensive implementation of the stock issuance registration system for listed companies based on the successful pilot of Sci-Tech Innovation Board and the ChiNext, and establishment and opening of Beijing Stock Exchange, which continuously pushed the comprehensive in-depth reform of the capital market at various levels, the Company's business segments including the general brokerage, general investment banking, general asset management, private equity investments, alternative investments and cross-border business will usher in new development opportunities. On the other hand, driven by the continuous advancement of industry regulation in the direction of "system development, non-intervention, and zero tolerance", enhanced opening up of the industry, and the implementation of new regulations on asset management, the profit generation fundamentals and the industry ecology in the securities industry development has undergone profound changes, and the characteristic of industry competition emphasizing specialization and differentiation will become more prominent.

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

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### (II) Development strategy of the Company

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

### (III) Business plan

In 2022, under the guidance of overall development strategy, the Company will adhere to the general work tone of seeking improvement in stability, accurately grasp the new development stage, fully, accurately and comprehensively implement the new development concept, serve the building of a new development pattern, and build an ecosystem serving the growth and development of science and innovation enterprises through the multi-level capital market, so as to become a think tank for the government's policy, a brain trust for the reform of state-owned enterprises, an assistant for regional development and a driver for the growth of enterprises; focus on grasping the trend variables in such aspects as "carbon peaking and carbon neutrality" goals, digital economy, science and technology innovation finance, green finance, cross-border finance, wealth and asset management, and build new advantages in high-quality development by vigorously serving the major national strategies, regional development strategies and major tasks of Shanghai city, and grasping the opportunities from industrial transformation and upgrading, and promotion of common prosperity.

According to the general requirements for the Group's operation in 2022, the Group will focus on the following key tasks: for the general investment banking business line, the Group will continue to strengthen the building of industry expert teams, capital market teams and sales teams, consolidate industry advantages, build industrial investment banks and accelerate the integration of investment banking; for the wealth management line, the Group will focus on trading, margin financing and securities lending, and product sales, expand small and medium investors, serve licensed institutions, private placement agencies and corporate clients, make layouts for family trusts and private banking clients, and achieve comprehensive empowerment of research, products and financial technology; for the research line, the Group will further strengthen its internal empowerment while continuing to enhance its services to external institutions; for the asset management line, the Group will strive hard to create professional brands of each subsidiary of asset management business and build new advantages in asset management development by pushing the product innovation and market expansion and enhancing active management ability and active management scale; the overseas subsidiaries should think about the position of their future development, strengthen domestic policy research and cross-border synergy of the Group, and provide domestic enterprises with comprehensive cross-border financial solutions such as overseas financing, listing and cross-border investment;

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for the leasing business, the Group will gradually seek transformation from financing to leasing-assets based on main businesses. Meanwhile, the Group will also go all out to improve the level of technology empowerment, comprehensively and systematically strengthen the compliance and risk control capability, further improve the capability of treasury management, and promote the construction of corporate culture and upright practice culture in depth, with a view to promoting the high-quality development of the industry with its own high-quality development.

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

#### 1. Summary of risk management

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

According to the Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other regulatory requirements and internal rules, the Company continued to improve the establishment of its comprehensive risk management system, strengthened the consolidated management of risk control indicators, improved the Group's T+1 risk data mart, and promoted the vertical development of the comprehensive risk management system of the Group in terms of full coverage, monitoring, measurement, analysis and risk-response ability. The Company built a clearly arranged risk management structure covering various types of risks, different business lines and all departments/branches/subsidiaries, constantly revamped various risk management processes including risk identification, assessment, measurement, monitoring, reporting and response, regulated various business processes and enhanced advance prevention, in-process monitoring and follow-up inspection and handling as to risks. The Company established a three-level risk control indicator system covering supervision indicators, risk tolerance and risk limit indicators as well as business risk control indicators, realized dynamic monitoring and automatic warning through the system, and conducted stress tests to assess extreme risks. In the meanwhile, with the framework of same business and same client management, the Company established a group risk limit system, conducting daily monitoring by separating each department and subsidiary. The Company measured market risks, credit risks and liquidity risks, established a model management mechanism and procedure, and carried out ongoing assessments and validations of the model. The Company included the risks of its subsidiaries into the scope of reports and regularly prepared daily reports, monthly reports, quarterly reports, interim/annual reports on the risks of the Group, and prepared special reports on significant risk events. The Company chose proper countermeasures according to risk assessment and warning results, and established an effective response mechanism as well as operational contingency plans. In addition, the Company provided guarantee and support for comprehensive risk management through measures including cultural advocacy, construction of systems, data and systems, the establishment of the talent team and investment in risk management.



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### 2. *Structure of Risk Management*

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

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

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

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

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

## SECTION III REPORT OF THE BOARD OF DIRECTORS

file evaluation reports to the management, the Board and regulatory authorities, as well as organize the nomination and assessment for the persons in charge of risk management in subsidiaries.

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

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

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

All subsidiaries operate in a standardized way and in accordance with the law. The Company integrates the risk management of subsidiaries into its overall risk management system through various mechanisms. The Company has effectively implemented vertical risk management for subsidiaries in terms of nomination of subsidiaries' persons in charge of risk management, risk limit and report, approval of major issues, data connection, consolidation of risk control indicators, supervision and inspection, evaluation and assessment, etc.



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

The risks faced by the Company in business operation activities mainly include: compliance risk, money laundering and terrorism financing risk, credit risk, market risk, operational risk, liquidity risk and reputation risk, which are detailed as follows:

#### (1). *Compliance risk*

The “compliance risks” mentioned in the Management Measures for the Compliance of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) refer to circumstances where the securities firms may be subject to legal liabilities or regulatory penalties, disciplinary actions, or incur property loss or reputation damage due to failure to comply with laws, regulations and rules due to the securities fund management company or its staff’s poor management or malpractices.

In accordance with the regulatory requirements of compliance management and in combination with the actual situation of the Company, the Company has established a scientifically reasonable organisational structure of compliance management and clear-cut job responsibilities to define the compliance management positions of the following persons, including the Board of Directors, the Supervisory Committee, the principal in charge of operation management, general compliance officer and other senior management, and the compliance department, other internal control departments, the subordinate units of the Company (including all departments, branches and subsidiaries) have well-defined roles and responsibilities, coordination and interaction. The Company has formulated the Management Measures for the Compliance of Haitong Securities Co., Ltd. (《海通證券股份有限公司合規管理辦法》) and relevant supporting compliance management systems, built a compliance management team, ensured strict compliance management for each business line, and made efforts to secure full implementation of various compliance systems, mechanisms and procedures through prior review, in-process monitoring, post-event examination, assessment and application of accountability. At the same time, many measures were launched for policy transmission and promotion of compliance in a bid to foster the business environment of “Full Compliance and Active Compliance”.

During the Reporting Period, the Company further reinforced the compliance management work including process from prior review to in-process monitoring and then post-event examination, assessment and application of accountability, incessantly optimized various mechanisms of compliance management and kept increasing the compliance management level of the Group. The Company also facilitated the completion of the “group compliance central control room system” to improve the information barrier and conflicts of interest management mechanism. Meanwhile, the Company vigorously carried out training on compliance culture to propagate the bottom-line rules and requirements in a comprehensive manner.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### (2). *Money laundering and terrorism financing risk*

The Guidelines for the Management of Money Laundering and Terrorism Financing Risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》) sets out specific requirements for the management of money laundering, terrorism financing and proliferation financing risks. The risk of money laundering, terrorism financing and proliferation financing faced by the Company refers to the possibility that the Company's products or services are used by lawbreakers to carry out money laundering, terrorism financing and proliferation financing activities.

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

During the Reporting Period, the Company upgraded the anti-money laundering V8 system, and further improved system functions and optimized system monitoring models. The Company further conducted customer data management, and supervised all business lines on improving risk control measures for businesses with higher risks and implemented the evaluation results of money laundering risk. Meanwhile, the Company progressively researched and explored the application of new technologies and big data technology in anti-money laundering to further enhance the predictive capability of the models.

### (3). *Credit risk*

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

#### **A. Risks relating to self-owned monetary funds deposited in other financial institutions and securities brokerage business.**

Monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, while the clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited. Such cash and cash equivalents are facing relatively low credit risks. In terms of securities brokerage business, trading is settled under gross margin to effectively avoid relevant credit risks.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### **B. Risks relating to trading finance business**

The Group's trading finance business mainly includes: margin financing and securities lending, stock pledged repurchase, margin trading, stock repurchase transaction, etc. The relevant involved companies mainly manage and control the credit risk through formulating and implementing various strict systems and measures on due diligence, internal credit rating, project evaluation, credit approval management, daily mark-to-market, limit monitoring, post-lending tracking, credit enhancement, liquidation execution, judicial recourse and provision making. During the Reporting Period, the relevant entities of the Group continued to strengthen the credit and concentration management system, dynamically optimized the credit rating and secured securities discount rate models for specific customer groups, actively adjusted assets portfolio and structure and promoted the risk mitigation procedures.

### **C. Risks relating to debenture transaction and investment business**

The Group emphasises diversified investment to control concentration risk. Investment subjects are mostly high credit rating assets. In credit risk management, the Group also keeps a close track of the operating conditions and credit rating changes of investment subjects, implements internal rating and standard credit management mechanism, and identifies and supplements credit risk monitoring indicators such as debt issuers, industries and geographic concentration. During the post-investment monitoring process, the Group updates the internal rating of debt issuer and credit limit indexes in a timely manner in accordance with the changes in financial indicators, significant risk events and negative public opinion, etc., and dynamically adjusts trading strategies.

### **D. Risks relating to financial leasing business**

In terms of conducting financial leasing business to support the development of the real economy, the Group develops credit risk management policies according to the industry and customers equally-focused strategy. In terms of industrial credit risk management, the Group dynamically tracks and assesses those risks according to the prosperity of the industry where financial leasing customers are operating, and correspondingly formulates relevant industry investment policies to control industry concentration risks. In terms of customer credit risk management and control, the Group mainly manages and controls customer credit risk through due diligence, internal rating, credit review, post-loan asset inspection, risk early warning and monitoring, and concentration limit control and other measures.

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### **E. Risks relating to short-term intra-industry borrowing business such as bond repurchase, and OTC derivatives business**

As for the short-term intra-industry borrowing business such as bond repurchase, the Group carefully selects the counterparties with good credit standing and secured securities with high credit rating through access and credit granting management from counterparties, so as to control the level of credit risk from the source. In terms of OTC derivatives business, the Group establishes a sound regulation system and procedure covering areas including counterparties access and credit rating management, subject securities management, risk responses and handling and conducts daily market-to-market evaluation throughout the term of OTC derivative transaction and manages counterparty credit risk by fully adopting measures such as net settlement and performance guarantee. The Group's counterparties of short-term interbank borrowing and OTC derivatives businesses are mainly commercial banks, securities companies, asset management plans and other entities. The Group selects appropriate business models, carefully and strictly controls the business scale and adopts appropriate risk control measures during the operations of the aforesaid businesses. Meanwhile, the Group pays attention to the correlation between credit risk and market risk, and adopts necessary monitoring and countermeasures for credit risks in the context of market fluctuations, including but not limited to transaction margin arrangement, internal rating and credit management of counterparties, future potential risk exposure measurement, wrong-way risk identification, etc.

The Group continued to improve its credit risk management system in accordance with industry regulatory policies, the capital market environment and the Group's business development strategy. During the Reporting Period, the Group comprehensively implemented credit risk identification, assessment, measurement, monitoring, reporting and response work focusing on the same customer and the same business, based on the management measures on credit risk and other systems, including the establishment of a sound credit risk management information system that covers the businesses of its parent and subsidiaries based on the Group's T+1 risk data mart. The Group continued to improve the credit risk limit system in terms of asset quality, risk offset and concentration risk by enhancing its risk identification, measurement and stress testing capabilities, focused on promoting a unified rating and centralised credit management mechanism, built customer relationship mapping, public opinion risk monitoring and high-risk customer control tools supported by financial technologies such as cloud computing, blockchain, big data and artificial intelligence, and strengthened the systematic reporting process of credit business risk assets, thereby achieving effective tracking and monitoring of the Group's overall credit risk profile and the implementation of risk limits. During the Reporting Period, the Group incorporated ESG risk into its credit risk management system, formulated ESG risk management measures and developed ESG risk assessment models, and built a customer ESG risk access and tracking

## SECTION III REPORT OF THE BOARD OF DIRECTORS

and monitoring mechanism based on customer ESG due diligence and ESG risk assessment. During the Reporting Period, the Group's core credit risk monitoring indicators operated smoothly, so the overall credit risk was manageable. For three types of financing business, the Company actively optimized the business structure, carefully assessed new projects, and enhanced the tracking, monitoring and management of existing projects. It strengthened the debt collection efforts of existing risky projects and made provision for credit impairment in a prudent and proactive manner, thereby ensuring adequate risk provision. As of the end of the Reporting Period, the average performance guarantee ratio of our customers in margin financing and securities lending business was 282.40%, the average performance guarantee ratio of our customers in securities repurchase transaction business was 217.95%, and the average performance guarantee ratio of our customers in stock pledged repo business operated was 293.14%. The collaterals provided by the lenders were sufficient, and the overall credit risk was under sound control.

### *(4). Market risks*

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

#### **A. Stock price risk**

Stock price risk mainly refers to the risk of changes in the market prices of the equity securities invested by the Group which could bring loss to the Group. The businesses with such risk mainly include equity securities proprietary business, market-making business and OTC derivatives business, etc. With high uncertainties, stock price risk is one of the major market risks that the Group faces. The Group closely monitors the price fluctuation of relevant assets and has adopted relevant preventive measures, which means that, it monitors and controls those risks through tracking any variation in investment scale and value-at-risk (VaR) of securities positions on a daily basis. By implementing diversified investment strategies, the Group properly controlled and timely adjusted total investment amounts of various securities, and managed the market risk effectively by combining the use of various hedging instruments.

#### **B. Interest rate risk**

Interest rate risk refers to the risk caused by changes in factors such as the market yield curve or credit spread. The businesses that bear such risks mainly include bond investment business and interest rate derivatives business. The Group managed interest rate risk by employing methods such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, to match the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.

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### C. Exchange rate risk

Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. During the Reporting Period, the Group's international layout continued to improve. Facing the complex and volatile overseas market, the Group took the initiative to reduce the leverage level of overseas assets. The overall scale of foreign currency assets was reduced, and the risk exposure of exchange rate was also reduced accordingly. The Group continued to monitor and study the latest developments in the foreign exchange market, constantly optimised system construction and internal management, took various measures to hedge and mitigate exchange rate risks exposure. The Group focused on matching foreign currency assets and liabilities to reduce the foreign exchange risk exposure. The Group also adopted treatments, for example, hedges of net investment in overseas operations and other means, to smooth the influence of foreign currency exposure on the Group's operating results. As at the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.

Save as the above-mentioned risk factors, overseas investment and transaction businesses conducted by the Group are also exposed to relevant market risks. Fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. During the Reporting Period, under the relevant requirements of the Group's market risk management measures, the Company continuously sped up the implementation of the procedures of market risk identification, assessment, measurement, monitoring, response and reporting at the Group level, and included the investment and transaction businesses of subsidiaries into the overall market risk management system. In terms of investment and transaction businesses conducted by the subsidiaries of the Group, the Group manages and controls those risks by setting and assigning market risk limit indicators such as value-at-risk limit and stop loss limit. Subsidiaries are required to strictly implement such requirements in daily business activities and submit risk reports to the parent company as required. The Group tracks and supervises its subsidiaries on their market risk profile and the implementation of risk limits based on the Group's T+1 risk data mart, the Group's market risk management system, risk reporting and other instruments or means.

The Group measures and controls market risks arising from various investment and transaction businesses through a VaR-based quantitative indicator system for market risks. VaR refers to the maximum possible loss arising from an investment portfolio due to market fluctuations in a specific forward-looking period in the future at a certain level of confidence, which is the main indicator to measure market risks. The specific measurement parameters of the Group's VaR model are confidence level of 95% and forward period of 1 day. The measurement of the model covers various financial assets and derivatives such as equity, interest rates and foreign exchange held



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at the Group level. The Group continuously monitors and evaluates the effectiveness of the VaR model by back testing and other means, and improves the VaR model according to the needs from business development and risk management. In addition, the Group has established a stress test management mechanism as an important supplement to the VaR model. By establishing various historical scenarios and simulation scenarios as well as the corresponding stress test transmission mechanism, the Group can measure the extreme losses that the investment and transaction businesses may face, and assess whether the losses are controlled at an acceptable level. During the Reporting Period, the ratio of the Company's VaR to its net assets at the end of each month and the ratio of the Group's VaR to its net assets both were kept under 0.3% and the market risk was controllable and acceptable.

### (5). *Operational risk*

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

Pursuant to the operational risk management measures, the Company leveraged on various tools (including Risk and Control Self-Assessment, Key Risk Indicators and Loss Data Collection) to carry out the identification, assessment, monitoring, and report of operational risk. The Company conducted annual self-assessment of risk and control within the Group and special self-assessment of risk and control in accordance with the regulatory requirements and the new business development. The Company established the Key Risk Indicators System covering the main departments and units of the Group, and carried out regular collection and monitoring of key risk indicators. The Group conducted Loss Data Collection and monitoring of operational risk within the Group, summarised and analysed relevant information, as well as followed up the progress of risk mitigation measures.

For information technology risks, the Company was continuously strengthening the construction of the information technology management system, continuously improving the network and information security incident emergency plan, monitoring and managing the information technology related conditions of system operation, system establishment, information security, technology management, etc. by carrying out our regular drills, adopting regular or irregular monitoring, special inspections and other methods, to prevent information technology risks. The Company continued to strengthen the construction, operation and maintenance of its information technology systems and conducted regular and irregular inspections and maintenance in strict accordance with the operational management procedures to ensure the reliability, stability and safe operation of the systems, and no major information technology risk events occurred during the Reporting Period.



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### (6). *Liquidity risk*

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

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

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

Furthermore, the Company steadily implemented the requirements on the liquidity risk management for the Group and subsidiaries, and guided by the Group's liquidity risk management measures, the Company developed scientific and effective liquidity risk management strategies as per the business characteristics of each subsidiary, which basically realised the unified management of liquidity risk across the Group. Firstly, with the aim to guide the improvement of subsidiaries' liquidity risk management systems, the Company continued to implement classified management

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of subsidiaries in terms of risk and asset-liability management, etc. on the basis of liquidity risk management, with different requirements proposed from three aspects: organisational system guarantee, risk control framework and risk response measures. Secondly, the Company issued limit management requirements for the subsidiaries based on the liquidity risk indicators and the industry, location and risk features of the subsidiaries, to monitor the liquidity risk actuality of each subsidiary more effectively. Lastly, to strengthen the Group's capability to handle liquidity risks, the Company adopted the Group's liquidity supporting management measures as its general management guiding principle, continuing to improve the support system for the Group's liquidity, safeguarding the Group against any liquidity risks.

During the Reporting Period, facing the change in market environment and internal capital demand, the Company actively planned on the basis of different areas to continuously strengthen the control on liquidity risks via prior risk identification, in-process risk mitigation and post-event improvement. The Company carried out market evaluation, grasped the timing of low interest rates to increase capital reserves through bond issuance and renew all due liabilities in a timely manner, which reduced the likelihood of the occurrence of liquidity risks and ensured its capability of stable operations in a complex market environment. During the Reporting Period, the daily average liquidity coverage ratio of the core liquidity monitoring indicators of the Company was 347.56% while the daily average NSFR was 160.85%, both of which exceed the regulatory requirement and pre-warning standard.

### (7). *Reputation risk*

Reputation risk refers to the risk of negative comments to the Company by investors, issuers, regulators, self-regulatory organizations, the public and the media due to the Company's acts or external events, as well as violations of integrity regulations, professional ethics, business norms, and industry rules and regulations by its employees, which may damage the Company's brand value, adversely affect the normal operation of the Company, and even affect market stability and social stability.

The Company attached great importance to the forward-looking and proactive management of reputation risk, continuously met the requirements of the regulatory authorities on systematic management of reputation risk, strengthened reputation risk monitoring domestically and abroad and established publicity channels in Mainland China and Hong Kong in order to take the initiative in publicity based on the Company's operating results and business development highlights, which can create a favorable public opinion environment for the Company's development. The Company could make correct judgments, respond quickly and take the initiative to respond to a small number of negative public opinions reports. The Company could understand the status and trend of public opinions in a timely manner, maintain healthy communication with mainstream media and provide guidance on public opinions to protect the Company's brand image. In accordance with the Guidelines

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for the Management of Reputation Risk of Securities Companies (《證券公司聲譽風險管理指引》) issued by the Securities Association of China, the Company revised the Management Measures for Reputation Risk of Haitong Securities Co., Ltd., (《海通證券股份有限公司聲譽風險管理辦法》) in time. During the Reporting Period, the Group maintained a healthy environment of public opinions.

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

Regarding compliance and risk control, the Company continued to strengthen the construction of compliance and risk control system and increased relevant investment to provide solid support for compliance and risk control management. The Company's investment in compliance and risk control includes: the investments in personnel, systems and daily operating expenses in connection with compliance and risk control, liquidity risks and reputation risk. In 2021, the Company's total investment in compliance and risk control was RMB674 million.

Regarding investment in information technology, guided by the technological policy of "unified management, independence and control, integrated business and pioneering development", the Company has committed to building a leading technology-based investment banking in PRC with its increasing investment in technology. In 2021, the parent company's total investment in information technology was RMB1,176 million, which was mainly used in construction of Zhangjiang Science and Technology Park, the second phase development of the new core trading system and unified institutional customers services platform; it has continued to strengthen the digital base, empowered the business and management and fully promoted the construction of "Digital Haitong 2.0" (數字海通2.0).

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

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

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

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

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

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

The Company always adheres to the philosophy of sound business and focuses on risk management to maintain a reasonable capital structure. As at the end of the Reporting Period, the net capital of the Company was RMB85,222 million; the net asset was RMB144,509 million; the "net capital/net asset" ratio was 58.97%; the risk coverage ratio was 200.25%; the capital leverage ratio was 22.28%; the liquidity coverage ratio was 259.39% and the net stable funding rate was 157.72%. During the Reporting Period, the operating risks of the Company were controlled at an acceptable level with asset in high quality and standardised business operations, and its risk control indicators were in line with regulatory requirements.

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

In 2021, the Company conducted sensitivity analysis or stress testing on significant events including dividend distribution, capital allocation plans, adjustment in upper limit of business scale, investment banking underwriting projects, etc., and carried out the abovementioned events on the premise that the analysis and testing conclusions met the regulatory requirements. Stress testing has been conducted at the end of each month for all possible extreme cases. In 2021, the Company conducted 32 sensitivity analysis and stress testing on risk control indicators, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company. In addition, the Company also conducted the stress testing on liquidity risks on a monthly basis to ensure that in future the liquidity risk control indicators can meet regulatory requirements at any point in time.

### (VI) Others

#### 1. *Directors' interest in the business competing with the Company*

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

#### 2. *Service contracts of Directors and Supervisors*

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

#### 3. *Directors' and Supervisors' interests in transaction, arrangement or contract of significance*

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

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### **4. Permitted indemnity provision**

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

### **5. Share capital and issuance of shares and securities**

For the information of the Company's share capital and issuance of shares and securities as of 31 December 2021, please refer to "I. CHANGES IN ORDINARY SHARES" and "II. SECURITIES ISSUANCE AND LISTING" in "Section VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS" and "Section IX BONDS" of this Report.

### **6. Equity-linked agreement**

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

### **7. Profit distribution and tax relief plan**

For the profit distribution plan of the Company, please refer to "X. PROPOSAL ON PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUNDS INTO CAPITAL" in "Section IV CORPORATE GOVERNANCE" of this Report.

#### **7.1 Taxation of holders of A Shares**

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



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

### 7.2 *Taxation of holders of H Shares*

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



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

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

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

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

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

### **8. *Management contract***

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

### **9. *Major clients and suppliers***

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high-net-worth individuals and retail customers. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide offshore services and expand its customers' sources. In 2021, revenue generated from top five customers of the Company accounted for 4.54% of the Group's operating revenue. Due to the Company's business nature, the Company has no major suppliers.

### **10. *Reserves and reserves available for profit distribution***

For the changes in reserves and reserves available for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" in the financial statements and Note 61 to the consolidated financial statements of this Report.

### **11. *Pre-emptive right arrangement***

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

### **12. *Sufficiency of public float***

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

### **13. *Particulars about Directors, Supervisors and Senior Management***

Please refer to "IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES" in "Section IV CORPORATE GOVERNANCE" of this Report for details on the composition, changes and the biographical details of Directors, Supervisors and senior management during the Reporting Period.

## SECTION III REPORT OF THE BOARD OF DIRECTORS

### **14. *Contract of significance***

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

### **15. *Share Option Scheme***

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

### **16. *The Company’s environmental policies and performance***

For the Company’s environmental policy and performance, please refer to “Section V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES” of this Report and the 2021 Corporate Social Responsibility Report disclosed by the Company separately on the same date of the 2021 Annual Results Announcement of the Company.

### **17. *Compliance with relevant laws and regulations***

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

### **18. *Review of Annual Results***

The Audit Committee under the Board reviewed the audited financial statements and the annual report of the Company for the year ended 31 December 2021, and did not raise any objections to the accounting policies and practices applied by the Company.

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

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

## SECTION III REPORT OF THE BOARD OF DIRECTORS

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

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

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

☐Applicable ☒Not applicable

## Section IV CORPORATE GOVERNANCE

### I. DESCRIPTION OF CORPORATE GOVERNANCE

#### (I) Overview of Corporate Governance

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

During the Reporting Period, the Company shall strictly comply with the provisions of the Code. The Code provision C.2.1 (previous code provision A.2.1) of the Code provides that (among other things) the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 2 September 2021, Mr. QU Qiuping, an executive Director and general manager of the Company, submitted a resignation report to the Board of Directors of the Company due to a change of employment and tendered his resignation as an executive director, the chairman of the Compliance and Risk Management Committee of the Board of Directors and the general manager of the Company, and the election of a new executive director is subject to the corresponding statutory procedures. The Company held the 19th meeting (extraordinary meeting) of the seventh session of the Board of Directors on 2 September 2021 and considered and passed the Resolution on Delegation of Performance of Duties of the General Manager by the Chairman of the Board of Directors of the Company, agreeing that Mr. ZHOU Jie, Chairman of the Board of Directors and an executive Director, shall perform duties on behalf of the general manager from 2 September 2021 until the appointment of a new general manager. At the 20th meeting of the seventh session of the Board of Directors of the Company held on 28 October 2021, the Resolution on the Appointment of General Manager was considered and approved. Upon nomination by the Chairman, the Board of Directors agreed to appoint the executive Director, Mr. LI Jun as general manager of the Company for a term commencing from 28 October 2021 until the expiry of the term of the Seventh Session of the Board of Directors, and Mr. ZHOU Jie, Chairman of the Board of Directors and an executive Director of the Company, will no longer perform duties on behalf of the general manager of the Company (for details, please refer to the "Changes in Directors" in this section). Save as disclosed above, during the Reporting Period, the Company has strictly complied with all the provisions of the Code and has satisfied the majority of the recommended best practice provisions therein.



## Section IV CORPORATE GOVERNANCE

During the Reporting Period, the Company convened 38 meetings in total, including 2 general meetings, 9 meetings of the Board, 6 meetings of the Supervisory Committee, 2 annual report work meetings of the independent non-executive Directors, 7 meetings of the Audit Committee, 4 meetings of the Nomination, Remuneration and Assessment Committee, 5 meetings of the Development Strategy and Investment Management Committee and 3 meetings of the Compliance and Risk Management Committee.

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

During the Reporting Period, the Company amended the relevant provisions of the Insider Registration System of Haitong Securities Co., Ltd. (hereinafter referred to as the Insider Registration System) in accordance with the Securities Law of the People's Republic of China (effective on 1 March 2020), the Provisions on the Registration and Management System of Insiders Who Have Access to Insider Information of Listed Companies issued by the China Securities Regulatory Commission on 3 February 2021 and other regulatory requirements, and taking into account the actual situation of the Company. The revision mainly updates the definitions of "insider" and "inside information", clarifies the subject of responsibility for the management of the registration of insiders, improves the management requirements for the registration of inside information and adds relevant provisions on the memorandum of progress of material matters. The revised Insider Registration System was considered and approved at the 18th meeting of the seventh session of the Board of Directors of the Company held on 26 August 2021 and became effective on the same day.

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

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

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

- (a) to formulate and review the corporate governance policies and practices of the Company;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company for the compliance with legal and regulatory requirements;



## Section IV CORPORATE GOVERNANCE

- (d) to formulate, review and supervise the code of conduct and compliance manual (if any) of the employees and Directors; and
- (e) to review the Company's compliance with the Code and the disclosure in Corporate Governance Report.

Whether there is material difference between the Company's governance practices and the laws, administrative regulations and the regulations of the CSRC regarding the governance of listed companies or not; if there is any material difference, reasons shall be explained

☐Applicable ☒Not applicable

### II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, STAFF, FINANCE, INSTITUTIONAL SETUP AND BUSINESS, AS WELL AS THE SOLUTIONS, PROGRESS OF WORK AND SUBSEQUENT WORK PLANS THAT AFFECT THE INDEPENDENCE OF THE COMPANY

The equity structure of the Company is relatively scattered. There is no controlling shareholder or de facto controller. The Company is fully independent from the shareholders in terms of business, staff, assets, institutional setup and finance. The Board, the Supervisory Committee and other functional departments of the Company all function independently with independent and complete business and self-operating capabilities.

#### 1. Business Independence

According to the PRC Company Law, the Articles of Association and the business scope approved by the CSRC, the Company legally conducts its businesses independently. The Company has obtained relevant operation permits for securities businesses, by which shapes its independent and complete business structure and the capability to conduct independent operation. The Company's business operation is free of control or influence from its shareholders or related parties and is able to participate in market competition independently. There is no violation of the Company's operational procedures by any shareholder or related party to intervene the Company's internal management or business decision-making.

#### 2. Staff Independence

The Company has an established human resource department with independent and complete labour, personnel and salary administration system. The Company has elected/appointed its Directors, Supervisors and senior management through statutory procedures. None of our senior management holds any position other than positions of director or supervisor at any shareholder or any of the Company's subsidiaries, nor do they hold any position in any enterprise that has the same or similar business with that of the Company. There is no occasion where the Company's shareholders acted beyond the authority of the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointment of Directors, Supervisors, and senior management strictly complies with the PRC Company Law,

## Section IV CORPORATE GOVERNANCE

the PRC Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established comprehensive labour employment, personnel administration, payroll management and social security system, and all employees have signed labour contracts with the Company. The Company has the independent rights to sign labour contracts without interference of any shareholders.

### 3. Assets Independence

The Company owns independent and complete assets necessary to conduct securities business. There is no occasion where any shareholder or related party occupies the Company's assets and infringes the lawful rights of the Company, other shareholders or clients of the Company. The Company independently operates and manages its assets according to law and owns the special operating licenses, properties, operating equipment and trademarks necessary to conduct business.

### 4. Institutional Independence

The Company has established a complete corporate governance structure with the general meeting, the Board, the Supervisory Committee, management and relevant management departments in sound condition and accountable for their own responsibilities. The general meeting, the Board, the Supervisory Committee and the management function well and exercise their respective functions and duties in accordance with the law. The Company has independent and complete securities operation and management system to independently conduct business operation, and its structure and operation of organisation are in compliance with the relevant requirements of the CSRC. The existing offices and premises are separate from our shareholders. There is no mix of corporate structures or direct interference against the operations of the Company by any shareholder.

### 5. Financial Independence

The Company has set up dedicated financial department, with dedicated financial accounting system and financial management system. The Company makes financial decisions in accordance with decision-making procedures. There is no occasion where any shareholder or related party interferes the Company's use of fund. The chief financial officer of the Company is appointed by the Board and works with dedicated financial officers. They have opened separate bank accounts thus no shareholder or related party shares any bank account with the Company. As an independent tax payer, the Company pays various taxes according to financial and taxation rules and regulations.

The controlling shareholder, de facto controller and other entities under their control who are engaged in the same or similar business with the Company, and the intra-industry competition or major changes in the intra-industry competition which have an impact on the Company, as well as solutions, solution progress and follow-up solution plans that have been taken

☐ Applicable    ☒ Not applicable

## Section IV CORPORATE GOVERNANCE

### III. BRIEFING OF THE GENERAL MEETINGS

| Session of the meeting                       | Date of the meeting | Query index of the designated website for resolutions disclosure   | Date of resolutions disclosure         | Resolutions of the meeting                                   |
|--|---------------------|--|--|--|
| 2020 Annual General Meeting                  | 18 June 2021        | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 19 June 2021<br>18 June 2021           | See “Descriptions of the general meetings” below for details |
| The 2021 First Extraordinary General Meeting | 28 September 2021   | <a href="http://www.sse.com.cn">http://www.sse.com.cn</a><br><a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | 29 September 2021<br>28 September 2021 | See “Descriptions of the general meetings” below for details |

*Note:* To inspect the announcements of the resolutions of the meetings above, please visit the HKEX news website of the Hong Kong Stock Exchange on the dates of the meetings, or visit the website of the SSE and the Company’s website or read the China Securities Journal, the Shanghai Securities News, the Securities Times, and the Securities Daily on the dates immediately after the meetings.

The shareholders of preference shares whose voting rights were resumed request to hold an extraordinary general meeting

☐Applicable ☒Not applicable

#### Descriptions of the general meetings

During the Reporting Period, the Company held the 2020 Annual General Meeting at Haitong Securities Building on 18 June 2021, at which eight resolutions were considered and approved, including: 1. the report of the Board of Directors of the Company for the year 2020; 2. the report of the Supervisory Committee of the Company for the year 2020; 3. the annual report of the Company for the year 2020; 4. the final accounts report of the Company for the year 2020; 5. the profit distribution proposal of the Company for the year 2020; 6. the renewal of engagement of auditing firms for the year 2021; 7. the proposal regarding projected routine related party/connected transactions of the Company in 2021; 8. the proposal regarding the grant of general mandate for the board to authorize, allot or issue A shares and/or H shares. Among them, the resolutions numbered 1 to 7 were ordinary resolutions, while the resolution numbered 8 was a special resolution.

The Company held the 2021 First Extraordinary General Meeting at Haitong Securities Building on 28 September 2021, at which one resolution was considered and approved, namely, the resolution regarding the nomination of Mr. Li Jun as an executive director of the Company, which is an ordinary resolution.

The above announcements of the resolutions of the general meetings were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the dates of the meetings, and published on the website of the SSE (<http://www.sse.com.cn>) and in the China Securities Journal, the Shanghai Securities News, the Securities Times, the Securities Daily and the Company’s website on the dates immediately after the meetings.

## Section IV CORPORATE GOVERNANCE

### IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Changes in shareholding and remuneration of current Directors, Supervisors and senior management and those who resigned during the Reporting Period

Unit: Share

| Name                  | Position (Note)   | Gender | Age | Commencement date of tenure | Ending date of tenure | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Changes in the number of shares during the year | Reasons for changes | Total remuneration before tax received from the Company during the Reporting Period (RMB'000) | Whether received remuneration from related party(ies) of the Company or not |
|-----------------------|---|--------|-----|-----------------------------|-----------------------|--|--|---|---------------------|---|---|
| Zhou Jie              | Executive Director, Chairman, Secretary of CPC Party Committee*               | Male   | 54  | 28 October 2016             | 18 June 2022          | 0  | 0  | 0   | -                   | 181.50  | No  |
| Li Jun                | Executive Director, General Manager, Deputy Secretary of CPC Party Committee* | Male   | 52  | 28 September 2021           | 18 June 2022          | 0  | 0  | 0   | -                   | 23.00   | No  |
| Ren Peng              | Executive Director, Deputy General Manager                                    | Male   | 59  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | 207.00  | No  |
| Tu Xuanxuan           | Non-executive Director  | Male   | 48  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | -   | Yes   |
| Zhou Donghui          | Non-executive Director  | Male   | 52  | 18 June 2020                | 18 June 2022          | 0  | 0  | 0   | -                   | -   | No  |
| Yu Liping             | Non-executive Director  | Female | 59  | 8 June 2015                 | 18 June 2022          | 0  | 0  | 0   | -                   | -   | Yes   |
| Xu Jianguo            | Non-executive Director  | Male   | 57  | 18 October 2016             | 18 June 2022          | 0  | 0  | 0   | -                   | -   | No  |
| Zhang Ming            | Independent Non-executive Director  | Male   | 63  | 12 June 2016                | 18 June 2022          | 0  | 0  | 0   | -                   | 29  | Yes   |
| Lam Lee G.            | Independent Non-executive Director  | Male   | 62  | 6 April 2017                | 18 June 2022          | 0  | 0  | 0   | -                   | 20  | Yes   |
| Zhu Hongchao          | Independent Non-executive Director  | Male   | 62  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | 28  | Yes   |
| Zhou Yu               | Independent Non-executive Director  | Male   | 62  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | 29  | No  |
| Qu Qiuping (Resigned) | Executive Director, General Manager, Deputy Secretary of CPC Party Committee* | Male   | 60  | 25 June 2014                | 2 September 2021      | 0  | 0  | 0   | -                   | 207.00  | No  |

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Unit: Share

| Name                  | Position (Note)  | Gender | Age | Commencement date of tenure | Ending date of tenure | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Changes in the number of shares during the year | Reasons for changes | Total remuneration before tax received from the Company during the Reporting Period (RMB0'000) | Whether remuneration from related party(ies) of the Company or not |
|-----------------------|--|--------|-----|-----------------------------|-----------------------|--|--|---|---------------------|--|--|
| Zhao Yonggang         | Vice Chairman of the Supervisory Committee, Employee Representative Supervisor, Deputy Secretary of CPC Party Committee* | Male   | 49  | 11 June 2021                | 18 June 2022          | 0  | 0  | 0   | -                   | 44.98  | No   |
| Shi Xu                | Employee Representative Supervisor   | Male   | 49  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | 273.64   | No   |
| Wu Xiangyang          | Employee Representative Supervisor   | Male   | 55  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | 184.63   | No   |
| Ruan Feng             | Supervisor   | Male   | 53  | 20 October 2020             | 18 June 2022          | 0  | 0  | 0   | -                   | -  | Yes  |
| Li Zhenghao           | Supervisor   | Male   | 46  | 18 June 2020                | 18 June 2022          | 0  | 0  | 0   | -                   | -  | No   |
| Cao Yijian            | Supervisor   | Male   | 45  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | -  | No   |
| Dong Xiaochun         | Supervisor   | Male   | 57  | 20 October 2020             | 18 June 2022          | 0  | 0  | 0   | -                   | -  | Yes  |
| Dai Li                | Supervisor   | Female | 48  | 18 June 2019                | 18 June 2022          | 0  | 0  | 0   | -                   | -  | No   |
| Wu Hongwei (Resigned) | Vice Chairman of the Supervisory Committee, Employee Representative Supervisor, Deputy Secretary of CPC Party Committee* | Male   | 55  | 15 December 2017            | 11 June 2021          | 0  | 0  | 0   | -                   | 89.11  | No   |
| Pei Changjiang        | Deputy General Manager   | Male   | 56  | 22 August 2013              | 18 June 2022          | 0  | 0  | 0   | -                   | 202.40   | No   |
| Mao Yuxing            | Deputy General Manager, Chief Information Officer  | Male   | 50  | 25 February 2019            | 18 June 2022          | 0  | 0  | 0   | -                   | 121.44   | No   |
| Li Haichao            | Deputy General Manager, Chief Compliance Officer   | Male   | 53  | 3 March 2022                | 18 June 2022          | 0  | 0  | 0   | -                   | -  | No   |
| Chen Chungqian        | Assistant to the General Manager   | Male   | 58  | 14 March 2012               | 18 June 2022          | 0  | 0  | 0   | -                   | 602.22   | No   |

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Unit: Share

| Name                   | Position (Note)  | Gender | Age | Commencement date of tenure | Ending date of tenure | Number of shares held at the beginning of the year | Number of shares held at the end of the year | Changes in the number of shares during the year | Reasons for changes | Total remuneration before tax received from the Company during the Reporting Period (RMB'000) | Whether received remuneration from related party(ies) of the Company or not |
|------------------------|--|--------|-----|-----------------------------|-----------------------|--|--|---|---------------------|---|---|
| Zhang Xiangyang        | Assistant to the General Manager                         | Male   | 56  | 30 December 2014            | 18 June 2022          | 0  | 0  | 0   | -                   | -   | No  |
| Li Jianguo             | Assistant to the General Manager                         | Male   | 58  | 22 October 2008             | 18 June 2022          | 0  | 0  | 0   | -                   | -   | No  |
| Lin Yong               | Assistant to the General Manager                         | Male   | 52  | 30 December 2014            | 18 June 2022          | 0  | 0  | 0   | -                   | -   | No  |
| Jiang Chengjun         | Assistant to the General Manager, Secretary to the Board | Male   | 53  | 29 March 2017               | 18 June 2022          | 0  | 0  | 0   | -                   | 549.68  | No  |
| Du Hongbo              | Chief Risk Officer                                       | Male   | 58  | 12 May 2017                 | 18 June 2022          | 0  | 0  | 0   | -                   | 485.57  | No  |
| Pan Guangtao           | Assistant to the General Manager                         | Male   | 50  | 12 May 2017                 | 18 June 2022          | 0  | 0  | 0   | -                   | 548.72  | No  |
| Zhang Xinjun           | Chief Financial Officer                                  | Male   | 46  | 27 March 2018               | 18 June 2022          | 0  | 0  | 0   | -                   | 485.57  | No  |
| Wang Jianye (Resigned) | Chief Compliance Officer                                 | Male   | 61  | 12 July 2010                | 3 March 2022          | 0  | 0  | 0   | -                   | 560.22  | No  |
| Total                  | /  | /      | /   | /                           | /                     | /  | /  | /   | /                   | 4,872.68  | /   |

## Notes:

- When there are multiple positions in the position column, only the tenure of the first position is provided. For Directors, Supervisors and senior management who have been re-elected, the commencement date of their tenure is the date of their first election/appointment. For details on the tenure period of Mr. Zhou Jie as Secretary of CPC Party Committee, Mr. Li Jun as Deputy Secretary of CPC Party Committee, Mr. Qu Qiuping as Deputy Secretary of CPC Party Committee, Mr. Zhao Yonggang as Deputy Secretary of CPC Party Committee and Mr. Wu Hongwei as Deputy Secretary of CPC Party Committee, please see their respective biographical details below. As shown in the above table, Mr. Zhou Jie has served as an Executive Director, and the commencement date of such position is 18 October 2016; Mr. Ren Peng has served as a deputy general manager, and the commencement date of such position is 24 November 1997; and Mr. Mao Yuxing has served as the chief information officer, and the commencement date of such position is 19 September 2016.

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2. The total amount of the remuneration above did not include the remuneration senior management received from subsidiaries. In particular, Mr. Li Jianguo, assistant to the general manager of the Company, received remuneration of RMB3.774 million from Haitong International Holdings; Mr. Lin Yong, assistant to the general manager of the Company, received remuneration of RMB7.6462 million from Haitong International Securities; Mr. Zhang Xiangyang, assistant to the general manager of the Company, received remuneration of RMB7.6974 million from Haitong Capital. The remuneration received in foreign currencies was translated based on the mid-point exchange rate of Renminbi for Inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Centre on 31 December 2021.
3. The total amount of remuneration before tax received by the Directors, Supervisors and senior management above from the Company during the Reporting Period included performance bonus, tenure incentives and medium- and long-term incentives attributable to the previous years deferred in 2021.
4. The total amount of remuneration before tax disclosed in the annual report was the remuneration received by the Directors, Supervisors and senior management from the Company during their terms of office as Directors, Supervisors and senior management. The remuneration received during their terms of office not as Directors, Supervisors and senior management was excluded.



## Section IV CORPORATE GOVERNANCE

| Name                          | Major Work Experience   |
|-------------------------------|---|
| <b>Executive Director (3)</b> |   |
| Zhou Jie<br>(周杰)              | <p>Born in 1967, a holder of master's degree in engineering. Mr. Zhou has served as the executive Director since 23 September 2016, chairman of the Board since 28 October 2016, and secretary of CPC Party Committee of the Company since July 2016. Mr. Zhou has concurrently served as the director of the Assets and Liabilities Allocation Committee of the Company. From February 1992 to June 1996, Mr. Zhou worked in the Investment Banking Department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served successively as the manager of the Investment Department, vice general manager, and chairman of the Board of Directors and general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted successively as the executive director and vice chief executive officer, executive director and executive vice president, vice chairman of the board of directors and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served successively as the chief planning officer, executive director and vice president, executive director and executive vice president, and president and deputy secretary of CPC Party Committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the Supervisory Committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the SSE under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the Chairman of the Board of Directors and Secretary of CPC Party Committee from June 2012 to June 2013 and from May 2016 to July 2016. He was a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00981) from January 2009 to November 2021. Mr. Zhou has been a supervisor, chairman of the remuneration committee of Shanghai Stock Exchange, since 2016; representative of Shanghai People's Congress; vice chairman of Shanghai Financial Association (上海金融業聯合會), and an arbitrator of Shanghai Arbitration Commission (上海仲裁委員會) since 2017; a member director and vice chairman of the Securities Association of China (中國證券業協會) since 2021.</p> |

## Section IV CORPORATE GOVERNANCE

| Name           | Major Work Experience   |
|----------------|---|
| Li Jun<br>(李軍) | <p>Born in 1969, a holder of master's degrees in business administration and public administration and management. Mr. Li has served as the deputy secretary of CPC Party Committee of the Company since August 2021, an executive Director since 28 September 2021, and general manager of the Company since 28 October 2021. Mr. Li worked in the Shanghai Branch of China Pacific Insurance Co., Ltd. (中國太平洋保險公司) from July 1992 to February 2001, successively served as a section member, the deputy section chief, section chief of the import division of the overseas business department, section chief of the export division of the transportation insurance department and section chief of business division I of import and export department. He worked in China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司) from March 2001 to January 2003, and successively served as section chief of the office secretary division, deputy general manager of the Pudong sub-branch (in charge of the work), deputy secretary and secretary of the CPC Party branch. From January 2003 to May 2014, he worked in Shanghai Financial Services Office (上海市金融服務辦公室), and successively served as an officer, senior section member of the institution division, deputy director of the institution division II, director of the financial institution division II, and director of the local financial management division. From December 2013 to May 2014, he served as the deputy secretary-general of the management committee of China (Shanghai) Free Trade Zone (中國（上海）自由貿易試驗區管委會) (on temporary position). From May 2014 to September 2014, he served as the deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone. From September 2014 to November 2018, he served as the deputy director of the Shanghai Financial Services Office (上海市金融服務辦公室). From November 2018 to August 2021, he served as the deputy director of the Shanghai Municipal Financial Regulatory Bureau (上海市地方金融監督管理局) and deputy director of the Shanghai Financial Affairs Bureau (上海市金融工作局). Mr. Li has served as member representative of council, chairman of the Members' Self-Discipline and Management Committee (理事會會員自律管理委員會) and member representative of ChiNext Market Stock Issuance Standardization Committee (創業板股票發行規範委員會) of Shenzhen Stock Exchange (深交所). Mr. Li served as the chairman of the supervisory committee of the Listed Companies Association of Shanghai (上海上市公司協會) and the director of international cooperation committee of the Securities Association of China (中國證券業協會) since January 2022. Mr. Li has served as the chairman of the board and non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665).</p> |

## Section IV CORPORATE GOVERNANCE

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

## Section IV CORPORATE GOVERNANCE

| Name                              | Major Work Experience  |
|-----------------------------------|--|
| <b>Non-executive Director (4)</b> |  |
| Tu Xuanxuan<br>(屠旋旋)              | <p>Born in 1973, a holder of bachelor's degree in economics, and an economist. Mr. Tu has been a non-executive Director since 18 June 2019. Mr. Tu has served as a general manager of the capital operation department of Shanghai Guosheng (Group) Co., Ltd. (上海國盛（集團）有限公司) since March 2020. Mr. Tu worked in the Bank of China, Shanghai Branch from July 1993 to March 2001 and in Shanghai Office of China Orient Asset Management Corporation (中國東方資產管理公司) from March 2001 to October 2004. He was in charge of the work of the asset management department of Shanghai Dasheng Assets Co., Ltd. (上海大盛資產有限公司) from October 2004 to September 2009, and was the deputy director of the Asset Management Centre of Shanghai Guosheng (Group) Co., Ltd. from September 2009 to October 2012. Mr. Tu served successively as the Assistant to the President, a member of CPC Party Committee and Vice President of Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司) from June 2012 to January 2019 (during which he served as the deputy director (on temporary position) of the intellectual property department of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國資委) from July 2014 to July 2015), a deputy general manager (in charge of the work) of the Capital Operation Department of Shanghai Guosheng (Group) Co., Ltd. from January 2019 to March 2020. Mr. Tu served as the chairman of the board of Directors of Shanghai Zhenghao Asset Management Company (上海正浩資產管理有限公司) from March 2017 to March 2021. Mr. Tu has been a director of Arcplus Group PLC (華東建築集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600629) since September 2020, a director of Lingang Group (上海臨港經濟發展（集團）有限公司) since March 2021.</p> |

## Section IV CORPORATE GOVERNANCE

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

## Section IV CORPORATE GOVERNANCE

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



## Section IV CORPORATE GOVERNANCE

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



## Section IV CORPORATE GOVERNANCE

| Name  | Major Work Experience   |
|---|---|
| <b>Independent Non-Executive Director (4)</b> |   |
| Zhang Ming<br>(張鳴)                            | <p>Born in 1958, a holder of doctor's degree in economics, a professor, a doctoral supervisor, and a senior researcher. Mr. Zhang has served as an independent non-executive Director since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, a deputy department director and then the deputy director of the school of accountancy. He is now a professor and a doctoral supervisor in the same university. Mr. Zhang has been an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600000) since May 2016, an independent non-executive director of Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 605319) since May 2018, an Independent Non-Executive Director of National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 688126) since March 2019, and a director of Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司) since November 2019, an independent non-executive director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600895) since June 2021.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                | Major Work Experience  |
|---------------------|--|
| Lam Lee G.<br>(林家禮) | <p>Born in 1959, a holder of doctor's degree in philosophy, a solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an accredited mediator of the Centre for Effective Dispute Resolution (CEDR), a fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors and the Institute of Corporate Directors Malaysia (ICDM), and an honorary fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. Mr. Lam has served as an independent non-executive Director since 6 April 2017, as senior adviser of Macquarie Group Asia since June 2021. Mr. Lam is experienced in general management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Mr. Lam earlier served as a general manager of Hongkong Telecom, vice president and managing partner – Greater China of the international management consulting firm A.T. Kearney, a member of the senior management of Chia Tai Enterprises International Limited (now C.P. Lotus Corporation) and also the chairman/director/CEO of various subsidiaries of this group, managing director of BOC International Holdings (the international investment banking arm of the Bank of China group) and vice chairman and COO of Investment Banking Division of BOC International Holdings, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings), and Chairman – Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand and Senior Adviser – Asia, of Macquarie Capital, Non-Executive Chairman – Greater China and ASEAN Region and Chief Advisor – Asia, of Macquarie Infrastructure and Real Assets. Mr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Hang Pin Living Technology Company Limited (Stock Code: 1682), Huarong International Financial Holdings Limited (Stock Code: 0993), Kidsland International Holdings Limited (Stock Code: 2122), and Greenland Hong Kong Holdings Limited (Stock code: 337), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Mingfa Group (International) Company Limited (Stock Code: 846) and is redesignated as an executive director from non-executive director of Hong Kong Aerospace Technology Group Limited (Stock Code: 1725) since 3 January 2022, the shares of all of which are listed on the Stock Exchange. Mr. Lam is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (Stock code: 5RA), Alset International Limited (Stock Code: 40V), Beverly JCG Limited (Stock Code: VFP), and Thomson Medical Group Limited (Stock Code: A50), the shares of all of which are listed on the Singapore Exchange. Mr. Lam is an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock Code: 0101), whose shares are listed on the Bursa Malaysia, and a Non-Executive Director of Jade Road Investments Limited (Stock Code: JADE), whose shares are listed on the London Stock Exchange. Mr. Lam served as an Independent Non-Executive Director of Aurum Pacific (China) Group Limited (stock code: 8148) from January 2019 to March 2021, an independent non-executive director of Sunwah International Limited (Stock Code: SWH, a company listed on the Toronto Stock Exchange) from December 2011 to June 2021, a Non-Executive Director of Tianda Pharmaceuticals Limited (Stock Code: 455) from January 2018 to August 2021 and Top Global Limited (Stock Code: BHO) from April 2010 to August 2021. Mr Lam has served as a non-executive director of Hong Kong Aerospace Technology Group Limited (香港航太科技集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 1725) since May 2021 and redesignated as Executive Director in January 2022. He joined Huarong International Financial Holdings Limited (listed on the Hong Kong Stock Exchange under the stock code of 993) as an independent non-executive director since September 2021.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                  | Major Work Experience  |
|-----------------------|--|
| Zhu Hongchao<br>(朱洪超) | <p>Born in 1959, a holder of master's degree in law, and a senior lawyer. Mr. Zhu has been an Independent Non-Executive Director since 18 June 2019. Mr. Zhu has served as the Director and Senior Partner of Shanghai United Law Firm (上海市聯合律師事務所) since June 1986. Mr. Zhu currently serves as an Arbitrator of China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) and Shanghai Arbitration Commission, Vice President of the Procedure Law Studies at the Shanghai Law Society, a Mediator of Shanghai Commercial Mediation Centre, and a part-time professor of Shanghai University Law School, East China University of Political Science and Law and Shanghai University of Political Science and Law. Mr. Zhu has been selected as one of Shanghai Leading Talents (上海市領軍人才), is entitled to the special government allowance of the State Council and is a member of the Legal Experts of CPC Shanghai Committee (中共上海市委法律專家庫). Mr. Zhu served as a lawyer at Shanghai First Law Firm (上海市第一律師事務所) from July 1983 to June 1986. Mr. Zhu served as the vice president of the third, fourth, fifth and sixth session of All China Lawyers Association, President of the sixth session of Shanghai Bar Association and chief supervisor of the seventh session of Shanghai Bar Association and a representative member of the 13th and 14th Shanghai Municipal People's Congress from 1994 to 2018. Mr. Zhu has served as an independent director of Jupai Holdings Limited (鉅派投資有限公司, listed on NYSE under the stock code of JP) since June 2015; an independent director of Leju Holdings Limited (樂居控股有限公司, listed on New York Stock Exchange under the stock code of LEJU) since March 2017, and an independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2048) since July 2018; an independent director of Shanghai Hysea Industrial Communications Co., Ltd. (上海海希工業通訊股份有限公司) since July 2020; a director of Shanghai Research Institute of Building Sciences Group Co., Ltd. (上海建科集團股份有限公司) since November 2020; and an independent non-executive director of Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2183) since February 2021, an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600827) since June 2021, and an independent director of Bright Real Estate Group Co., Ltd (光明房地產集團股份有限公司, listed on the SSE under the stock code of 600708) since August 2021.</p> |

## Section IV CORPORATE GOVERNANCE

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

## Section IV CORPORATE GOVERNANCE

| Name                                   | Major Work Experience   |
|--|---|
| <b>Resigned Executive Director (1)</b> |   |
| Qu Qiuping<br>(瞿秋平)                    | <p>Born in 1961, a holder of master's degree in economics, a senior accountant. Mr. Qu served as an executive director, the general manager and deputy secretary of CPC Party Committee of the Company from June 2014 to September 2021. He was the accountant, deputy section chief, youth league secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南支行) from September 1992 to November 1995; deputy director of the Accounting and Cashier Department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (he was in charge of the party and political work of Shanghai Jiading Subbranch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC Party Committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China from December 1996 to March 1999; the director of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; deputy secretary of CPC Party Committee and vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; president, deputy secretary of CPC Party Committee and vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; Head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and director of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu served as a director of the Shenzhen Stock Exchange from April 2017 to September 2021, a vice president of the Securities Association of China (中國證券業協會) from June 2017 to September 2021. Mr. Qu has been a member of the Chinese People's Political Consultative Conference Shanghai Committee since December 2017, a member of the Standing Committee of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference since January 2021.</p> |

## Section IV CORPORATE GOVERNANCE

| Name   | Major Work Experience  |
|--|--|
| <b>Employee Representative Supervisors (3)</b> |  |
| Zhao Yonggang<br>(趙永剛)                         | <p>Born in 1972, a holder of bachelor's degree in economics, and an economist. Mr. Zhao has served as the deputy secretary of CPC Party Committee of the Company since May 2021 and has been serving as the vice chairman of the Supervisory Committee and Employee Representative Supervisor since June 2021. Mr. Zhao worked in Shapingba Sub-branch of Chongqing Branch of China Pacific Insurance Company (中國太平洋保險公司) from July 1995 to March 2000, where he served successively as a salesman, deputy manager of the Business Department and Manager of the Business Department. He worked in Chongqing Branch of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司) from March 2000 to September 2001, during which he consecutively served as the section chief of the human resources department, the person-in-charge of the human resources department and deputy manager of the human resources department (in charge of the work). He served as the deputy secretary of the Youth League Committee (in charge of the work) and secretary of the Youth League Committee of China Pacific Life Insurance Co., Ltd. from September 2001 to February 2006. Mr. Zhao served as a member of CPC Party Committee and Deputy general manager of Guizhou Branch of China Pacific Life Insurance Co., Ltd. from February 2006 to March 2008. Mr. Zhao served as the deputy director of the department of the party and masses affairs, deputy director of the office of CPC Party Committee, secretary of the Youth League Committee, general manager of the staff work department and director of the Party Affair Department of China Pacific Insurance Group Co., Ltd. (中國太平洋保險集團股份有限公司) from March 2008 to July 2011. Mr. Zhao served as the director of the strategic transformation office of China Pacific Life Insurance Co., Ltd. from July 2011 to December 2011. He served as the secretary of CPC Party Committee and general manager of Heilongjiang Branch of China Pacific Life Insurance Co., Ltd. from November 2011 to October 2014; secretary of CPC Party Committee of Henan Branch of China Pacific Life Insurance Co., Ltd. from October 2014 to December 2016; general manager of Henan Branch of China Pacific Life Insurance Co., Ltd. from October 2014 to July 2016; a member of CPC Party Committee of China Pacific Life Insurance Co., Ltd. from May 2016 to January 2018; chairman of the Trade Union of China Pacific Life Insurance Co., Ltd. from August 2016 to September 2018, director of the organization department of the CPC Party Committee and General Manager of the Human Resources Department of China Pacific Life Insurance Co., Ltd. from December 2016 to January 2018; and the human resources director of China Pacific Life Insurance Co., Ltd. from March 2017 to February 2018. From August 2016 to March 2019, Mr. Zhao served as the chairman of the trade union of China Pacific Insurance Group Co., Ltd.; and he served as the director of the organization department of the CPC Party Committee of China Pacific Insurance Group Co., Ltd. from January 2018 to April 2020; a member of CPC Party Committee of China Pacific Insurance Group Co., Ltd. from January 2018 to May 2021; and the vice president of China Pacific Insurance Group Co., Ltd. from October 2018 to May 2021.</p> |



## Section IV CORPORATE GOVERNANCE

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



## Section IV CORPORATE GOVERNANCE

| Name                  | Major Work Experience   |
|-----------------------|---|
| Wu Xiangyang<br>(武向陽) | <p>Born in 1966, a holder of master's degree in law, and an economist. Mr. Wu has served as an employee representative Supervisor since 18 June 2019. He has been the deputy general manager of the compliance and legal department of the Company since March 2022 (in charge of the work). Mr. Wu served as a teacher at Huibu Middle School in Fengxin County, Jiangxi Province (江西奉新縣會埠中學) from July 1985 to September 1987, and an officer of the publicity department of the CPC Party Committee and secretary of the general Communist Youth League branch of the Electric Department at Nanchang Aerospace College (南昌航空學院) from July 1991 to September 1995. He pursued his master's degree in the Economic Law Department of East China University of Political Science and Law (華東政法學院) from September 1995 to July 1998 and obtained a master's degree in law when graduating. Mr. Wu served as the asset administrator of the Legal Affairs Office of Bank of Communications Shanghai Branch (交通銀行上海分行) from August 1998 to April 2000. Mr. Wu has served in the following various positions in the Company since January 2001, including: project manager of the investment banking headquarter from January 2001 to September 2002; Legal Counsel of the General Manager Office from September 2002 to July 2007; deputy manager of the legal affairs department of the office of general managers from July 2007 to January 2008; deputy manager of the legal compliance department of the compliance office from January 2008 to November 2008; manager of the legal compliance department of the compliance department from November 2008 to March 2010; manager of the compliance inspection department of the compliance department from March 2010 to March 2011; manager of the compliance inspection department of the compliance and risk management headquarter from March 2011 to March 2014; manager of the compliance review department of the compliance and risk management headquarter from March 2014 to August 2015; and assistant to general manager of the compliance and risk management headquarter from August 2015 to May 2017. He has worked in the compliance and legal department since May 2017 and served as an assistant to general manager in the compliance and legal department of the Company from March 2018 to March 2020. He has served as the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2019 and a director of Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司) since March 2020.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                               | Major Work Experience  |
|------------------------------------|--|
| <b>Shareholder Supervisors (5)</b> |  |
| Ruan Feng<br>(阮峰)                  | Born in 1968, a holder of bachelor's degree in accounting, and an auditor. Mr. Ruan has served as a Supervisor since 20 October 2020. Mr. Ruan has been the Deputy General Manager of the Audit Department (formerly the Audit and Supervision Department) of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since May 2019. Mr. Ruan worked at Shanghai Municipal Audit Bureau (上海市審計局) from August 1994 to May 2019 and served as an office clerk of the Audit Division in the Commercial Grain Trade Commission; an office clerk, the Deputy Section Chief, and Section Chief of the Audit Division in the Economic and Trade Commission; and the Section Chief of the Administrative Audit Division II. Mr. Ruan has been a Supervisor of Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司) since February 2020 and a Supervisor of Green Development Fund Private Equity Investment Management (Shanghai) Co., Ltd. (綠色發展基金私募股權投資管理(上海)有限公司) since June 2021.  |
| Li Zhenghao<br>(李爭浩)               | Born in 1975, a holder of senior management MBA degree, a holder of MBA degree, and a professorate senior accountant. Mr. Li has served as a supervisor since 18 June 2020. He has been the general manager of the finance department of Shenergy Group Company Limited (申能(集團)有限公司) since June 2019. Mr. Li served as an accountant, a loan officer and a senior account manager of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司), listed on the Shanghai Stock Exchange under the stock code of 600000 from July 1997 to January 2003. Mr. Li worked at Siping Road Sub-branch of Shanghai Pudong Development Bank from February 2003 to March 2007, serving as the president. Mr. Li worked at Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from April 2007 to April 2017, successively serving as an Assistant manager of the finance department, a deputy manager and manager of the accounting and settlement department, manager of the planning and finance department, and director of operations. Mr. Li served as the deputy manager of the finance department at Shenergy Group Company Limited (申能(集團)有限公司) from May 2017 to May 2019. Mr. Li served as a supervisor of Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from February 2010 to April 2017. Mr. Li served as a council member of Shanghai Payment & Clearing Association (上海市支付清算協會) from May 2015 to April 2017. Mr. Li has been a director of Shanghai Gas Company Limited (上海燃氣有限公司) since June 2019, a director of Shenergy Company Limited (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) since July 2020. Mr. Li has been the chairman of the supervisory committee of Shanghai Shenxin Environmental Protection Co., Ltd. (上海申欣環保有限公司) since June 2019 and served as a supervisor of Shanghai ICY Capital Co., Ltd. (上海申能誠毅股權投資有限公司) from June 2019 to November 2020. |

## Section IV CORPORATE GOVERNANCE

| Name                | Major Work Experience  |
|---------------------|--|
| Cao Yijian<br>(曹奕劍) | <p>Born in 1976, a holder of master's degree in science, and an economist, Mr. Cao has served as a Supervisor since 18 June 2019. He has served as the general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司) since April 2018. Mr. Cao served as a staff member of Shanghai Huipu Technology Investment Company Limited (上海匯浦科技投資有限公司) from March 2001 to February 2003 and a staff member of Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600662) from February 2003 to July 2003. He served as the manager of the asset management department of Shanghai Huipu Technology Investment Company Limited from July 2003 to July 2007 and a staff member of the Asset Operation Department at Shanghai Qiangsheng Group Co., Ltd. (上海強生集團有限公司) from August 2007 to November 2008. He also worked as an assistant to the manager of the Asset Operation Department of Shanghai Qiangsheng Group Co., Ltd. from November 2008 to June 2009 and the deputy manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from June 2009 to April 2012. He then served as the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from April 2012 to June 2013 and the manager of the asset operation department at Shanghai Jiushi Properties Co., Ltd. (上海久事置業有限公司) from June 2013 to May 2015. He worked at the investment development department of Shanghai Jiu Shi Company (上海久事公司) from May 2015 to October 2015, serving as the deputy general manager. He was the deputy general manager of the Investment Development Department of Shanghai Jiushi (Group) Co., Ltd. from October 2015 to April 2018. Mr. Cao has been a Supervisor of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600000) and a director of Shanghai Sitcom Assets Management Co. Ltd. (上海上國投資產管理有限公司) since September 2021. Mr. Cao served as a Director of Shenergy Company Limited (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) from May 2019 to July 2020, and a director of Shanghai Qiangsheng Holding Co., Ltd. from October 2018 to June 2020, a Director of Shanghai Public Traffic Card Co., Ltd. (上海公共交通卡股份有限公司) from April 2018 to December 2020 and an executive director and general manager of Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司) from December 2019 to August 2021.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                   | Major Work Experience   |
|------------------------|---|
| Dong Xiaochun<br>(董小春) | <p>Born in 1964, a holder of MBA degree, and a senior accountant. Mr. Dong has served as a Supervisor since October 20, 2020. Mr. Dong has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600827) since May 2020, secretary to the board of directors and a director of Shanghai Bailian Group Co., Ltd. since June 2020. Mr. Dong worked in Shanghai Hualian Commercial Building (上海華聯商厦) as the deputy section chief of the finance section from September 1983 to September 1992. He served as the chief financial officer and secretary to the board of directors of Hualian Supermarket Co., Ltd. (華聯超市股份有限公司) from October 1992 to August 2004, chief financial officer of the department store department of Shanghai Bailian Group Ltd. (上海百聯集團有限公司) from August 2004 to April 2006, secretary to the board of directors and chief financial officer of Shanghai Bailian Group Co., Ltd. from April 2006 to September 2011, a director of Shanghai Bailian Group Co., Ltd. from April 2010 to April 2011, secretary to the board of directors and chief financial officer of Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司) from September 2011 to August 2014, and Secretary to the Board of Directors and Chief Financial Officer of Shanghai Bailian Group Co., Ltd. from August 2014 to June 2015, chief financial officer of Bailian Financial Services Co., Ltd. (百聯金融服務有限公司, formerly known as Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司)) from June 2015 to May 2020. He has been the director of Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司, a company listed on the Hong Kong Stock Exchange under the stock code of 0980) since June 2020. Mr. Dong was a Supervisor from July 2007 to July 2015.</p> |
| Dai Li<br>(戴麗)         | <p>Born in 1973, a holder of master's degree in law, and a mid-level economist. Ms. Dai has served as a Supervisor since June 18, 2019. She has served as the director of the Asset Operation Department of Shanghai United Media Group (上海報業集團) since June 2018. Ms. Dai worked as a teaching assistant intern at Nanyang Institute of Technology (南陽理工學院) from July 1995 to August 1996, an office clerk at Nanyang Customs (南陽海關) from August 1996 to August 2000, a legal counsel, head of investment and a deputy-director level propagandist of Wenhui Xinmin United Press Group (文匯新民聯合報業集團) from July 2002 to October 2013, a deputy-director level officer, and deputy director of the asset operation department of Shanghai United Media Group from October 2013 to June 2018. Ms. Dai has served as a director of Shanghai Dong Jie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司) since June 2016, a director of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司) since November 2017 and executive director and legal representative of Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司) since January 2019.</p>   |

## Section IV CORPORATE GOVERNANCE

| Name  | Major Work Experience   |
|---|---|
| <b>Resigned Employee Representative Supervisors (1)</b> |   |
| Wu Hongwei<br>(吳紅偉)<br>(Resigned)                       | <p>Born in 1966, a holder of MBA degree, a researcher, has served as an employee representative Supervisor of the Company and the vice chairman of the Supervisory Committee from December 2017 to June 2021. From July 1990 to June 2001, Mr. Wu served the following positions in Unit 801 of Shanghai Aerospace Administration (上海航天局801所): a designer, project leader, assistant to the director, deputy director of the Research Plan Office (later renamed as the "Science and Technology Office") from July 1990 to January 1997, during which period, he also served as the secretary of the Science and Technology Committee from August 1995 to January 1997; the director of the Personnel Security Department and the secretary of the Science and Technology Committee from January 1997 to March 1997; the director of the Administration Department and the director of Personnel Security Department from March 1997 to October 2000; the deputy secretary of CPC party committee, the secretary of discipline inspection committee, and the director of the Administration Department from October 2000 to June 2001, during which period, he also served as the chairman of the Labor Union from March 2001 to June 2001. From June 2001 to April 2004, Mr. Wu served as the secretary of CPC party committee of Shanghai Xinguang Telecom Factory (上海新光電訊廠). From April 2004 to January 2015, Mr. Wu served the following positions in the Social Work Committee of CPC Shanghai Municipal Committee (中共上海市社會工作委員會): the deputy director of the Human Resources Department (in charge of the work) from April 2004 to January 2006; the director of the Human Resources Department from January 2006 to June 2011; and the Secretary-General from June 2011 to January 2015. Mr. Wu was appointed as the secretary of the discipline inspection committee of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC", 上海市國有資產監督管理委員會) from January 2015 to April 2015, the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of the Shanghai SASAC (中共上海市紀律檢查委員會駐上海市國資委黨委紀檢組), a member of CPC party committee of the Shanghai SASAC from April 2015 to September 2017, the secretary of discipline inspection committee of the Company from September 2017 to July 2019. the deputy secretary of CPC party committee of the Company from September 2017 to May 2021, an employee representative supervisor and the vice chairman of the Supervisory Committee of Guotai Junan Securities Co., Ltd. since June 2021.</p> |



## Section IV CORPORATE GOVERNANCE

| Name                                | Major Work Experience   |
|-------------------------------------|---|
| <b>Other Senior Management (11)</b> |   |
| Pei Changjiang<br>(裴長江)             | <p>Born in 1965, a holder of master's degree in economics. Mr. Pei has served as the deputy general manager of the Company since he joined the Company in August 2013. Mr. Pei has served as a deputy director of the financial products committee of the Company since March 2021. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai International Securities Co., Ltd., (上海萬國證券公司) including researcher of the research department, and assistant to the general manager, general manager of zhabei business department. From August 1996 to October 2002, he served as the general manager of zhabei business department, deputy general manager of zhejiang management headquarters and deputy general manager of the brokerage headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司). From October 2002 to August 2013, he successively served as the investment director of Fortune Trust &amp; Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, chairman of the board of directors of Fullgoal Fund Management Co., Ltd. since March 2019, chairman of the board of directors of shanghai haitong securities asset management company ltd. (上海海通證券資產管理有限公司) since November 2014, chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.</p> |
| Mao Yuxing<br>(毛宇星)                 | <p>Born in 1971, a holder of doctor's degree in science and a post-doctoral degree in management, and a senior engineer (professor level). Mr. Mao has served as the chief information executive officer (currently renamed as the "chief information officer") and director of its management committee of the Company since September 2016, deputy general manager of the Company since February 2019. From August 1993 to September 2001, Mr. Mao successively held various positions in the information technology department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including a programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he worked in data centre (Shanghai) of the Industrial and Commercial Bank of China, served as the assistant to the general manager (deputy-department-director level and department-director level) and a member of CPC Party Committee from September 2001 to December 2004, deputy general manager and a member of CPC Party Committee from December 2004 to November 2011. From November 2011 to April 2016, he served as the deputy general manager of the information technology department of the Industrial and Commercial Bank of China. Mr. Mao is currently the deputy director of the security and technology committee under the Securities Association of China (中國證券業協會證券科技委員會), vice chairman of the "shanghai informatization" council and vice chairman of the Shanghai Financial Technology Industry Alliance (上海金融科技產業聯盟).</p>   |

## Section IV CORPORATE GOVERNANCE

| Name                | Major Work Experience   |
|---------------------|---|
| Li Haichao<br>(李海超) | <p>Born in 1968, a holder of doctor's degree in economics. Mr. Li has served as the deputy general manager and chief compliance officer of the Company since March 3, 2022. From July 1990 to February 1994, Mr. Li served as an office clerk of the Policies and Regulations Administration Department (政策法規體政司) at the former Ministry of Machinery and Electronics Industry (機械電子工業部); from February 1994 to August 2003, he worked in the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) and the former State Council Office for Restructuring the Economic Systems (國務院經濟體制改革辦公室), serving successively as a senior section member and a CPC Party Branch Committee member of the Market Circulation Department (市場流通司), and a senior section member, an associate analyst and the deputy director of the Industries and Markets Department (產業與市場司); from August 2003 to July 2004, he served as the deputy director in the Special Reform Division I, Comprehensive Economic Reform Department, National Development and Reform Commission (國家發展和改革委員會經濟體制綜合改革司專項改革一處). Besides, from December 2002 to July 2004, he took temporary posts as a member of the leading CPC Party group of the People's Government and a deputy mayor of Wangqing County in Jilin Province; from July 2004 to December 2008, he successively served as a deputy-department--director level officer and a department-director level officer of the Northeast Area Revitalization Office of the State Council (國務院振興東北辦); from December 2008 to June 2009, he served as the director of the General Affairs Division, Northeast Area Revitalization Department, National Development and Reform Commission (國家發展和改革委員會東北振興司綜合處); from June 2009 to January 2013, he worked at the National Academy of Governance, serving successively as a deputy inspector of the Decision-Making Consulting Department, and served as an executive deputy secretary-general and the party branch secretary of the Chinese Society of Administrative Reform (deputy-bureau-director level, in charge of the work); from January 2013 to January 2022, he worked in the CSRC and successively served as a deputy-bureau-director level officer and a deputy inspector of the research center, deputy director of the intermediary and investment fund supervision department, and deputy director of the futures supervision department (in charge of the work), and also served as a member of the CPC Party Committee and an executive vice president of China Financial Futures Exchange.</p> |



## Section IV CORPORATE GOVERNANCE

| Name                   | Major Work Experience   |
|------------------------|---|
| Chen Chunqian<br>(陳春錢) | <p>Born in 1963, a holder of doctor's degree in economics. Mr. Chen joined the Company in October 1997 and has been the Assistant to the General Manager since March 2012. He is responsible for the brokerage business of the Company. Mr. Chen is also the Director of the Brokerage Committee, Deputy Director of the IT Management Committee, and a member of the Assets and Liabilities Allocation Committee. He has been entitled to the Company's deputy-general-manager level benefits since February 2017. Mr. Chen has served as a Deputy Director of the Financial Products Committee since March 2021. He is also the Deputy Director of the Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), a Vice President of Shanghai Securities Association (上海市證券同業公會) and the Deputy Director of Securities Conflict Resolution Committee (證券糾紛調解專業委員會) and a Vice President of Association of Shanghai Internet Financial Industry. Mr. Chen also served in various positions in the Company, including the person-in-charge of the Business Department of Shenzhen Branch from October 1997 to January 1998, Deputy General Manager of the International Business Department from January 1998 to March 2000, Deputy General Manager of Shenzhen Branch from March 2000 to December 2000, General Manager of the Investment Management Department (Shenzhen) from December 2000 to May 2006, General Manager of the Sales and Trading Headquarter from May 2006 to February 2013 and General Manager of the Institutional Department during the period from November 2007 to March 2009. Mr. Chen has been a Director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                     | Major Work Experience  |
|--------------------------|--|
| Zhang Xiangyang<br>(張向陽) | <p>Born in 1965, a holder of bachelor's degree in engineering, and a senior economist. Mr. Zhang joined the Company in May 1996 and has been the Assistant to the General Manager since December 2014 and the Director of the PE and Industrial Capital Investment Committee of the Company since March 2013. He has been entitled to the Company's deputy-general-manager level benefits since January 2021. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio &amp; TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including the Deputy General Manager (in charge of the work) and General Manager of the Taiyuan Business Department from May 1996 to April 2002, Deputy General Manager and General Manager of the Integrated Business Management Headquarter from April 2002 to May 2006, General Manager of the Risk Control Headquarter from May 2006 to October 2008, a Director, General Manager and the Director of the Investment Decision Committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a Director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, Chairman of the Board of Directors of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, Chairman of the Board of Directors of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, a Director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and Chairman of the Board of Directors of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been the Chairman of the Board of Directors and Director of the Investment Decision Committee of Haitong Capital Investment Co., Ltd. since November 2012, a Director of Haitong Creative Private Equity Fund Management Co., Ltd. (海通創意私募基金管理有限公司, formerly known as "Haitong Creative Capital Management Co., Ltd.") since March 2016, Chairman of the Board of Directors of Haitong M&amp;A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016, and a Director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since March 2018. Mr. Zhang currently serves as the Deputy Director of the Development and Strategy Committee under the Securities Association of China (中國證券業協會發展戰略委員會) and Vice President of PE Association of Shanghai (上海股權投資協會).</p> |

## Section IV CORPORATE GOVERNANCE

| Name                | Major Work Experience   |
|---------------------|---|
| Li Jianguo<br>(李建國) | <p>Born in 1963, a holder of doctor's degree in economics. Mr. Li joined the Company in 1998 and has been the assistant to the general manager of the Company since 2008. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman of the board of directors and general manager of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from May 1999 to August 2008. Mr. Li served as the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) since January 2010 and vice chairman of the board of Haitong International Securities Group Limited since March 2010.</p>  |
| Lin Yong<br>(林湧)    | <p>Born in 1969, a holder of doctor's degree in economics. Mr. Lin joined the Company in December 1996 and has been the assistant to the general manager since December 2014. He is also the deputy director of the investment banking committee and a member of the international business committee. Mr. Lin served in various positions in the Company, including serving in the investment banking department from December 1996 to July 2003 as (amongst others) the deputy general manager, and deputy general manager (in charge of the work) from January 2001 to July 2003, deputy general manager of the fixed income department from July 2003 to May 2004. Mr. Lin successively served as the deputy general manager (in charge of the work) and general manager of the investment banking department (Shanghai) from May 2004 to July 2007. Mr. Lin has been the general manager of Haitong International Holdings Limited (海通國際控股有限公司) since July 2007 and a director of Haitong International Holdings Limited since August 2007. He has been an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) since December 2009, an executive director, and the joint chief executive officer of Haitong International Securities Group Limited from March 2010 to March 2011. Mr. Lin has been an executive director, the vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, a non-executive director of Haitong Bank S.A. since June 2016, and the Chairman of the Board of Directors of Haitong Bank S.A. since October 2017.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                    | Major Work Experience   |
|-------------------------|---|
| Jiang Chengjun<br>(姜誠君) | <p>Born in 1968, a holder of master's degree in economics, and an economist. Mr. Jiang has been the assistant to the general manager and secretary to the Board since March 29, 2017, the joint company secretary and joint authorised representative of the Company since April 5, 2017, and general manager of the investment banking headquarter of the Company since April 2017. He has concurrently served as the deputy director of the investment banking committee and a member of the assets and liabilities allocation committee. Mr. Jiang was an officer of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994; a deputy manager of the finance and securities department, a manager of the investment management and development department, an assistant to the general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000; a deputy general manager in the investment banking department of the Company from August 2000 to July 2007; a deputy general manager (in charge of the work) in the investment banking department of the Company from July 2007 to April 2009; and the general manager of the investment banking department of the Company from April 2009 to April 2017.</p>   |
| Du Hongbo<br>(杜洪波)      | <p>Born in 1963, a holder of bachelor's degree in engineering, and an engineer. Mr. Du has been the chief risk officer of the Company since May 2017. He is also a member of the assets and liabilities allocation committee, IT management committee, and the proprietary trading decision committee. Mr. Du has served as a member of the financial products committee of the Company since March 2021 and a member of the risk management committee of the Securities Association of China since January 2018. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子計算機應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research Centre (武漢軟件研究中心) from August 1992 to August 1996, the Information Technology Centre of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) from August 1996 to March 2002. Mr. Du was the assistant to the general manager of the website management department of the Company from March 2002 to May 2005, assistant to the general manager of the brokerage business headquarter of the Company from May 2003 to May 2005, deputy general manager of the integrated business management headquarter of the Company from May 2005 to May 2006. He worked at the risk control headquarter of the Company from May 2006 to March 2011, successively serving as the deputy general manager and the deputy general manager (with benefits as a general manager). He was the general manager of the compliance and risk management headquarter of the Company from March 2011 to January 2013, general manager of the OTC department of the Company from January 2013 to February 2014, general manager of the securities finance department of the Company from February 2014 to March 2017, and general manager of the risk management department of the Company from March 2017 to July 2020. Mr. Du was an employee representative Supervisor from May 16, 2011 to December 30, 2014.</p> |

## Section IV CORPORATE GOVERNANCE

| Name                  | Major Work Experience  |
|-----------------------|--|
| Pan Guangtao<br>(潘光韜) | <p>Born in 1971, a holder of MBA degree, an engineer, and an assistant economist. Mr. Pan has been the assistant to the general manager since May 2017 and the general manager of the equity investment trading department of the Company since March 2013. He has concurrently served as the deputy director of the proprietary trading decision committee and a member of the assets and liabilities allocation committee of the Company. Mr. Pan worked as the IT head at the IT department of the brokerage headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司) from July 1994 to July 1998. He worked at securities investment department I of the securities investment headquarter of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, successively serving as the assistant to the manager, and deputy manager. Mr. Pan worked as the assistant to the general manager of trading department II of the Company from August 2002 to June 2003. He worked at the trading headquarter from July 2003 to August 2004, successively serving as the assistant to the general manager, deputy general manager. He worked as the deputy general manager of the investment management department from August 2004 to August 2006. He worked at the securities investment department from August 2006 to March 2013, successively serving as the deputy general manager, deputy general manager (in charge of the work). He has been a non-executive director of Haitong Bank S.A. since November 2015 and a director of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since May 2019.</p> |
| Zhang Xinjun<br>(張信軍) | <p>Born in 1975, a holder of master's degree in management, and a senior accountant. Mr. Zhang joined the Company in July 2001 and has been the chief financial officer of the Company since March 27, 2018. He has concurrently served as a member of the assets and liabilities allocation committee. Mr. Zhang worked at the finance and accounting department of the Company from July 2001 to June 2007, serving in various positions including an office clerk, the deputy manager, and manager of the asset management department. He has worked at Haitong International Holdings Limited (海通國際控股有限公司) since July 2007 and has been the head of finance from July 2007 to February 2009, chief financial officer since March 2009. Mr. Zhang served as the chief financial officer of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) from March 2010 to March 2018. He has been a non-executive director, a member of the audit committee and strategic development committee of Haitong International Securities Group Limited since March 2018, a non-executive director of Haitong Bank S.A. since January 2018, a director of Fullgoal Fund Management Co., Ltd. since February 2019, and a director of Haitong Investment Ireland PLC (海通投資愛爾蘭公眾有限公司) since February 2020.</p>  |

## Section IV CORPORATE GOVERNANCE

| Name  | Major Work Experience  |
|---|--|
| <b>Other Resigned Senior Management (1)</b> |  |
| Wang Jianye<br>(王建業)                        | <p>Born in 1960, a holder of master's degree, and a senior economist. Mr. Wang served in the Company from August 1994 to March 2022 and served as the Chief Compliance Officer from July 2010 to March 2022. Mr. Wang successively served as a section member, Trainee Deputy Director and Deputy Director of the Education Division of PBOC(中國人民銀行) Inner Mongolia Branch from August 1984 to August 1990, Deputy Director of the Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, Deputy General Manager of the Securities Department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and Deputy General Manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including Head of the Trading Department from August 1994 to March 1996, Deputy General Manager of the Business Management Headquarter from March 1996 to September 1998, and General Manager of the Integrated Business Management Headquarter from September 1998 to August 2004. Mr. Wang was an Assistant to the General Manager of the Company from June 2001 to February 2011, and concurrently served as a General Manager of the Brokerage Business Headquarter from March 2005 to June 2006 and a General Manager of the Risk Control Headquarter from October 2008 to March 2011, and was successively in charge of the Integrated Business Management Headquarter, Brokerage Business Headquarter, IT Department, Brokerage Operations Centre, Sales and Transactions Headquarter, Customer Asset Management Department and Risk Control Department. Mr. Wang served as the General Manager of the Compliance and Legal Department of the Company from March 2017 to December 2019 and Chief Risk Officer (entitled to the Company's deputy-general-manager level benefits) from May 2011 to March 2017.</p> |

### Descriptions of other changes

#### 1. *Changes in Directors*

On 2 September 2021, the Board of Directors of the Company received the written resignation report from Mr. Qu Qiuping. Mr. Qu Qiuping resigned as an executive director, the chairman of the Compliance and Risk Management Committee of the Board and the general manager of the Company due to change in work arrangement.



## Section IV CORPORATE GOVERNANCE

On 28 September 2021, the Resolution on the Nomination of Mr. Li Jun as an Executive Director of the Company was considered and approved at the 2021 first extraordinary general meeting of the Company, to resolve to the nominate Mr. Li Jun as an executive director of the seventh session of the Board of the Company. This matter was considered and approved at the 19th meeting (extraordinary meeting) of the seventh session of the Board held on 2 September 2021 and agreed to be submitted to the general meeting, and the Board agreed that Mr. Li Jun would succeed as the chairman of the Compliance and Risk Management Committee of the Board after his appointment as an executive director of the Company. Mr. Li Jun has served as an executive director and the chairman of the Compliance and Risk Management Committee of the Company, with the term of office commencing from 28 September 2021 until the expiry of the term of office of the seventh session of the Board.

On 28 October 2021, the Resolution on the Appointment of General Manager was considered and approved at the 20th meeting of the seventh session of the Board of the Company, and as nominated by the chairman of the Board, the Board approved to appoint Mr. Li Jun as general manager of the Company, with the term of office commencing from 28 October 2021 and expiring on the expiry of the term of office of the seventh session of the Board.

### 2. *Changes in Supervisors*

On 11 June 2021, the Supervisory Committee of the Company received the written resignation report from Mr. Wu Hongwei. Mr. Wu Hongwei resigned from the employee representative supervisor and the vice chairman of the seventh session of the Supervisory Committee due to change in work arrangement.

On 11 June 2021, the Company held the 11th meeting of the fourth session of the employee representatives via correspondence, at which Mr. Zhao Yonggang was elected as an employee representative supervisor of the seventh session of the Supervisory Committee of the Company; on the same day, the Company held the 10th meeting (extraordinary meeting) of the seventh session of the Supervisory Committee, at which Mr. Zhao Yonggang was elected as the vice chairman of the seventh session of the Supervisory Committee of the Company. The term of office of Mr. Zhao Yonggang as an employee representative supervisor and the vice chairman of the Supervisory Committee of the Company shall commence from 11 June 2021 and expire on the expiry of the term of office of the seventh session of the Supervisory Committee.

### 3. *Changes in Senior Management*

On 3 March 2022, the Resolution on the Appointment of Deputy General Manager and Chief Compliance Officer of the Company was considered and approved at the 24th meeting (extraordinary meeting) of the seventh session of the Board of the Company, and the appointment of Mr. Li Haichao (李海超) as deputy general manager and chief compliance officer of the Company was approved, while Mr. Wang Jianye, the former chief compliance officer of the Company, ceased to be the chief compliance officer due to age concern. The term of office of Mr. Li Haichao as the deputy general manager and chief compliance officer of the Company shall commence from 3 March 2022 and expire on the expiry of the term of office of the seventh session of the Board.

## Section IV CORPORATE GOVERNANCE

### (II) Positions of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

#### 1. Positions in shareholder entities

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

## Section IV CORPORATE GOVERNANCE

### 2. Positions in other entities

| Name   | Name of other entities   | Positions taken in other entities                        | Commencement date of tenure for the session | Ending date of tenure for the session |
|--|--|--|---|---------------------------------------|
| <b>Positions of current executive Directors:</b>     |  |  |   |                                       |
| Zhou Jie   | Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司)                 | Director   | 2009  | 2021                                  |
| <b>Positions of current non-executive Directors:</b> |  |  |   |                                       |
| Tu Xuanxuan  | Arcplus Group PLC (華東建築集團股份有限公司)   | Director   | 2020  | to date                               |
|  | Shanghai Lingang Economic Development (Group) Co., Ltd. (上海臨港經濟發展(集團)有限公司)             | Director   | 2021  | to date                               |
|  | Shanghai Zhenghao Asset Management Co., Ltd. (上海正浩資產管理有限公司)                            | Chairman of the Board of Directors, Legal Representative | 2017  | 2021                                  |
| Zhou Donghui   | Shanghai Tobacco Machinery Co., Ltd. (上海煙草機械有限公司)                                      | Vice Chairman of the Board of Directors, Director        | 2015  | to date                               |
|  | Shanghai Gaoyang International Tobacco Co., Ltd. (上海高揚國際煙草有限公司)                        | Director   | 2015  | to date                               |
|  | Yangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團楊浦煙草糖酒有限公司)  | Director   | 2015  | to date                               |
|  | Minxing Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閔行煙草糖酒有限公司) | Director   | 2015  | to date                               |
|  | Baoshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團寶山煙草糖酒有限公司) | Director   | 2015  | to date                               |

## Section IV CORPORATE GOVERNANCE

| Name | Name of other entities   | Positions taken<br>in other entities              | Commencement<br>date of tenure<br>for the session | Ending<br>date of<br>tenure for<br>the session |
|------|--|---|---|--|
|      | Pudong Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團浦東煙草糖酒有限公司)      | Director  | 2015  | to date  |
|      | Songjiang Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團松江煙草糖酒有限公司)   | Director  | 2015  | to date  |
|      | Qingpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團青浦煙草糖酒有限公司)      | Director  | 2015  | to date  |
|      | Chongming Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團崇明煙草糖酒有限公司)   | Director  | 2015  | to date  |
|      | Shanghai Jieqiang Sugar & Wine (Group) Co., Ltd. (上海捷強糖酒(集團)有限公司)                          | Vice Chairman of the Board of Directors, Director | 2015  | to date  |
|      | China Hangfa Commercial Aviation Engine Co., Ltd. (中國航發商用航空發動機有限責任公司)                      | Supervisor  | 2015  | to date  |
|      | Shanghai Deqiang Industrial Co., Ltd. (上海得強實業有限公司)   | Vice Chairman of the Board of Directors, Director | 2015  | to date  |
|      | Shanghai Wangbaohe Hotel Co., Ltd. (上海王寶和大酒店有限公司)  | Director  | 2015  | to date  |
|      | Shanghai Tobacco Group Real Estate Development and Operation Co., Ltd. (上海煙草集團房地產開發經營有限公司) | Director  | 2015  | to date  |

## Section IV CORPORATE GOVERNANCE

| Name | Name of other entities   | Positions taken in other entities | Commencement date of tenure for the session | Ending date of tenure for the session |
|------|--|-----------------------------------|---|---------------------------------------|
|      | Shanghai Haiyan Tobacco, Sugar & Wine Co., Ltd. (上海海煙煙草糖酒有限公司)                         | Director                          | 2015  | to date                               |
|      | Suzhou Zhonghuayuan Hotel Co., Ltd. of Shanghai Tobacco Group (上海煙草集團蘇州中華園大飯店有限責任公司)   | Director                          | 2015  | to date                               |
|      | China Tobacco Shanghai Import and Export Co., Ltd. (中國煙草上海進出口有限責任公司)                   | Director                          | 2016  | to date                               |
|      | Xuhui Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團徐匯煙草糖酒有限公司)   | Director                          | 2016  | to date                               |
|      | Hongkou Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團虹口煙草糖酒有限公司) | Director                          | 2016  | to date                               |
|      | Zhongwei Capital Holding Co., Ltd. (中維資本控股股份有限公司)                                      | Supervisor                        | 2016  | to date                               |
|      | Shenzhen New Tobacco Products Co., Ltd. (深圳新型煙草製品有限公司)                                 | Director                          | 2018  | to date                               |
|      | Shanghai Baiyulan Tobacco Material Co., Ltd. (上海白玉蘭煙草材料有限公司)                           | Director                          | 2019  | to date                               |
|      | Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司) | Director                          | 2019  | to date                               |

## Section IV CORPORATE GOVERNANCE

| Name       | Name of other entities  | Positions taken in other entities     | Commencement date of tenure for the session | Ending date of tenure for the session |
|------------|---|---------------------------------------|---|---------------------------------------|
|            | Orient Securities Company Limited<br>(東方證券股份有限公司)   | Director                              | 2020  | to date                               |
|            | China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司)                                       | Director                              | 2021  | to date                               |
| Yu Liping  | Shanghai Hongqiao International Commodity Import, Sales and Exhibition Co., Ltd. (上海虹橋國際進口商品展銷有限公司) | Director                              | 2018  | to date                               |
| Xu Jianguo | Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)  | Director                              | 2013  | to date                               |
|            | Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)   | Director                              | 2015  | to date                               |
|            | Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司)                                      | Director                              | 2016  | to date                               |
|            | Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)  | Chairman of the Supervisory Committee | 2017  | to date                               |
|            | Shanghai Haiya Industrial Company Limited (上海亥雅實業有限公司)  | Chairman of the Board of Directors    | 2019  | to date                               |
|            | Shanghai Kaihai Industrial Company Limited (上海開亥實業有限公司)   | Chairman of the Board of Directors    | 2019  | to date                               |
|            | Shanghai Electric Group Hong Kong Limited (上海電氣集團香港有限公司)  | Director                              | 2019  | to date                               |
|            | Shanghai Electric (Group) Corporation Heng Lian Enterprise Development Limited (上海電氣集團恒聯企業發展有限公司)   | Director                              | 2020  | to date                               |



## Section IV CORPORATE GOVERNANCE

| Name   | Name of other entities  | Positions taken in other entities          | Commencement date of tenure for the session | Ending date of tenure for the session |
|--|---|--|---|---------------------------------------|
|  | Tianjin Pipe (Group) Corporation<br>(天津鋼管集團股份有限公司)                                      | Director                                   | 2020  | to date                               |
|  | Shanghai Electric Hongkong Co. Ltd<br>(上海電器香港有限公司)                                      | Executive Director                         | 2021  | to date                               |
|  | Shanghai Electric Group Steel Pipe Co., Ltd. (上海電氣集團鋼管有限公司)                             | Chairman of the Board of Directors         | 2021  | to date                               |
|  | Orient Securities Company Limited<br>(東方證券股份有限公司)                                       | Director                                   | 2016  | 2021                                  |
| <b>Positions of current independent non-executive Directors:</b> |   |  |   |                                       |
| Zhang Ming   | School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)      | Professor                                  | 1997  | to date                               |
|  | Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)                             | Independent Director                       | 2016  | to date                               |
|  | Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司)                               | Independent Director                       | 2018  | to date                               |
|  | National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司)                               | Independent Director                       | 2019  | to date                               |
|  | Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司)                         | Director                                   | 2019  | to date                               |
|  | Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd (上海張江高科技園區開發股份有限公司)               | Independent Director                       | 2021  | to date                               |
| Lam Lee G.   | Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有型資產(香港)有限公司) | Non-executive Chairman of the ASEAN region | 2015  | 2021                                  |

## Section IV CORPORATE GOVERNANCE

| Name | Name of other entities  | Positions taken in other entities | Commencement date of tenure for the session | Ending date of tenure for the session |
|------|---|-----------------------------------|---|---------------------------------------|
|      | CSI Properties Limited (資本策略地產有限公司)   | Independent Director              | 2001  | to date                               |
|      | Vongroup Limited (黃河實業有限公司)   | Independent Director              | 2005  | to date                               |
|      | Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)                         | Director                          | 2007  | to date                               |
|      | AustChina Holdings Limited  | Independent Director              | 2013  | to date                               |
|      | China LNG Group Co., Ltd. (中國天然氣集團有限公司)   | Director                          | 2014  | to date                               |
|      | ELife Holdings Limited (易生活控股有限公司)  | Independent Director              | 2015  | to date                               |
|      | Jade Road Investments Limited (fka: Adamas Finance Asia Limited)                | Director                          | 2017  | to date                               |
|      | Asia-Pacific Strategic Investments Limited (fka: China Real Estate Grp Limited) | Independent Director              | 2017  | to date                               |
|      | Hang Pin Living Technology Company Limited (杭品生活科技股份有限公司)                       | Independent Director              | 2017  | to date                               |
|      | Kidsland International Holdings Limited (凱知樂國際控股有限公司)                           | Independent Director              | 2017  | to date                               |
|      | Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)                                | Independent Director              | 2017  | to date                               |
|      | National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)               | Director                          | 2017  | to date                               |

## Section IV CORPORATE GOVERNANCE

| Name         | Name of other entities  | Positions taken in other entities | Commencement date of tenure for the session | Ending date of tenure for the session |
|--------------|---|-----------------------------------|---|---------------------------------------|
|              | Thomson Medical Group Limited                                   | Independent Director              | 2019  | to date                               |
|              | TMC Life Sciences Berhad (TMC生命科學)                              | Independent Director              | 2019  | to date                               |
|              | Alset International Limited                                     | Independent Director              | 2020  | to date                               |
|              | Greenland Hong Kong Holdings Limited (綠地香港控股有限公司)               | Independent Director              | 2020  | to date                               |
|              | Mingfa Group (International) Company Limited (明發集團(國際)有限公司)     | Director                          | 2020  | to date                               |
|              | Hong Kong Aerospace Technology Group Limited (香港航天科技集團有限公司)     | Director                          | 2021  | to date                               |
|              | Huarong International Financial Holdings Limited (華融國際金融控股有限公司) | Independent Director              | 2021  | to date                               |
|              | Top Global Limited  | Independent Director              | 2010  | 2021                                  |
|              | Sunwah International Limited                                    | Independent Director              | 2011  | 2021                                  |
|              | Aurum Pacific (China) Group Limited (奧栢中國集團有限公司)                | Independent Director              | 2019  | 2021                                  |
|              | Tianda Pharmaceuticals Limited (天大藥業有限公司)                       | Director                          | 2018  | 2021                                  |
| Zhu Hongchao | Shanghai United Law Firm (上海市聯合律師事務所)                           | Director/senior partner           | 1986  | to date                               |

## Section IV CORPORATE GOVERNANCE

| Name    | Name of other entities   | Positions taken<br>in other entities | Commencement<br>date of tenure<br>for the session | Ending<br>date of<br>tenure for<br>the session |
|---------|--|--------------------------------------|---|--|
|         | Fu Shun Kai De International<br>Enterprise Management Advisory<br>(Beijing) Co., Ltd. (富順凱德國際企<br>業管理顧問(北京)有限公司) | Supervisor                           | 2011  | to date  |
|         | Caitong Fund Management Co., Ltd.<br>(財通基金管理有限公司)  | Director                             | 2012  | to date  |
|         | Jupai Holdings Limited (鉅派投資有<br>限公司)  | Independent Director                 | 2015  | to date  |
|         | Leju Holdings Limited (樂居控股有<br>限公司)   | Independent Director                 | 2017  | to date  |
|         | E-House (China) Enterprise Holdings<br>Limited (易居(中國)企業控股有限<br>公司)  | Independent Director                 | 2018  | to date  |
|         | Shanghai Hysea Industrial<br>Communications Co., Ltd. (上海海<br>希工業通訊股份有限公司)                                       | Independent Director                 | 2020  | to date  |
|         | Shanghai Research Institute of<br>Building Sciences Group Co., Ltd.<br>(上海建科集團股份有限公司)                            | Director                             | 2020  | to date  |
|         | Sansheng Holdings (Group) Co. Ltd.<br>(三盛控股(集團)有限公司)   | Independent Director                 | 2021  | to date  |
|         | Shanghai Bailian Group Co., Ltd.<br>(上海百聯集團股份有限公司)   | Independent Director                 | 2021  | to date  |
|         | Bright Real Estate Group Co., Limited<br>(光明房地產集團股份有限公司)   | Independent Director                 | 2021  | to date  |
| Zhou Yu | Shanghai Academy of Social Sciences<br>(上海社會科學院)   | Professor                            | 2008  | to date  |

## Section IV CORPORATE GOVERNANCE

| Name                                     | Name of other entities  | Positions taken in other entities     | Commencement date of tenure for the session | Ending date of tenure for the session |
|--|---|---------------------------------------|---|---------------------------------------|
| <b>Positions of current Supervisors:</b> |   |                                       |   |                                       |
| Ruan Feng                                | Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司)          | Supervisor                            | 2020  | to date                               |
|  | Green Development Fund Private Equity Investment Management (Shanghai) Co., Ltd. (綠色發展基金私募股權投資管理(上海)有限公司) | Supervisor                            | 2021  | to date                               |
| Li Zhenghao                              | Shanghai Gas Company Limited (上海燃氣有限公司)   | Director                              | 2019  | to date                               |
|  | Shenergy Company Limited (申能股份有限公司)   | Director                              | 2020  | to date                               |
|  | Shanghai Shenxin Environmental Protection Co., Ltd. (上海申欣環保有限公司)  | Chairman of the Supervisory Committee | 2019  | to date                               |
| Cao Yijian                               | Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)   | Supervisor                            | 2019  | to date                               |
|  | Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)  | Executive Director, General Manager   | 2019  | 2021                                  |
|  | Shanghai SITICO Assets Management Co., Ltd. (上海上國投資資產管理有限公司)  | Director                              | 2021  | to date                               |
| Dong Xiaochun                            | Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司)   | Director                              | 2020  | to date                               |

## Section IV CORPORATE GOVERNANCE

| Name   | Name of other entities  | Positions taken in other entities           | Commencement date of tenure for the session | Ending date of tenure for the session |
|--|---|---|---|---------------------------------------|
|  | Shanghai Bailian Commercial Brand Investment Co., Ltd. (上海百聯商業品牌投資有限公司) | Director                                    | 2020  | to date                               |
|  | Shanghai Friendship Department Store Co., Ltd. (上海友誼百貨有限公司)             | Director, General Manager                   | 2020  | to date                               |
|  | Anfubao Business Co., Ltd. (安付寶商務有限公司)                                  | Director                                    | 2020  | to date                               |
| Dai Li   | Shanghai Dongjie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司)             | Director                                    | 2016  | to date                               |
|  | Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司)                    | Director                                    | 2017  | to date                               |
|  | Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司)         | Executive Director and Legal Representative | 2019  | to date                               |
| <b>Positions of resigned employee representative</b> |   |   |   |                                       |
| <b>Supervisors:</b>                                  |   |   |   |                                       |
| Wu Hongwei   | Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)                        | Vice Chairman of the Supervisory Board      | 2021  | to date                               |
| <b>Positions of other senior management:</b>         |   |   |   |                                       |
| Chen Chunqian  | E-Capital Transfer Co., Ltd. (證通股份有限公司)                                 | Director                                    | 2015  | to date                               |



## Section IV CORPORATE GOVERNANCE

### (III) Remunerations of Directors, Supervisors and Senior Management

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

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

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

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

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

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

## Section IV CORPORATE GOVERNANCE

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

The actual remuneration received in aggregate by all the Directors, Supervisors and senior management from the Company at the end of the Reporting Period was RMB48.7268 million. (The total number above did not include remunerations senior management of the Company received from subsidiaries. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period included the 2021 deferred payment of performance bonus, term incentive and medium and long term incentive attributable to prior years)

### (IV) Changes in Directors, Supervisors and Senior Management of the Company

| Name          | Position  | Particulars of changes  | Reasons of change          |
|---------------|---|-------------------------|----------------------------|
| Qu Qiuping    | Executive Director, General Manager   | Resignation             | Change in work arrangement |
| Li Jun        | Executive Director<br>General Manager   | Election<br>Appointment | /<br>/                     |
| Zhao Yonggang | Vice Chairman of the Supervisory Committee,<br>Employee Representative Supervisor | Election                | /                          |
| Wu Hongwei    | Vice Chairman of the Supervisory Committee,<br>Employee Representative Supervisor | Resignation             | Change in work arrangement |
| Wang Jianye   | Chief Compliance Officer  | Resignation             | Age concern                |
| Li Haichao    | Deputy General Manager, Chief Compliance Officer                                  | Appointment             | /                          |

### (V) Particulars about Punishments Imposed by Securities Regulatory Authorities during Recent Three Years

The current and resigned Directors, Supervisors and senior management during the Reporting Period have not been punished by the securities regulatory authorities over the past three years.

## Section IV CORPORATE GOVERNANCE

### V. THE DETAILS OF BOARD MEETINGS DURING THE REPORTING PERIOD

| Session of the meeting   | Date of the meeting | Resolutions of the meeting   |
|--|---------------------|--|
| The 14th meeting (extraordinary meeting) of the seventh session of the Board | 29 January 2021     | The Board considered and approved the Resolution on Providing Guarantee by the Company for Outstanding Debts during the Capital Reduction Process of its Wholly-owned Subsidiary Haitong Capital Investment Co., Ltd.  |
| The 15th meeting of the seventh session of the Board                         | 30 March 2021       | The Board considered and approved the Annual Report of the Company for the Year 2020, the Final Accounts Report of the Company for the Year 2020; the Profit Distribution Proposal of the Company for the Year 2020, the compliance report of the Company for the year 2020, the Internal Control Evaluation Report of the Company for the Year 2020, the Special Audit Report on Related Party Transactions of the Company for the Year 2020, the Report on Performance of Duties of the Audit Committee under the Board of Directors of the Company for the Year 2020, the Proposal Regarding the Renewal of Engagement of Accounting Firms of the Company, the Proposal Regarding the Provision for Asset Impairment of the Company, the Special Report on the Deposit and Actual Usage of Proceeds Raised of the Company, the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary, the Report of the Board of Directors of the Company for the Year 2020, the Work Report of the Independent Directors for the Year 2020, the 2020 Corporate Social Responsibility Report of the Company, the Resolution Regarding the Projected Daily Related Party/Connected Transactions of the Company for the Year 2021, the Resolution Regarding the Special Audit Report on Anti-money Laundering Work of the Company for the Year 2020, the Resolution Regarding the Amendment of the Administrative Measures on Information Isolation Wall, the 14th Five-Year Plan for Science and Technology Development of the Company, the Resolution Regarding the Transfer of the Property Rights for the Office Building Block B1 of the South Bund Headquarters Park, the Resolution Regarding the Grant by the General Meeting of General Mandate for the Board to Authorise, Allot or Issue A Shares and/or H shares, the Resolution |

## Section IV CORPORATE GOVERNANCE

| Session of the meeting   | Date of the meeting | Resolutions of the meeting   |
|--|---------------------|--|
|  |                     | Regarding the Convening of 2020 Annual General Meeting of the Company. The Board also listened to the Operating Report for the Year 2020 and Work Plan for the Year 2021 of the Company and the Relevant Opinions of the Audit Committee on the Accounting Firm's Engagement in Audit Work for the Year, the Report Regarding the Management's Assessment of the Overall Effect and Efficiency of the Company's Information Technology Management in 2020 and the Report on the Implementation of Risk Control Indicators of the Company in 2020. The list of the latest related parties/connected person was also confirmed.  |
| The 16th meeting of the seventh session of the Board                         | 28 April 2021       | The Board considered and approved the First Quarterly Report of the Company for the Year 2021, the Proposal Regarding the Results of Assessment of Senior Management of the Company in 2020, the Proposal Regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2021, the Proposal Regarding the Offer of Supporting for the Liquidity of Products of Shanghai Haitong Securities Asset Management Company Limited. The Board also reviewed the Operating Report for the First Quarter of 2021 and Key Work Report for the Second Quarter of 2021 of the Company and the Statement on Financial Position for the First Quarter of 2021 of the Company. |
| The 17th meeting (extraordinary meeting) of the seventh session of the Board | 30 July 2021        | The Board considered and approved the Proposal on the Cancellation of Some Subsidiaries by Haitong UT Capital Group Co., Limited.  |

## Section IV CORPORATE GOVERNANCE

| Session of the meeting   | Date of the meeting | Resolutions of the meeting   |
|--|---------------------|--|
| The 18th meeting of the seventh session of the Board                         | 26 August 2021      | The Board considered and approved the Interim Report of the Company for the Year 2021, the Special Report on the Deposit and Actual usage of Proceeds Raised of the Company, the Resolution Regarding the Amendment of the Insider Registration System and the Resolution regarding the Merger of Shanghai Zechun Investment & Development Co. Ltd. The Board also listened to the Operating Report for the First Half of 2021 and Work Plan for the Second Half of 2021, the Statement on Financial Position for the First Half of 2021 of the Company, the Report on the Purchase of Property Assets by Haitong Bank, the Report on the Implementation of Risk Control Indicators in the First Half of 2021 and the Report on the Proposed Acquisition by the Company of the Equity Interests in Haitong Futures held by Shareholders including Changjiang Investment (長投公司) and Shengyuan Real Estate (盛源地產). The list of the latest related parties/connected person was also confirmed. |
| The 19th meeting (extraordinary meeting) of the seventh session of the Board | 2 September 2021    | The Board considered and approved the Resolution on Delegation of Performance of Duties of the General Manager by the Chairman of the Company, the Resolution Regarding the Nomination of Mr. Li Jun as a Candidate for Director of the Company and the Resolution Regarding the Convening of the First Extraordinary General Meeting of the Company for the Year 2021.  |
| The 20th meeting of the seventh session of the Board                         | 28 October 2021     | The Board considered and approved the Third Quarterly Report of the Company for the Year 2021, the Proposal Regarding the Provision for Asset Impairment of the Company, the Proposal regarding Adjustments to the Organisational Structure of the Company, the Proposal Regarding the Increase in Capital to the Wholly-Owned Subsidiary Haitong Innovation Securities Investment Co., Ltd. and the Proposal Regarding the Appointment of the General Manager. The Board also listened to the Operating Report for the First Three Quarters of 2021 and Key Work Report for the Fourth Quarter of 2021 of the Company and the Statement on Financial Position for the Third Quarter of 2021 of the Company.   |

## Section IV CORPORATE GOVERNANCE

| Session of the meeting   | Date of the meeting | Resolutions of the meeting   |
|--|---------------------|--|
| The 21st meeting (extraordinary meeting) of the seventh session of the Board | 30 November 2021    | The Board considered and approved the Proposal regarding Adjustments to the Shareholding Structure of Haitong UT Capital Group Co., Limited, the Proposal Regarding the Results of Assessment of Professional Managers of the Company for the Term of 2018 to 2020 and the Proposal Regarding Haitong Securities Co., Ltd. further Deepening the Implementation Plan for Professional Managers.  |
| The 22nd meeting (extraordinary meeting) of the seventh session of the Board | 15 December 2021    | The Board considered and approved the Proposal Regarding A Connected Transaction in Relation to A Joint Investment by Haitong Creative Private Equity Fund Management Co., Ltd., Haitong Capital Investment Co., Ltd. and Shanghai Guosheng (Group) Co., Ltd., the Proposal Regarding the Change of Name of the Development Strategy and Investment Management Committee of the Board of the Company and Amendments to Its Terms of Reference, the Proposal regarding Amendments to the Articles of Association of the Company and the Proposal Regarding the Write-off of Bad Debts of the Company. |

### VI. PERFORMANCE OF DUTIES BY DIRECTORS

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

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

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

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

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

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

| Name of Director                    | Attendance at the Board meetings                  |                                 |   |                                |                    |  | Attendance at the general meetings        |
|-------------------------------------|---|---------------------------------|---|--------------------------------|--------------------|--|---|
|                                     | Number of attendances as required during the year | Number of attendances in person | Number of attendances by correspondence | Number of attendances by proxy | Number of absences | Absence from two consecutive meetings or not | Number of attendances at general meetings |
|                                     |   |                                 |   |                                |                    |  |   |
| Executive Directors                 |   |                                 |   |                                |                    |  |   |
| Zhou Jie                            | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 2   |
| Li Jun                              | 3   | 3                               | 2                                       | 0                              | 0                  | No   | /   |
| Ren Peng                            | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 2   |
| Qu Qiuping (Resigned)               | 5   | 5                               | 3                                       | 0                              | 0                  | No   | 1   |
| Non-executive Directors             |   |                                 |   |                                |                    |  |   |
| Tu Xuanxuan                         | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 0   |
| Zhou Donghui                        | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 0   |
| Yu Liping                           | 9   | 9                               | 6                                       | 0                              | 0                  | No   | 0   |
| Xu Jianguo                          | 9   | 9                               | 6                                       | 0                              | 0                  | No   | 0   |
| Independent Non-executive Directors |   |                                 |   |                                |                    |  |   |
| Zhang Ming                          | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 1   |
| Lam Lee G.                          | 9   | 9                               | 9                                       | 0                              | 0                  | No   | 1   |
| Zhu Hongchao                        | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 1   |
| Zhou Yu                             | 9   | 9                               | 5                                       | 0                              | 0                  | No   | 2   |



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### *Description of absence from two consecutive Board meetings*

During the Reporting Period, no directors were absent from two consecutive Board meetings.

|   |   |
|---|---|
| Number of Board meetings convened during the year                     | 9 |
| Including: Number of meetings held on-site                            | 0 |
| Number of meetings held via correspondence                            | 5 |
| Number of meetings held on-site and via correspondence simultaneously | 4 |

### (II) Directors' Objections to Relevant Matters of the Company

During the Reporting Period, Directors of the Company had no objection to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings", "Relevant Contents of Special Committees under the Board of Directors" of this section for the attendances of Directors at general meetings, Board meetings and meetings of special committees. Please refer to the overseas regulatory announcement in relation to the Work Report of the Independent Directors for the Year 2021 of the Company disclosed by the Company on the HKEXnews website of the Hong Kong Stock Exchange in the same period of the disclosure of this report for the details of the performance of duties of independent non-executive Directors.

### (III) Others

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

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

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

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

#### 1. Chairman and General Manager

The Chairman and the general manager (i.e., chief executive officer under the Hong Kong Listing Rules) of the Company are held by different individuals to secure the independence of their respective duties, accountabilities and balanced distribution of rights and authorisations. Mr. Zhou Jie serves as the Chairman and Mr. Li Jun serves as the general manager (Mr. Qu Qiuping resigned on 2 September 2021). The Rules of Procedure for Board Meetings and Terms of Reference for the General Manager considered and approved by the shareholders' general meeting and the Board clearly define the duties of the Chairman and the general manager respectively.

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

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

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

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

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

### 4. *Directors' Remunerations*

For details, please refer to "Remunerations of Directors, Supervisors and Senior Management" in "Section IV Corporate Governance" of this report.

### 5. *Directors' Trainings*

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

During the Reporting Period, the Directors actively participated in the regular trainings organised by local regulatory authorities or other organizations to complete continued trainings as required. In April 2021, the executive Directors of the Company Zhou Jie, Qu Qiuping and Ren Peng, the non-executive Directors Tu Xuanxuan, Zhou Donghui, Yu Liping and Xu Jianguo, as well as the independent non-executive Directors Zhang Ming, Lam Lee G., Zhu Hongchao and Zhou Yu, learned the written training material Amendment (XI) to the Criminal Law compiled by the Shanghai Stock exchange; In August 2021, the Company's independent non-executive directors Zhang Ming, Lam Lee

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G., Zhu Hongchao and Zhou Yu participated in the second phase of follow-up training for independent directors of listed companies in 2021 held by Shanghai Stock Exchange. During the Reporting Period, Mr. Lam Lee G., an independent non-executive Director of the Company, participated in a total of over 20 trainings related to Hong Kong Listing Rules and compliance, and read material of various topics (including corporate governance matters, directors' responsibilities, ESG related contents and Hong Kong Listing Rules, etc.). During the Reporting Period, the Newsletter for Directors and Supervisors (12 issues in total for 2021) and Regulations of Securities Market and Case Analysis (4 issues in total for 2021) were regularly compiled and delivered to the Directors by the office of the Board of the Company. All Directors (including executive Directors Zhou Jie, Li Jun, Qu Qiuping (resigned) and Ren Peng, non-executive Directors Tu Xuanxuan, Zhou Donghui, Yu Liping and Xu Jianguo and independent non-executive Directors Zhang Ming, Lam Lee G., Zhu Hongchao and Zhou Yu) received daily written training in 2021. These trainings helped the Directors to be timely informed of the latest policies, regulations and classic cases. The Company has also built multi-level information communication mechanisms and set up an information exchange platform to strengthen information sharing and exchanging among Directors, Supervisors and the management, and improved Directors' duty performance capability. In addition, Grandall Law Firm conducted a training entitled "Interpretation of the new rules related to directors, supervisors, the management and corporate governance" for all Directors and Supervisors of the Company in August 2021.

### VII. DETAILS OF THE SPECIAL COMMITTEES UNDER THE BOARD

#### (1). Members of the Special Committees under the Board

| Category of Special Committees  | Name of Members   |
|---|---|
| Audit Committee   | Zhang Ming (Chairman), Yu Liping, Xu Jianguo, Lam Lee G., Zhou Yu   |
| Nomination, Remuneration and Assessment Committee   | Zhu Hongchao (Chairman), Tu Xuanxuan, Yu Liping, Zhang Ming, Lam Lee G.                                       |
| Compliance and Risk Management Committee  | Li Jun (Chairman), Qu Qiuping (former Chairman, resigned), Zhou Donghui, Xu Jianguo, Zhang Ming, Zhu Hongchao |
| Development Strategy and ESG Management Committee (former Development Strategy and Investment Management Committee) | Zhou Jie (Chairman), Ren Peng, Tu Xuanxuan, Zhou Donghui, Zhou Yu   |

#### Notes:

- On 2 September 2021, the Board of the Company received the written resignation report from Mr. Qu Qiuping. Mr. Qu Qiuping resigned as an executive Director, the chairman of the Compliance and Risk Management Committee and the general manager of the Company due to changes in work arrangement. On the same day, the Resolution on the Nomination of Mr. Li Jun as an Executive

## Section IV CORPORATE GOVERNANCE

Director Candidate of the Company was considered and approved at the 19th meeting (extraordinary meeting) of the seventh session of the Board of the Company, and the Board agreed that Li Jun was the executive director candidate of the seventh session of the Board of the Company, and succeeded the chairman of the Compliance and Risk Control Management Committee of the Board after his appointment as an executive director of the Company. On 28 September 2021, the Resolution on the Appointment of Mr. Li Jun as the Executive Director of the Company was considered and approved at the 2021 first extraordinary general meeting of the Company, Mr. Li Jun was approved to be the executive director of the seventh session of the Board of the Company. On the same day, Mr. Li Jun served as the chairman of the Compliance and Risk Management Committee of the seventh session of the Board the Company.

2. On 15 December 2021, the Resolution on the Change of the Name of the Development Strategy and Investment Management Committee of the Board of the Company and the Amendment of the Terms of Reference of the Committee was considered and approved at the 22nd meeting (extraordinary meeting) of the seventh session of the Board of the Company, to agree the change of the name of the "Development Strategy and Investment Management Committee of the Board" to the "Development Strategy and ESG Management Committee of the Board", and the ESG related responsibilities have been added to the terms of reference of such Committee.

### (2). Seven Meetings Held by Audit Committee during the Reporting Period

The primary duties of the Audit Committee are: to propose the appointment or change of the external audit institution and to approve the remuneration and appointment terms of the external audit institution; to ensure the objectivity and independence of the external audit institution and the effectiveness of the audit process; to audit the Company's financial information and disclosure thereof, and to review, where necessary, material connected transactions; to review the financial monitoring, internal control system and risk management system of the Company and its subsidiaries and branches from the perspectives of scientificity, rationality, effectiveness and implementation results; to discuss risk management and internal control system with the management to ensure that the management has performed its duties to set up effective systems; and to review financial and accounting policies and practices of the Group. The committee will also perform other duties assigned by the Board. For the specific duties of the Audit Committee, please refer to the Terms of Reference of the Audit Committee under the Board of Directors published on the websites of the Company and the Hong Kong Stock Exchange.

During the Reporting Period, the Audit Committee convened meetings to consider relevant matters according to relevant provisions of the Terms of Reference of the Audit Committee under the Board of Directors and improved working efficiency as well as scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board of Directors. The Audit Committee fully communicated with certified public accountants to jointly formulate annual audit project plans for the Company. The annual audit work of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of the audit and the improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality.

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| Date            | Content of the Meeting  | Important recommendations and proposals  | Other performance of duties |
|-----------------|---|--|-----------------------------|
| 29 January 2021 | <ol style="list-style-type: none"> <li>Learning from relevant documents from the regulatory authorities on dealing with annual report of 2020 of listing companies;</li> <li>Independent Directors and Audit Committee listened to the Chief Financial Officer's brief financial report of 2020 of the Company (parent company);</li> <li>Independent Directors and Audit Committee discussed with certified public accountants of the annual audit (PricewaterhouseCoopers) to formulate the annual audit work plans;</li> <li>The (unaudited) financial statement of 2020 (of the parent company) prepared by the finance department of the Company was submitted to the Audit Committee, and requests for the Audit Committee's written opinions.</li> </ol> | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |

## Section IV CORPORATE GOVERNANCE

| <b>Date</b>   | <b>Content of the Meeting</b>   | <b>Important recommendations and proposals</b>   | <b>Other performance of duties</b> |
|---------------|---|--|------------------------------------|
| 24 March 2021 | The Financial Report and Special Report of the Company (Audited or Reviewed Draft) for the Year 2020, the Relevant Opinions of the Audit Committee under the Board of the Company on the Accounting Firm's Engagement in Audit Work for the Year, the Proposal regarding the Renewal of Engagement of Accounting Firms, the Proposal on Provision for Impairment of Assets of the Company, the Proposal regarding the Special Report on the Deposit and Use of Proceeds from Fundraising Activities of the Company, the Proposal on Projected Routine Related Party Transactions/Connected Transactions of the Company for the Year 2021, the Internal Control Evaluation Report of the Company for the Year 2020, the Proposal regarding the Special Audit Report on Related Party Transactions of the Company for the Year 2020, and the Report on Performance of Duties of the Audit Committee under the Board of the Company for the Year 2020 were considered and approved. The Committee also listened to the Company's Report on Final Accounts for the Year 2020 and Financial Budget for the Year 2021, the Communication Report related to Preliminary Audit Results for the Year 2020 by Accounting Firms as well as the Work Report of the Independent Directors for the Year 2020, and the list of the latest related parties/connected person was also confirmed. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                                |

## Section IV CORPORATE GOVERNANCE

| Date              | Content of the Meeting   | Important recommendations and proposals  | Other performance of duties |
|-------------------|--|--|-----------------------------|
| 27 April 2021     | The 2021 First Quarterly Report of the Company was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 25 August 2021    | The Interim Report (A+H Financial Report) of the Company for the Year 2021 and the Proposal regarding the Special Report on the Deposit and Use of Proceeds from Fundraising Activities of the Company were considered and approved. The Committee also listened to the Statement on Financial Position for the First Half of 2021 of the Company and the Report to the Audit Committee on Reviewing the 2021 Interim Financial Report of the Company, and the list of the related parties/connected person of the Company was also confirmed. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 23 September 2021 | The Proposal regarding Connected Transaction of the Joint Investment by Haitong Creative Private Equity Fund Management Co., Ltd., Haitong Capital Investment Co., Ltd. and Shanghai Guosheng (Group) Co., Ltd. was considered and approved.   | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |



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| Date             | Content of the Meeting  | Important recommendations and proposals  | Other performance of duties |
|------------------|---|--|-----------------------------|
| 27 October 2021  | The 2021 Third Quarterly Report of Haitong Securities Co., Ltd. and the Proposal on the Provision for Asset Impairment of the Company were considered and approved. The Committee also reviewed the Statement on Financial Position for the Third Quarter of 2021 of the Company. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 14 December 2021 | The Proposal regarding the Write-off of Bad Debts of the Company was considered and approved.   | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |

### *Attendance of the Committee Members*

| Name of the Audit Committee members of the seventh session of the Board | Number of actual attendances/number of attendances as required |
|---|--|
| Zhang Ming (Chairman)   | 7/7  |
| Yu Liping   | 7/7  |
| Xu Jianguo  | 6/7  |
| Lam Lee G.  | 7/7  |
| Zhou Yu   | 7/7  |

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### (3). During the Reporting Period, the Nomination, Remuneration and Assessment Committee convened four meetings

The primary duties of the Nomination, Remuneration and Assessment Committee are: to study and make suggestions on criteria and procedure for selecting Directors and managers; to extensively identify qualified candidates for Directors and managers; to examine the qualifications of the candidates for Directors and managers and make suggestions; to review the structure, size and composition (including skills, knowledge and experience) of the Board, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the general manager; to formulate remuneration policies that include but not limited to performance evaluation standards and procedure, major evaluation system, principal award and punishment scheme and system; to examine the fulfilment of the duties of the Directors and managers of the Company, evaluate their annual performance and make suggestions according to the annual audit result of the Audit Committee; to appraise the remuneration reform plan of the Company and approve the terms of the service contracts of the executive Directors and supervise the implementation of the Company's remuneration system. To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of individual executive directors and senior management (this should include benefits in kind, pension rights and compensation payments); to make recommendations to the Board on the remuneration of non-executive directors. For the specific duties of the Nomination, Remuneration and Assessment Committee, the nomination and the performance appraisals of Directors and managers as well as the remuneration review procedures, please refer to the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors" published on the websites of the Company and the Hong Kong Stock Exchange.

- *Policy on Board Diversity*

To carry out the requirements regarding board diversity in the Hong Kong Listing Rules and to ensure a more scientific and reasonable composition of the Board, the Company formulated the Policy on Board Diversity of Haitong Securities Co., Ltd., which is published on the website of the Company. The content of policy involves:

1. Policy statement: To realise a sustainable and balanced development, the Company believes that a diversified board enables the Company to reach its strategic goals and promote a sustainable development. When deciding the board member composition, the Company takes several elements into the consideration, including but not limited to skills, knowledge, experience, gender, age, culture, race and educational background. The Board of Directors sticks to the principle of meritocracy, and based on the daily business needs of the Company, in the nomination of the directors and fully considers the above mentioned goals and requirements.

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2. Measurable objectives: The Nomination, Remuneration and Assessment Committee will select the candidates for Directors based on objective criteria, which contain certain diversified factors, including but not limited to skills, knowledge, experience, gender, age, culture, race and educational background. With reference to the factors such as business features and future development requirements of the Company, the nominated candidates of the directors shall comply with the requirements of relevant laws, regulations and the Articles of Association to ensure the effective discussions at the Board and enable the Board to make scientific, prompt and careful decisions. Finally, the candidates will be determined according to their value and contribution to the Board.

As of the date of this Report, the analysis on diversity of the seventh session of the Board of the Company is as follows:

| Item                   | Category                           | Number of people | Proportion of the members of the Board |
|------------------------|------------------------------------|------------------|--|
| Gender                 | Male                               | 10               | 91%                                    |
|                        | Female                             | 1                | 9%                                     |
| Age                    | 40 to 50 years old                 | 1                | 9%                                     |
|                        | 51 to 60 years old                 | 6                | 55%                                    |
|                        | 61 to 70 years old                 | 4                | 36%                                    |
| Title                  | Executive director                 | 3                | 28%                                    |
|                        | Non-executive director             | 4                | 36%                                    |
|                        | Independent non-executive director | 4                | 36%                                    |
| Educational background | Doctor's degree                    | 3                | 28%                                    |
|                        | Master's degree                    | 6                | 54%                                    |
|                        | Bachelor's degree                  | 2                | 18%                                    |

The Company confirms that the composition of the Board satisfies the requirements regarding board diversity in the Hong Kong Listing Rules as well as the policy on board diversity formulated by the Company.

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- *Director Nomination Policy*

Pursuant to Article 149 of the Articles of Association, the means of nominating Directors and the procedure are: (i) Within the scope of the number of Directors stipulated in the Articles of Association and in accordance with the proposed number of Directors to be elected, the candidates may be nominated by the Board; (ii) The shareholder(s) individually or jointly holding more than 3% of the Company's shares may nominate candidate(s) directorship, but such nomination shall be within the scope of the number of Directors stipulated in the Articles of Association and shall not exceed the total proposed number of Directors to be elected; (iii) A candidate for directorship shall make a written undertaking prior to the convening of the Company's shareholders' general meeting, confirming his acceptance of nomination and further undertake that his provided information in this aspect is authentic and complete and that he shall earnestly perform the Director's duties; (iv) The written notice of the intent to nominate a candidate for directorship and the written notice by such candidate of his willingness to be elected shall be given to the Company seven days prior to the date of the shareholders' general meeting appointed for such election; (v) The period allowed for the relevant nominator and the nominee to submit the aforesaid notices and documents (calculated from the next day after the notice of the shareholders' general meeting was issued) shall be no less than seven days.

Pursuant to Article 10 of the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors", the selection process of Directors and managers is as follows: (i) The Nomination Committee should actively communicate with relevant departments and study the Company's demand for Directors and managers, and formulate written materials; (ii) The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the HR market; (iii) Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing; (iv) Seek the nominees' consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers; (v) Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers; (vi) Make suggestion to the board of directors regarding the candidates for Directors and new managers and submit the relevant information to the board of directors one to two months prior to the election of new Directors and appointment of new managers; and (vii) Complete other follow-up work according to the decision and feedback from the board of directors.

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| Date of the meeting | Meeting contents   | Significant opinions and suggestions   | Other performance of duties |
|---------------------|--|--|-----------------------------|
| 27 April 2021       | The Proposal Regarding the Results of Assessment of Senior Management of the Company in 2020 and the Proposal Regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2021 were considered and approved. The Committee also reviewed the work report of professional managers. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 2 September 2021    | The Proposal Regarding the Nomination of Mr. Li Jun as a Director Candidate of the Company was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 28 October 2021     | The Proposal Regarding the Nomination of Mr. Li Jun as a General Manager was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 29 November 2021    | The Proposal Regarding the Results of Assessment of Professional Manager of the Company for Term of 2018 to 2020 and the Proposal Regarding Haitong Securities Co., Ltd. further Deepening the Implementation Plan for Professional Managers were considered and approved.   | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |

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### *Attendance of the Committee Members:*

| <b>Names of the Nomination, Remuneration and Assessment Committee members of the seventh session of the Board</b> | <b>Number of actual attendances/number of attendances as required</b> |
|---|---|
| Zhu Hongchao (Chairman)   | 4/4   |
| Tu Xuanxuan   | 4/4   |
| Yu Liping   | 4/4   |
| Zhang Ming  | 4/4   |
| Lam Lee G.  | 4/4   |

#### **(4). During the Reporting Period, the Compliance and Risk Management Committee held three meetings**

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

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| Date of the meeting | Meeting contents  | Significant opinions and suggestions   | Other performance of duties |
|---------------------|---|--|-----------------------------|
| 25 March 2021       | The Compliance Report of the Company for the Year 2020, the Risk Assessment Report of the Company for the Year 2020, the Internal Control Evaluation Report of the Company for the Year 2020, the Proposal regarding the Special Audit Report on Anti-Money Laundering Work of the Company for the Year 2020 and the Resolution Regarding the Amendment of the Administrative Measures on Information Isolation Wall were considered and approved. The Committee also reviewed the Report on the Implementation of Risk Control Indicators for the Year 2020. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 27 April 2021       | The Proposal Regarding the Offer of Supporting for the Liquidity of Products of Shanghai Haitong Securities Asset Management Company was considered and approved.   | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 25 August 2021      | The Group Risk Assessment Report of the Company for the First Half of 2021 was considered and approved. The Report on Compliance Management and Construction of Central Control Room of the Company for the First Half of 2021 and the Report on the Implementation of Risk Control Indicators in the First Half of 2021 were reviewed.   | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |



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### *Attendance of committee members:*

| <b>Name of the Compliance and Risk Management Committee members of the seventh session of the Board</b> | <b>Number of actual attendances/number of attendances as required</b> |
|---|---|
| Li Jun (Chairman)   | 0/0   |
| Zhou Donghui  | 3/3   |
| Xu Jianguo  | 3/3   |
| Zhang Ming  | 3/3   |
| Zhu Hongchao  | 3/3   |
| Qu Qiuping (resigned)   | 3/3   |

### **(5). During the Reporting Period, the Development Strategy and Investment Management Committee held five meetings**

The primary duties of the Development Strategy and Investment Management Committee are: to conduct studies and submit proposals regarding mid-to-long-term development strategies and planning of the Company; to study and propose suggestions to material plans on investment and financing which are required by the Articles of Association to be approved by the Board; to analyse the feasibility of and make suggestions on the major capital operation, asset operation and mergers and acquisitions and reorganisation which are required by the Articles of Association to be approved by the Board; to study and make suggestions on other major issues affecting the development of the Company; and to conduct inspection and supervision to the implementation of the above matters. Its duties also include other matters assigned by the Board.

| <b>Date of the meeting</b> | <b>Meeting contents</b>   | <b>Important recommendations and proposals</b>   | <b>Other performance of duties</b> |
|----------------------------|---|--|------------------------------------|
| 24 March 2021              | The "14th Five-Year Plan" for Science and Technology Development of the Company and the Proposal regarding the Property Rights Transfer of Office Building B1 in South Bund Headquarters Park were considered and approved. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                                |

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| Date of the meeting | Meeting contents  | Important recommendations and proposals  | Other performance of duties |
|---------------------|---|--|-----------------------------|
| 29 July 2021        | The Proposal regarding the Cancellation of Some Subsidiaries by Haitong UT Capital Group Co., Limited was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 25 August 2021      | The Proposal regarding the Merger of Shanghai Zechun Investment & Development Co. Ltd. was considered and approved; the Report on the Purchase of Property Assets by Haitong Bank was reviewed. | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 27 October 2021     | The Resolution of Capital Injection into the Wholly-owned Subsidiary Haitong Innovation Securities Investment Co., Ltd. was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |
| 29 November 2021    | The Resolution of the Adjustment of the Shareholding Structure of Haitong UT Capital Group Co., Limited was considered and approved.  | The Committee agreed with the motion and made comments and suggestions on related work according to regulations and Terms of Reference, etc. | N/A                         |

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### *Attendance of committee members:*

| <b>Name of the Development Strategy and Investment Management Committee members of the seventh session of the Board</b> | <b>Number of actual attendances/number of attendances as required</b> |
|---|---|
| Zhou Jie (Chairman)   | 5/5   |
| Ren Peng  | 5/5   |
| Tu Xuanxuan   | 5/5   |
| Zhou Donghui  | 5/5   |
| Zhou Yu   | 5/5   |

### *Development Strategy and ESG Management Committee of the Board*

On 15 December 2021, the resolution on Change of the Name of the Development Strategy and Investment Management Committee of the Board of the Company and Amend the Terms of the Committee was considered and approved at the twenty-second meeting (extraordinary meeting) of the seventh session of the Board convened by the Company, it was approved to change the name from “Development Strategy and Investment Management Committee of the Board” to “Development Strategy and ESG Management Committee of the Board”, and ESG related responsibilities were added to the terms of the Committee.

The primary duties of the Development Strategy and ESG Management Committee are: to conduct studies and submit proposals regarding mid-to-long-term development strategies and planning of the Company; to study and propose suggestions to material plans on investment and financing which are required by the Articles of Association to be approved by the Board; to analyse the feasibility of and make suggestions on the major capital operation, asset operation and mergers and acquisitions and reorganisation which are required by the Articles of Association to be approved by the Board; to study and make suggestions on other major issues affecting the development of the Company; to guide and review the overall ESG concept, objectives and strategies, the identification and ranking of ESG issues of the Company, supervise the formulation of the Company’s ESG management performance objectives, review the progress of the objectives, and propose suggestions on the actions required for achieving objectives; to review the annual Corporate Social Responsibility Report as well as other ESG-related disclosure information, such as systems in relation to business ethics, employee diversity and climate change; to evaluate ESG-related risks and opportunities, ensure the establishment of an effective ESG risk management and internal control system; and to conduct inspection and supervision to the implementation of the above matters. Its duties also include other matters assigned by the Board.

No meeting was held by the Development Strategy and ESG Management Committee during the Reporting Period.

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### (6). Details of differentiated matters

☐ Applicable ☒ Not applicable

## VIII. EXPLANATION ON DISCOVERY OF COMPANY'S RISK BY THE SUPERVISORY COMMITTEE

The Supervisory Committee has no objection to matters under supervision during the Reporting Period.

### (1) Attendances of Supervisors at the Meetings of the Supervisory Committee

| Name of Supervisor    | Number of the meetings of Supervisory Committee as required to be present this year | Number of attendances in person | Number of attendances by correspondence | Number of attendances by proxy | Number of absences | Absence from two consecutive meetings or not |
|-----------------------|---|---------------------------------|---|--------------------------------|--------------------|--|
| Zhao Yonggang         | 4   | 4                               | 1                                       | 0                              | 0                  | No   |
| Shi Xu                | 6   | 6                               | 2                                       | 0                              | 0                  | No   |
| Wu Xiangyang          | 6   | 6                               | 2                                       | 0                              | 0                  | No   |
| Ruan Feng             | 6   | 6                               | 2                                       | 0                              | 0                  | No   |
| Li Zhenghao           | 6   | 5                               | 2                                       | 1                              | 0                  | No   |
| Cao Yijian            | 6   | 4                               | 2                                       | 2                              | 0                  | No   |
| Dong Xiaochun         | 6   | 5                               | 3                                       | 1                              | 0                  | No   |
| Dai Li                | 6   | 5                               | 2                                       | 1                              | 0                  | No   |
| Wu Hongwei (resigned) | 2   | 2                               | 1                                       | 0                              | 0                  | No   |

The voting results of the deliberation on the proposals by the Supervisory Committee were agreed by all Supervisors, with no waiver or opposition.

### (II) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened six meetings in total, and the details are as follows:

- On 30 March 2021, the eighth meeting of the seventh session of the Supervisory Committee was held on-site by the Company, at which the Annual Report of the Company for the Year 2020, the Internal Control Evaluation Report of the Company for the Year 2020, the Compliance Report of the Company for the Year 2020, the Proposal Regarding the Provision for Asset Impairment of the Company, the Special Report on the Deposit and Actual Usage of Raised Proceeds of the Company, the Work Report of the Supervisory Committee of the Company for the Year 2020, and the Social Responsibility Report of the Company for the Year 2020 were considered and approved. The Committee listened to the Operating Report for the Year 2020 and Work Plan for the Year 2021 of the Company, the Final Accounts Report for the Year 2020 of the Company and the appendices thereof and the Profit Distribution Proposal for the Year 2020 of the Company, and reviewed the Special Report on Employee Benefits and Labor Relations for the Year 2020 of the Company and the list of the related/connected parties of the Company.

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2. On 28 April 2021, the ninth meeting of the seventh session of the Supervisory Committee was held by the Company through voting by correspondence, at which the First Quarterly Report of the Company for the Year 2021 was considered and approved. The Committee reviewed the Operating Report for the First Quarter of 2021 and Key Work Report for the Second Quarter of 2021 of the Company and the Statement on Financial Position for the First Quarter of 2021 of the Company.
3. On 11 June 2021, the 10th meeting of the seventh session of the Supervisory Committee (extraordinary meeting) was held on-site by the Company, at which the Proposal Regarding the Election of the Vice Chairman of the Supervisory Committee was considered and approved.
4. On 26 August 2021, the 11th meeting of the seventh session of the Supervisory Committee was held on-site by the Company, at which the Interim Report of the Company for the Year 2021 and the Special Report on the Deposit and Actual Usage of Proceeds Raised of the Company were considered and approved. The Committee listened to the Operating Report for the First Half of 2021 and Work Plan for the Second Half of 2021 of the Company and the Statement on Financial Position for the First Half of 2021 of the Company, and reviewed the list of the related parties/connected parties of the Company.
5. On 28 October 2021, the 12th meeting of the seventh session of the Supervisory Committee was held on-site and by means of teleconference by the Company, at which the Third Quarterly Report of the Company for the Year 2021 and the Proposal Regarding the Provision for Asset Impairment of the Company were considered and approved. The Committee listened to the Operating Report for the First Three Quarters of 2021 and Key Work Report for the Fourth Quarter of 2021 of the Company and the Statement on Financial Position for the Third Quarter of 2021 of the Company.
6. On 15 December 2021, the 13th meeting of the seventh session of the Supervisory Committee (extraordinary meeting) was held through voting by correspondence by the Company, at which the Proposal Regarding the Write-off of Bad Debts of the Company was considered and approved.

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### IX. AS AT THE END OF THE REPORTING PERIOD, PARTICULARS ABOUT STAFF OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

#### (I) Particulars about Staff

|   |        |
|---|--------|
| Number of existing employees of the Parent Company  | 6,146  |
| Number of existing employees of major subsidiaries  | 5,485  |
| Total number of existing employees  | 11,631 |
| Total number of retired workers the Parent Company and its major subsidiaries should bear costs for | 38     |

#### Composition of Specialisation

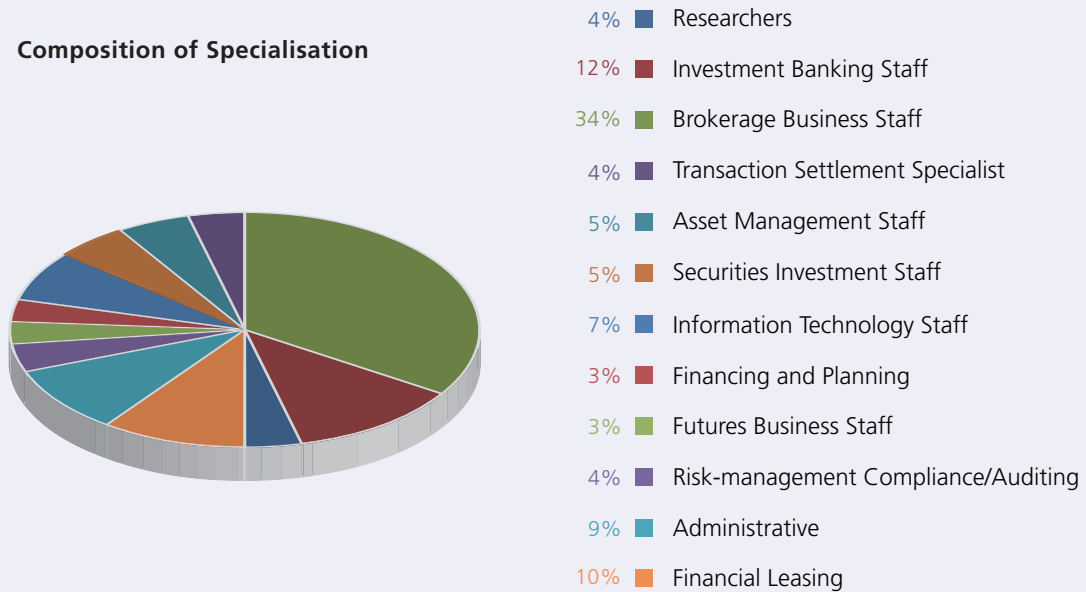
| Category of Specialisation          | Number of Persons |
|-------------------------------------|-------------------|
| Researchers                         | 492               |
| Investment Banking Staff            | 1,402             |
| Brokerage Business Staff            | 3,987             |
| Transaction Settlement Specialist   | 408               |
| Asset Management Staff              | 521               |
| Securities Investment Staff         | 622               |
| Information Technology Staff        | 864               |
| Futures Business Staff              | 310               |
| Financing and Planning              | 383               |
| Risk-management Compliance/Auditing | 490               |
| Administrative                      | 1,019             |
| Financial Leasing                   | 1,133             |
| <b>Total</b>                        | <b>11,631</b>     |

#### Education Background

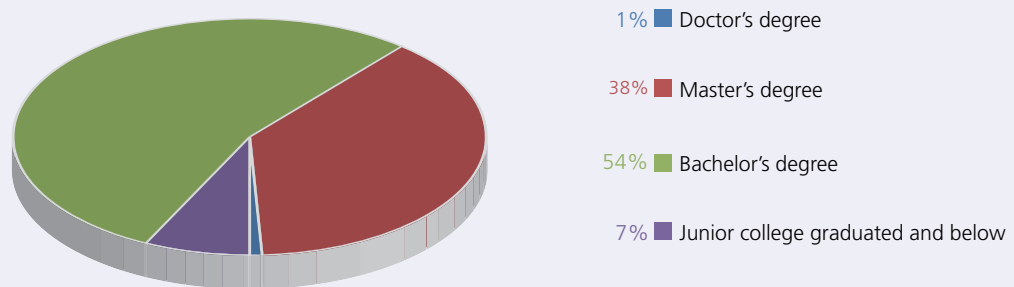
| Highest Level of Education Attained | Number of Persons |
|-------------------------------------|-------------------|
| Doctor's degree                     | 166               |
| Master's degree                     | 4,398             |
| Bachelor's degree                   | 6,226             |
| Junior college graduated and below  | 841               |
| <b>Total</b>                        | <b>11,631</b>     |

## Section IV CORPORATE GOVERNANCE

**Composition of Specialisation**



**Composition of Education Background**



### (II) Remuneration Policies

As at the end of the Reporting period, the Group had 11,631 employees, of whom 6,146 were from the Company, and 5,485 were from subsidiaries.



## Section IV CORPORATE GOVERNANCE

The Company attaches great importance to talent attraction, motivation, training and retention, and continuously reviews and optimizes the Company's remuneration mechanism, and adheres to the incentive principle of market-oriented distribution, performance-oriented and fairness. The remuneration package of the Company comprises of basic salary, performance bonus and benefits. Under the applicable laws and regulations of the PRC, the Company purchased various social insurances (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, making abovementioned social insurances and housing fund contributions in full in accordance with applicable regulations. The Company also established a corporate annuity plan which provides supplemental pension protection for employees, and also purchased supplementary medical insurance and life accident insurance for employees.

Under the applicable laws and regulations in the PRC, the Company enters into a labour contract and establishes employment relationship with each of its employees. A labour contract contains the provisions relating to contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour protection and conditions, as well as modification and termination of the contract.

### (III) Training Plans

During the Reporting Period, the Company has seized the favorable opportunity to take advantage of the learning platforms, integrate the online and offline trainings and actively implement various training programs and activities to support the collaborative development of business and talent cultivation.

Haitong Wealth Research Academy (海通財富研修院) changed its name in 2021, with an average monthly active user ratio of 71%, and the number and length of time of online users reaching a record high. As to function upgrading, Haitong Wealth Research Academy launched the facial recognition function for examinations, two-way video and other core functions. In respect of the curriculum system construction, 253 courses and 169 knowledge bases were updated throughout the year. For online learning activities, Haitong Wealth Research Academy released 653 learning tasks such as learning maps, exam tasks, livestreaming classes and required knowledge and skills in 2021. The average credits per capita of the Company was 44 credits in 2021, significantly exceeding the assessment requirement of 20 credits.

For the training programs, the Company further innovated the training forms to optimize the training effect. The Company implemented 10 sailing plans — new employee trainings for nearly 1,000 new employees; the Company held 12 Haitong Wealth Lecture Hall (海通財富講堂) open classes to focus on improving employees' professional quality; the Company held 10 "Dandelion Programme (蒲公英計劃)" special business trainings, which closely met the needs of business development; Liaoyuan Programme (燎原計劃), which was a new cadre training, was held in Jinggangshan. In addition, we innovated the training forms, introducing the new class experience officer, online certification trainings and other new training forms for the first time. The cooperation programs jointly launched by the various departments, such as the special column for the 100th anniversary of the founding of the CPC, the knowledge contests of clean practice and compilation of innovation cases, have achieved good training effect.

## Section IV CORPORATE GOVERNANCE

### (IV) Particulars about Labour Outsourcing

| <b><u>Total working hours involved in labour outsourcing</u></b> | <b><u>Standard working hours system</u></b> |
|--|---|
| Total compensation paid for labour outsourcing                   | RMB39.3767 million                          |

### (V) Information of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

Since its acquisition of securities brokerage qualification in 2009, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers and On-site Inspection Opinion on Securities Broker System. Through the improvement of rules and regulations, internal control mechanisms, supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As of the end of the Reporting Period, the Company has already had 263 securities business departments with 2,874 securities brokers who have completed registration in the Securities Association of China.

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

## Section IV CORPORATE GOVERNANCE

### X. PROPOSAL ON PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUNDS INTO CAPITAL

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

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

The Company has expressly stipulated the profit distribution policy in its Articles of Association that "the Company may, according to the profit made by the Company and taking into account the actual situation as well as current and long-term benefit of the Company, distribute dividend by way of cash or shares, and have the priority to distribute dividend by cash. In principle, the Company will distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, not exceed the accumulated distributable profit and not influence continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the annual report and the independent non-executive Directors shall give an independent opinion in such regard. The accumulated cash distribution of profit for the last three years of the Company shall not be less than 30% of the average annual distributable profit. Specific percentage of dividend distribution for each year shall meet the needs of corporate operation and development and be resolved in accordance with the annual earnings conditions and future plans on usage of funds. If any of the following circumstances occurs, the Company can adjust or amend the aforesaid profit distribution policy by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders' general meeting: (i) there are changes in, or adjustments to, the relevant laws and regulations; (ii) the risk control indicators (such as net capital) reach the warning levels; (iii) the Company's operating conditions deteriorate; (iv) the Board proposes the adjustments. In the event that adjustments to the Company's profit distribution policy are necessary due to the needs of corporate operation and long-term development, the adjusted profit distribution policy shall comply with the relevant regulations of the Company's regulatory departments. Any resolution regarding the adjustments to the Company's cash dividend policy shall be approved by two thirds of the voting rights of the shareholders attending the shareholders' general meeting and online voting shall be available. The Company shall consider the views of public investors and timely respond to the questions concerned by public investors. The Company should disclose in annual reports the formulation, implementation of the dividend distribution policy and other relevant circumstances in accordance with the relevant provisions. If the cash dividend policy is to be adjusted or amended, the conditions for the adjustments or amendments, and whether the procedures for the adjustments or amendments are in compliance with regulations and transparent should both be disclosed in details".

## Section IV CORPORATE GOVERNANCE

The implementation of the 2020 profit distribution plan of the Company was completed on 29 July 2021. On the basis of the total share capital of 13,064,200,000 shares of the Company, a cash dividend of RMB0.25 (inclusive of tax) per share were distributed to all the shareholders of the Company (which means a cash dividend of RMB2.50 (inclusive of tax) for every 10 shares was distributed), with a total cash dividend amounting to RMB3,266,050,000.00 (inclusive of tax). The cash dividends distributed to holders of A Shares amounted to RMB2,413,657,795.00 based on the total share capital of 9,654,631,180 A Shares and the cash dividends distributed to holders of H Shares amounted to HK\$1,032,872,275.18 based on the total share capital of 3,409,568,820 H Shares.

As audited, the net profit attributable to owners of the parent company for the year 2021 in the consolidated financial statements was RMB12,826,517,065.48 and the net profit of the parent company for the year 2021 was RMB10,304,335,728.44.

In accordance with the relevant regulations including the Company Law, the Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute to investors after making appropriation to statutory reserve funds and reserve funds. The Company has made appropriation of 10% of the net profit for the year 2021 realised by the parent company to statutory reserve funds, general risk reserve and transaction risk reserve, respectively, each amounting to RMB1,030,433,572.84, totalling RMB3,091,300,718.52. The distributable profit for the year 2021 after such appropriations was RMB7,213,035,009.92. The retained profits of the parent company amounted to RMB26,119,698,623.49 at the beginning of the year, adding the retained profits of RMB113,094,318.82 of the Company transferred from other comprehensive income, deducting the dividends of RMB3,266,050,000.00 distributed by the Company due to implementation of the 2020 profit distribution plan, the retained profits of the parent company were RMB30,179,777,952.23 at the end of 2021. After comprehensive consideration of factors such as the interests of shareholders and the development of the Company, it is recommended that the Company's 2021 profit distribution proposal to be as follows:

1. On the basis of the total share capital of the Company on the record date in this dividend distribution, cash dividends of RMB3.00 (inclusive of tax) for every 10 shares will be distributed to the A shareholders and H shareholders registered on the record date in this dividend distribution, with total cash dividends amounting to RMB3,919,260,000.00, representing 30.56% of the net profit attributable to the shareholders of the parent company on a consolidated basis in 2021. The total cash dividends to be distributed and the percentage of dividend distribution will be determined by the total share capital of the Company on the record date in the dividend distribution, and the retained profit available for distribution to investors in 2021 will be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and payable in Renminbi to A shareholders and in HK dollars to H shareholders. The actual amounts declared in HK dollars are converted based on the average benchmark exchange rates for Renminbi to HK dollars as announced by the People's Bank of China for the five business days prior to the date of the general meeting for 2021 in which the proposal will be considered.

## Section IV CORPORATE GOVERNANCE

After the profit distribution plan of 2021 of the Company is considered and approved at the general meeting of the Company, the cash dividends will be distributed within two months from the date of convening such general meeting.

### (II). Explanation on Cash Dividends Policy

- |   |   |
|---|---|
| Whether the policy is in compliance with requirements of the provisions of the Articles of Association or the resolutions of the general meeting            | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether the criteria and ratio of dividend distribution are explicit and clear  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether the relevant decision-making procedures and mechanisms are sound  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether the independent directors have duly performed their duties to the fullest   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Whether there are enough channels for minority shareholders to express their opinions and requests and whether their legal interests sufficiently protected | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

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

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

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

- (I) **Relevant incentive matters have been disclosed in the temporary announcement without subsequent progress or change during implementation**

☐Applicable ☒Not applicable

- (II) **Incentive not disclosed in temporary announcement or have subsequent progress**

#### *Share incentive*

☐Applicable ☒Not applicable

#### *Other explanations*

☐Applicable ☒Not applicable

#### *Employee stock ownership plan*

☐Applicable ☒Not applicable

#### *Other incentive measures*

☒Applicable ☐Not applicable

## Section IV CORPORATE GOVERNANCE

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

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

In 2021, Haitong International Securities granted 9,845,000 share options under the 2015 Share Option Scheme and all of them were accepted; another 1,750,000 share options were exercised; and 29,646,458 share options lapsed during the period due to the expiration of the exercise period of the share options and the resignation of employees.

As at 31 December 2021, share options which have been granted but not yet exercised by Haitong International Securities are set out as follows:

| Share Option Scheme      | Number of share options granted but not yet exercised (Note) | Exercise price per share (Note) | Exercise period                  |
|--------------------------|--|---------------------------------|----------------------------------|
| 2015 Share Option Scheme | 6,546,084  | HK\$5.002                       | 7 June 2018 to 9 November 2022   |
|                          | 11,125,451   | HK\$2.898                       | 28 May 2019 to 31 October 2023   |
|                          | 6,339,506  | HK\$2.554                       | 27 December 2019 to 30 May 2024  |
|                          | 7,345,000  | HK\$1.727                       | 25 December 2020 to 28 May 2025  |
|                          | 9,195,000  | HK\$2.398                       | 17 February 2022 to 20 July 2026 |
| <b>Total</b>             | <b>40,551,041</b>  |                                 |                                  |

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



## Section IV CORPORATE GOVERNANCE

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 0.67% of the issued shares of Haitong International as at 31 December 2021. If the remaining options are fully exercised, under the current share capital structure of Haitong International, an additional of 40,551,041 ordinary shares of Haitong International will be issued, while the share capital of Haitong International will increase by approximately HK\$4,055,000 and the share capital premium will be approximately HK\$111,855,000 (including issuing expenses). (Please refer to the 2021 annual report published by Haitong International on the website of the Hong Kong Stock Exchange for more details.)

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

Directors and senior management of the Company were not granted share incentives during the Reporting Period.

### **(IV). ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD**

The Company formulated the Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (together, the “two Measures”). The Board will conduct the annual performance appraisal and consider related awards for senior management upon the end of an accounting year. During the Reporting Period, the Proposal Regarding the Results of Assessment of Senior Management of the Company in 2020 and the Proposal Regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2021 were considered and approved at the 16th meeting of the seventh session of the Board, to implement “an overall remuneration and performance appraisal system for the senior management, linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders” and “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives” established by the two Measures, so as to ensure the marketisation of the remuneration and rewarding system and maintain its competitive advantages in the industry.

At the same time, the Company researched and formulated the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd., in accordance with the requirement of “market-oriented recruitment, contract-based management, and differential remuneration, market exit”, overall consideration should be given to factors such as the quality of enterprise development, industry salary levels, the characteristics of state-owned enterprises, and the Company’s internal balance, and establish a salary floating mechanism for professional managers, and links professional managers’ annual salary and midterm and long-term incentive incomes with the performance and appraisal results so as to guarantee the marketisation of executive compensation incentive system and effectively improve the overall competitiveness of the Company.



## Section IV CORPORATE GOVERNANCE

### XII. ESTABLISHMENT AND EXECUTION OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM DURING THE REPORTING PERIOD

#### (I) Statement of the Board

To establish, improve and effectively implement internal control and risk management is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control and risk management of the Board. The management shall be responsible for organising and leading daily operations of the Company's internal control and risk management.

The objectives of the Company's internal control and risk management to reasonably ensure compliance with laws and regulations of business operation, assets safety, truthfulness and completeness of financial reports and relevant information, to improve operating efficiency and facilitate the achievement of development strategy of the Company. As internal control and risk management bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives.

The Board has assessed the internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid on 31 December 2021.

#### (II) The Setting of Internal Control and Risk Management Institution

The Company has established a scientific and effective internal control structure to identify, evaluate and manage major risks of the Group. The Board, the Supervisory Committee, management, functional management departments and business operation departments each performs its clearly defined functions and responsibilities under the internal control structure.

The Board of the Company has established the Audit Committee and the Compliance and Risk Management Committee, the responsibilities of which include reviewing the Company's internal control and risk management basic system, supervising the overall effective implementation and self-assessment of internal control and risk management. With the Audit Committee and the Compliance and Risk Management Committee, the Board will review the effectiveness of internal control and risk management system at least once a year. These committees assist the Board to fulfil its duties of supervision and corporate governance, which covers the finance, operation, compliance, risk management and internal control, as well as the duties of financing resource and internal audit. The Supervisory Committee is responsible for supervising the establishment and implementation of internal control and risk management of the Board. The General Compliance Officer is responsible for reviewing, supervising and inspecting the compliance of operations and practices of the Company and its staff; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of risk management and internal control and enforcing the strategies and policies of the risk management of the Company; the functional management departments, consisting of compliance and legal department, risk management department, internal audit department, quality control department, strategy and development department, audit department, planning & finance department, capital management headquarter, financial technology department, data centre, software development centre, operating centre and human resources department, shall be responsible for the specific implementation of internal control work and assessing the soundness and effectiveness of each internal control system; the business operation departments internally designate persons responsible for establishing and implementing the internal control system of their respective units and reviewing the implementation of regulations and conducting front-line supervision on operational risks.

## Section IV CORPORATE GOVERNANCE

### (III) Risk Management and Internal Control Systems

The Board is the maker and authorised person of the Company's strategic objectives for risk management. The Board of the Company undertakes the ultimate responsibility for the effectiveness of the risk management and internal control system, specifically for facilitating the construction of risk culture, reviewing and approving the overall objective, fundamental policy and system of the Company's risk management, and the overall risk orientation, risk tolerance, material risk limit and solution for material risk, the Company's periodic risk assessment report, appointment, dismissal and evaluation of chief risk officer, as well as the establishment of a direct communication mechanism with the chief risk officer. The Board set up the Compliance and Risk Management Committee to execute the specific risk management duties.

In accordance with the laws, regulations and industry standards, the Company has built up the comprehensive risk management and internal control system that embeds a complete operable administrative system, an improved organisation structure, a reliable IT system, a measurable risk indicators system, a professional talent pool, an effective risk response mechanism and a well-established risk control culture. In facing of liquidity risk, market risk, credit risk, operational risk, information technology risk, reputation risk, etc., the Board, the management and the entire staff would work together in identifying the risks precisely, evaluating the risks prudently, conducting dynamic monitoring, responding immediately and managing the whole process of risk control.

The objective of building comprehensive risk management system is to enhance the Company's scientific, regulatory and effective management and operation, so as to strengthen its capability of defending against financial risks and ensure the continuous, stable and healthy development of the Company's various businesses. It can only provide reasonable but not absolute assurance for preventing materially false statement or loss considering its purpose is to manage, instead of eliminating, risks that might affect the achievement of business objectives.

The comprehensive risk management of the Company abides by the following principles: 1. Principle of comprehensiveness: the Company's risk management system has involved all levels of the Company, including the Board, the management and the entire staff, into the processes of identification, response, measurement, evaluation, monitoring and reporting of the risk. The concept and measures of risk management have been widely acknowledged through all departments, branches, subsidiaries and business lines; 2. Principle of independence: an effective system had been established to isolate and balance the front operational departments and the middle and back departments, so that the risk management department is able to evaluate and monitor the risk independently; 3. Principle of prudence: the Company must carefully examine all sections of the risk management and prudently evaluate the risks encountered by the Company.

The Company has standardised the procedure of handling and publishing inside information, to ensure the inside information remains confidential until it has been properly disclosed with approval and ensure the information is disclosed effectively and consistently.

## Section IV CORPORATE GOVERNANCE

### (IV) Establishment of Internal Control System

The Company attaches great importance to the establishment of internal control system and updates its relevant internal control system in a timely manner to ensure the effectiveness and promptness of the design of internal control in accordance with the latest requirements of relevant laws and regulations, the exchange rules, industry standards and self-disciplinary regulations.

During the Reporting Period, the Company continued to improve internal control system by formulating or amending over 250 systems and operating procedures covering various aspects such as business management, compliance management, risk management, finance management, fund management, human resource and administrative management.

### (V) Basis of Establishment of Internal Control over Financial Reports

Based on Basic Standards for Enterprise Internal Control and supporting guidelines jointly issued by Five ministries including the Ministry of Finance, Guidelines for Internal Control of Securities Companies issued by the CSRC and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by Shanghai Stock Exchange, the Company has established a sound internal control system of financial reports.

During the Reporting Period, the Company has formulated or improved financial accounting management systems and other internal control systems in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardisation of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional financial accounting staff, normative and precise financial accounting management systems, appropriate accounting policies, and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, accurate and complete view on its financial position, operating results, cash flow and relevant information. In accordance with the Articles of Association and relevant regulations, the Company's Supervisory Committee and external audit institutions inspected and supervised the Company's financial position. The external audit institutions delivered their professional audit opinions on the financial reports of the Company.

### (VI) Implementation of Internal Control and Risk Management System

The Company attached great importance to the establishment of risk management and internal control mechanisms and established internal control systems covering all departments, branches and subsidiaries of the Company. During the operation of various business activities, the Company was able to conduct risk management and internal control in a trinity way before, during and after the activities through following comprehensive and scientific policies and implementing execution and supervision mechanisms in respect of all the risks encountered in the course of operation.

## Section IV CORPORATE GOVERNANCE

The Company regularly conducted comprehensive assessment on the management and business process for all departments, branches and subsidiaries for the inspection of the major risks in the course of operation management. The Company continued to perfect the list of risk control management in respect of major business, key areas and critical sectors of the Company. In accordance with internal and external environment and business development, the Company formulated, amended or perfected various internal control systems to ensure their reasonableness and effectiveness. During the Reporting Period, overall internal control system of the Company ran well. Internal control systems corresponding to the natures, sizes and complexity of businesses have been established to reasonably ensure compliance with laws and regulations of business operation management, assets safety, truthfulness and completeness of financial reports and relevant information and improve operational efficiency and results.

Before the operations of business, the Company has formulated corresponding management system and review process for each business; during the operations of the business, the Company has established a real-time monitoring system, implementing the dynamic monitoring of risk control indicators and automatic warning, and has also established a net capital complementation mechanism to ensure that the risk control indicators, including the net capital, continuously conform to the requirements of regulatory authorities and the Company; in respect of the control after the operations of business, the Company is able to carry out rectification measures for the issues identified during the monitoring. The audit department has formulated auditing plan on an annual basis to proceed with the on-site audit of the Company's relevant departments, branches and subsidiaries and supervise the rectification of the identified issues.

During the Reporting Period, the Company continued to improve the establishment and operation of its comprehensive risk management system. In respect of market risk management, the Company formally launched the market risk management system, and realized the unified measure and summary management of the market risk quantification indicators of each investment transaction business (among others, equity, interest rates, commodities and foreign exchange) within the Group for the first time; In respect of credit risk management, the Company completed the first stage construction of the fourth phases of credit risk management system, and upgraded and transformed the credit risk management and control tools such as the same customer risk management, financial product customer risk rating and crediting, asset securitization product risk assessment, limit monitoring, stress testing and OTC derivatives counterparty risk measurement, further improved the risk data governance mechanism and risk limit system. The Company continued to strengthen the concentrated risk management and control with net capital management as the core and internal rating and unified credit extension as the starting point, and built customer ESG due diligence guidelines and risk assessment and control mechanisms, explored the application of big data analysis, artificial intelligence, blockchain and other financial technologies to improve the capabilities of risk alert. In respect of operational risk management, the Company leveraged various tools (including risk and control self-assessment, key risk indicators and loss data collection) to carry out the identification, assessment, monitoring, response and report of operational risk, and continued to improve the operational risk management system. In respect of group risk management, the Company established a unified risk control indicator management platform, formed a multi-level risk control indicator system, based on which it promoted the systematic of risk control monthly reports for subsidiaries. During the year, the Company completed the display of data from subsidiaries' risk

## Section IV CORPORATE GOVERNANCE

control monthly reports and the launch of basic functions, in order to achieve the automatic generation and statement deepening of subsidiaries' risk control monthly reports, as well as the display of underlying data. The Company continuously strengthened data quality management for risk data market, optimized the information of the same client and the inquiry in the market, achieved same product identification, set up various inquiry statements on credit or investment transaction, and improved the function of authority management in risk data market. In respect of risk control indicator, the Company conducted risk control consolidation on a quarterly basis according to regulatory requirements, carried out internal risk control indicator consolidation on a monthly basis, deepened T+1 on risk control consolidation, generated and monitored the Group's risk control indicator consolidation every day and incorporated them in the Group's risk daily and reported to the management. The Company strengthened vertical risk management on subsidiaries, amended their risk management systems, limits and report templates, conducted risk management assessment on subsidiaries, supervised and reminded on the risks of subsidiaries on a timely manner, carried out on-site inspection to subsidiaries and urged the rectification.

### **(VII) Internal Supervisions of the Establishment and Implementation of Internal Control and Risk Management**

The Company has formulated the Self-Assessment Handbook of Internal Control to regulate the self-assessment activities of internal control. The Company has set up a leading group, a working group and an internal control evaluation group for implementation of internal control regulations. The Risk Management Department acts as the leader of the working group for implementation of internal control and risk management regulations, and is responsible for guiding the establishment and implementation of internal control and risk management; and the Audit Department has been assigned as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The Risk Management Department and the Audit Department independently perform their duties on the establishment and implementation as well as the effectiveness evaluation of internal control. The Risk Management Department has urged each of the departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses and new operation processes. The Audit Department has organised all departments and subsidiaries to conduct self-assessment on the effectiveness of internal control, reviewed and evaluated the preliminary drafts of the evaluation report, summarised the weaknesses of internal control and tracked the rectification of such weaknesses.

In respect of the internal control and risk management, the Company's Audit Committee and Compliance and Risk Control Committee of the Board undertake their supervising responsibility and examine the effectiveness of the Company's internal control and risk management system. The annual internal control self-assessment of the Company covers all the departments and subsidiaries. In addition, the Audit Department would audit the situation of internal monitoring and risk management from time to time and evaluate their effectiveness. Besides the internal review and evaluation in the Company, the external audit institutions also evaluate the effectiveness of material risk and internal control of the Company.

## Section IV CORPORATE GOVERNANCE

### **(VIII) Defects in Internal Control and Identification**

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, which are consistent with those in previous years, according to the identification requirements for significant defects, important defects and common defects under Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and taking into account of various factors including the size of the Company, industry features and risk levels.

Significant defects refer to a combination of one or more control defects which may cause serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences that are less serious than those of significant defects but may still cause deviation from the control target of the Company. Common defects refer to any defects other than significant defects and important defects.

### **(IX) Evaluation of Effectiveness of the Company's Internal Control**

The Company has self-evaluated the effectiveness of the design and operation of its internal control up to 31 December 2021 pursuant to the requirements of the Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and relevant laws and regulations, and has issued the 2021 Internal Control Evaluation Report. Based on the determination of significant defects in terms of internal control in financial reports, there were no significant defects in terms of internal control over financial reports on the base date of internal control evaluation report. Based on the determination of significant defects in terms of internal control in non-financial reports, there were no significant defects in terms of internal control over non-financial reports on the base date of internal control evaluation report. The Board is of the view that the Company has maintained effective internal control over financial reports in all material aspects in accordance with systems for enterprise internal control and relevant requirements.

From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the internal control that may have a substantive influence on the evaluation results.



## Section IV CORPORATE GOVERNANCE

### (X) Work Plan of Internal Control and Risk Management in 2022

In 2022, the Company will further improve the internal control policy and system and implement it in strict accordance with the requirements under the Basic Standards for Enterprise Internal Control and its guidelines, taking into account the Company's own development needs to ensure that the internal control and risk management system should be adaptive with the operation scale, business scope, competitiveness, and risk level of the Company. In addition, the Company will focus on key businesses and critical areas of concern, strengthen the publication and training of comprehensive risk management and internal control standards, further improve the implementation of supervision and inspection, and continuously optimize the internal control management system.

#### *Description of material defects in terms of internal control during the Reporting Period*

☐ Applicable    ☒ Not applicable

The Company discloses the self-evaluation report of internal control. Please refer to the overseas regulatory announcement in relation to the Internal Control Evaluation Report of the Company for the Year 2021 disclosed by the Company on the HKEXnews website of the Hong Kong Stock Exchange on 29 March 2022 for details of the self-evaluation report of internal control.

### XIII. MANAGEMENT AND CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

The Company continues to strengthen the functional management and control over its subsidiaries. It has formed an system centered on the Measures for the Management of Subsidiaries, a dual management system of integrated strategic coordination with functional vertical management, and a mechanism for the management of the General Meeting, the Board of Directors and the Supervisory Committee and reporting of major issues with the grip of the system of responsible directors (supervisors) and sponsoring departments.

### XIV. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

For details of the audit report on internal control of the Company, please refer to the overseas regulatory announcement in relation to the 2021 Audit Report on Internal Control of the Company disclosed by the Company on the HKEXnews website of the Hong Kong Stock Exchange on 29 March 2022.

Whether or not to disclose the audit report on internal control: Yes

The type of opinion in the audit report on internal control: Standard unqualified



## Section IV CORPORATE GOVERNANCE

### XV. RECTIFICATION ON SELF-INSPECTION PROBLEMS ON THE SPECIAL GOVERNANCE ACTION OF LISTED COMPANIES

In accordance with the requirements of the Announcement on Launching a Special Campaign to Improve the Governance of Listed Companies issued by the CSRC (CSRC Announcement [2020] No. 69), the Company combed its corporate governance for the years 2018, 2019, and 2020 against the Special Self-Examination Checklist of the Governance of Listed Companies during the Reporting Period and conducted a self-examination based on the principle of truthfulness.

#### 1. Construction of Institutional System of Corporate Governance

The Company continues to improve the system construction in corporate governance and guarantees the effective operation of corporate governance through the institutional system. The current institutional framework for the corporate governance of the Company consists of four levels: first, the Articles of Association; second, the rules of procedure of the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, the working rules of the independent directors, and the working rules of the four special committees of the Board of Directors; third, the working rules of the general manager; fourth, the working rules of the secretary of the Board of Directors, the management measures for the compliance and the Company's information disclosure management practices, investor relations management practices, and the Company's internal reporting system on material matters, confidentiality system, and other daily working procedures. These systems and working rules for corporate governance form a standardized corporate governance framework that effectively ensures scientific decision-making, standardized operation, and sound development of the Company, thereby protecting the interests of the Company and its shareholders.

#### 2. The operation and decision-making of the Company's organizational structure

The Company has an established corporate governance structure, compliance and risk management system and internal control management mechanism. The Company has formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee and the management are separated from each other and can check and balance each other, and also set up four special committees under the Board to provide further support for the Company's decision-making, which enables all levels to perform their respective duties and obligations within their respective responsibilities and powers and ensures the standardized operations of the Company, and the scientific, standardized and transparent corporate governance. Shareholders exercise their rights through the general meeting of shareholders. The Board plays a key role in corporate governance. Information disclosure and investor relations management are an integral part of corporate governance. The Supervisory Committee can also play a supervisory role. The procedures and regulations for convening and holding the Company's general meetings, Board meetings and meetings of the Supervisory Committee and the voting mechanisms with respect thereto are legal and valid, with information disclosed in a true, accurate, complete, timely and fair manner, with professional management of investor relations. For the composition and operation of the Company's general meetings, the Board, the Supervisory Committee and special committees of the Board, as well as the appointment/election and performance of duties of directors, supervisors and senior management, please see the Company's annual reports for the previous years.

## Section IV CORPORATE GOVERNANCE

### 3. Management of Related Party transactions of the Company

The Company has formulated the Administrative Measures for Related Party Transactions of the Company and the Implementation Rules for the Management of Related Party (Connected) Transactions of the Company (Trial), completely identifies the information of related parties, and clarifies the organizational structure of the management of related party transactions, the specific operating procedures for implementation and transaction information, which effectively meet the higher requirements for the management of related party transactions during the adjustment of the Company's equity structure and the process of international operation. The decision-making procedures of the Company's related party transactions comply with relevant domestic and foreign laws, regulations and normative documents and the relevant provisions of the Company's Articles of Association. Independent directors express prior approval opinions and independent opinions on related party transactions, stating that there is no violation of laws and regulations. The Company can disclose relevant information on related party transactions in a timely manner in accordance with the Listing Rules.

The Company estimates daily related party transactions every year, and the relevant content will be reviewed by the general meeting of shareholders, a special audit will be carried out on the management of related party transactions in the previous year, and the special audit report will be submitted to the board of directors for deliberation. In addition, the Company has signed a Connected/Related Party Transaction Framework Agreement with its major shareholders holding more than 10% shares to determine the annual cap for 3-year Continuous Connected/Related Party Transactions. Above content will also be reviewed and approved by the board of directors. See the Company's disclosure of the shareholders' meeting materials and related interim announcements. The management of related party transactions of the Company has been implemented in a strict and effective manner.

### 4. Construction of the internal control system

The Company has established a scientific and effective internal control structure to identify, evaluate and manage major risks of the Group. There is no significant defect in the Company's internal control in the past three years. Please see the annual report, annual internal control evaluation report and annual internal control audit report disclosed by the Company every year for the establishment of the internal control system as well as the implementation and supervision of internal control of the Company.

## Section IV CORPORATE GOVERNANCE

### 5. Information Disclosure and Transparency of the Company

The Company firmly follows to the basic principles of true, accurate, complete, timely and fair for information disclosure, and fulfills its information disclosure obligations in accordance with the law. The Company has formulated a detailed management system for information disclosure, designated special personnel to be responsible for information disclosure-related matters, and continuously improved the information transmission channels with its subsidiaries. Meanwhile, the Company has established and continuously improved the management and approval procedures for external information disclosure, and effectively disclose of material information in accordance with relevant laws and regulations and the Company's regulations. At the same time, the Company pays high attention to the management of investor relations, formulates the work system for investor relations management, and further improves the transparency of the Company through shareholders' meetings, performance briefings and various forms of investor reception activities.

To sum up, the Company's operation and governance are standardized, internal control is perfect, and information disclosure is timely and effective. The Company has no significant defects in corporate governance.

## XVI. OTHERS

### (I) Construction of the compliance management system of the Company

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

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

## Section IV CORPORATE GOVERNANCE

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

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

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

During the Reporting Period, the Company further reinforced the basic works of compliance management, including the process from prior review to in-process monitoring and then post-event examination, assessment and application of accountability, and incessantly optimized various mechanisms of compliance management, so as to constantly improve the Group's compliance management level and facilitate the completion of the "group central control room system" to complete the information screening wall and the management mechanism for conflict of interest. Meanwhile, the Company vigorously promote the cultivation of compliance training culture, so as to fully cover the basic rules and requirements and actively foster the business environment of "Full Compliance and Active Compliance".

## Section IV CORPORATE GOVERNANCE

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

### (II) Company Secretaries

Mr. Jiang Chengjun and Ms. Wong Wai Ling are the joint company secretaries of the Company. Ms. Wong Wai Ling serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Jiang Chengjun, the secretary to the Board and the joint company secretary, is the main contact person within the Company. In 2020, the Stock Exchange had confirmed that Mr. Jiang Chengjun was qualified as a company secretary of the Company under Rule 3.28 of the Hong Kong Listing Rule. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Jiang Chengjun and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training during 2021.

### (III) Compliance with Code on Securities Transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set guidelines, which is no less strict than the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any relevant employee violating the said guidelines.

The Board will examine the corporate governance and operations of the Company in accordance with relevant provisions in the Hong Kong Listing Rules from time to time to protect shareholders' interests.

### (IV) Internal Control

For details of the audit report on internal control of the Company, please refer to the 2021 Annual Audit Report on Internal Control of the Company disclosed by the Company on the website of the Hong Kong Stock Exchange in the same period of the disclosure of this report.

## Section IV CORPORATE GOVERNANCE

### (V) Directors' and Auditor's Responsibilities for the Financial Statements

The Board has acknowledged its responsibilities for preparing the annual report for the year ended 31 December 2021 of the Group.

The Board is responsible for the clear and fair assessment for annual reports, interim reports, price-sensitive information and other disclosures as required by the Hong Kong Listing Rules and other regulatory rules. The management has provided the Board with all necessary explanations and information for the Board to make an informed assessment of the Group's financial data and position for the Board's consideration and approval.

The Company has not encountered any significant uncertainties or situations that might cause material doubt to the ability of continuous operations of the Company. In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

### (VI) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company shall hold general meetings in strict accordance with relevant regulations to ensure that all shareholders, especially the minority shareholders, enjoy equal status and can exercise their rights adequately. Under the restriction imposed by the Articles of Association, the Company maintains orderly, stable and healthy development in the interest of the Company and its shareholders.

The Company attaches great importance to the opinions and recommendations of its shareholders and actively, proactively and normatively carries out various investor relationship activities to keep in contact with shareholders and timely satisfy their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website [www.htsec.com](http://www.htsec.com), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines or directly sending their letters to the Company's office address. The Company will properly and timely handle relevant enquiries.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly express any concerns they may have to the Board or to the management. Normally, the chairman of the Company, the chairmen of respective committees and the management will attend annual general meetings and other general meetings to answer questions put forward by shareholders.

## Section IV CORPORATE GOVERNANCE

Shareholders may convene an extraordinary general meeting and make proposals on the general meeting in accordance with the procedures specified in Articles 82 and 87 of the Articles of Association, which have been published on the websites of the SSE, Hong Kong Stock Exchange and the Company.

The Company will arrange the Board to answer questions raised by shareholders at the 2021 annual general meeting.

Detailed procedures of voting, voting method and proposals to be voted will be published on the website of the SSE (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).

### **(VII) Investors Relationship Activities**

In 2021, the Company continued to strengthen market communication with investors and deepen the hierarchical maintenance mechanism of investors. The Company successfully convened the result announcement sessions of annual reports and interim reports, and organized results announcement sessions of annual reports and interim reports on the online platform of Shanghai Stock Exchange. In order to improve the coverage and pertinence of the result announcement sessions, the Company issued an announcement of results presentation in advance and collected investors' concerns. We organized 42 on-site investigations and teleconferences, and received 96 investigations and visits by analysts and researchers. The Company was invited to participate in strategy meetings held by domestic and foreign investment banks and securities companies for many times. We attached great importance to the communication and maintenance of small and medium-sized investors, patiently responded to investors' inquiries, answered 153 e interaction platforms of Shanghai Stock Exchange, and answered nearly 500 investors' hotlines. We timely fed back investors' suggestions to the management and relevant departments to promote the Company to form an atmosphere of paying more attention to market performance and value creation.



## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### I. ENVIRONMENTAL INFORMATION

- (I) **Description of environmental protection of the Company and its key subsidiaries which are the key pollutant discharging units identified by the Environmental Protection Department**

☐ Applicable ☒ Not applicable

- (II) **Description of the environmental protection of the Company other than the key pollutant discharging units**

☒ Applicable ☐ Not applicable

**1. Administrative punishment on environmental issues**

☐ Applicable ☒ Not applicable

After inspection, the Company and its subsidiaries are not listed as key pollutant discharging units by environmental protection authorities.

The Group is in strict compliance with the environmental protection laws and regulations such as the Environmental Protection Law of the PRC, the Law of Water Pollution Prevention and Control of the PRC, and the Law of Prevention and Control of Air Pollution of the PRC. During the Reporting Period, the Company was not imposed any penalties due to violations of environmental protection laws.

**2. Other environmental information disclosed with reference to other key pollutant discharging units**

☐ Applicable ☒ Not applicable

**3. Reasons for non-disclosure of other environmental information**

☐ Applicable ☒ Not applicable

- (III) **Relevant information beneficial to ecological protection, pollution prevention and fulfillment of environmental responsibilities**

☒ Applicable ☐ Not applicable

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In 2021, the Company earnestly studied and implemented the concept of green development, adhered to green, low-carbon and circular development, and fulfilled its corporate environmental responsibility consciously in terms of its own operation and green finance. In terms of its own operation, the Company continuously carried out energy saving technology updates in the office and strongly advocated green office, and motivated all employees to integrate the concept of green development into their work and life, to assist building an ecological civilization and a Beautiful China. In terms of green finance, the Company carried out green financing through multi-channels, innovated green bond financial instruments, made responsible investment and actively implemented the concept of ESG investment.

### 1. *Own operation*

In terms of hardware facilities, during the design and construction of the decoration project of the Company's South Bund Headquarters building, through the selection of decoration materials, energy-saving design of the control system and other measures to reduce the energy consumption of the new building after commencement of operation, the Company achieved energy saving and emission reduction. The Company selected natural and inorganic decoration materials to reduce pollutant emissions and prolong the service life of materials, chose LED light source and luminaire and designed intelligent air conditioner and lighting control system to reasonably control the use of equipment in various regions and reduce energy consumption, designed and installed air-purification system to effectively filter harmful substances from the air. In 2021, the Company obtained LEED V4.1 GOLD certificate issued by the US Green Building Council in the newly- launched Zhangjiang High-tech Park data center, becoming the only securities and futures firm to have that has a data center that has passed successfully the latest international Gold certification. The data center featured the overall sustainability in terms of energy, land, water and material-saving as well as indoor environment.

In terms of green operation, the Company creates an information-based paperless office model by leveraging on the collaborative office system, RPA intelligent process automation robots and intelligent review system, which greatly reduces the generation of waste paper and other wastes; and maximized all platform resources through the most use of cloud computation and virtualization technologies to reduce energy consumption of equipment in data center Computer Room; The Company encourages its employees to save water, giving priority to purchasing water-efficient appliances. Timely repairs are conducted when water leakage happens, and inspectors examine and turn the tap off after work to avoid waste of water. The Company strictly sorted wastes, and for e-waste, toner cartridges and other hazardous wastes, the Company has designated their storage locations and regularly had them disposed of by qualified firms. In addition, the Company has implemented a series of energy-saving and emission reduction measures to promote green and low-carbon development.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### 2. *Green finance*

In terms of green financing, the Company actively responded to the guidance of national policies and supported the development of green industry and green projects through multi-channels and multi-variety green financial instruments. In 2021, the Company newly underwrote and issued 59 green bonds with a total issuance scale of RMB55.560 billion, including 17 carbon neutral bonds with a total issuance scale of RMB19.395 billion. In March 2021, the Company, as the main underwriter, helped the China Three Gorges Corporation (“Three Gorges Corporation”) to successfully issue the first batch of carbon neutral green corporate bonds to help the development of clean energy industry.

In terms of green investment, the Company comprehensively applied responsible investment strategies to carry out investment business, such as negative elimination, ESG factor integration and sustainable development thematic investment. Its subsidiary HFT fund joined Principles for Responsible Investment (UNPRI) in September 2021 and committed to implement the ESG investment concept under the guidance of its six principles of responsible investment; At the same time, the Company focused on the growth and business model of listed companies related to “carbon neutral” and their upstream and downstream industrial chains launching the first batch of 4 carbon neutral thematic funds and continued to explore investment opportunities that have a long-term positive impact on the environment and society. In the future, the Company will continue to innovate financial instruments and expand the scope of green investment, actively implement the organic integration between the concept of responsible investment and the Company’s investment business.

### (IV) **Measures adopted for reducing its carbon emission during the Reporting Period and effects**

As a financial service enterprise, the Company’s carbon emission is mainly from the consumption of electricity and natural gas in its routine operation and the carbon emission from the fuel consumption of vehicles for corporate affairs. During the Reporting Period, the Company continued to carry out energy saving work by means of green office, low-carbon data center operation, and low-carbon travel, so as to reduce carbon emissions in its operation.

The Company also actively communicated extensively and worked closely with related companies, research institutions and international organizations to promote industrial cooperation, pathway discussions and exchange activities under the goal of “Double Carbon”. In April 2021, Haitong Securities Research department held a special conference on carbon neutrality in Shanghai, where the Research department’s macro-strategy and relevant industry analysts interpreted and gave an outlook on the investment hotspots of “carbon neutrality” related sectors, and invited experts in the field of “green finance” and ESG to have round-table exchanges and give professional interpretations on national carbon reduction policies, so as to continuously expand the technical strength and influence of the Company’s financial services on carbon neutrality.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### II. WORKS IN RESPECT OF SOCIAL RESPONSIBILITIES

Insisting on the operational philosophy of “pragmatic, pioneering, steady and excellent”, the Company has strengthened efforts in assumption of social responsibilities, continued to perform its duties in terms of serving the real economy, protecting the rights and interests of customers, financial technology, rural revitalization, social welfare, climate change, employee care and other aspects, insisted on serving customers, realizing employee development and offering returns to shareholders, and actively given back to the society and the public.

In 2021, the Company attached great importance to ESG management and solidly performed its social responsibilities as a corporate citizen. In terms of corporate governance, the Company has established the development strategy and ESG management committee of the Board, established a top-down ESG risk management structure and promoted ESG management in a systematic manner; in terms of rural revitalization, the Company continued to deepen the cooperation between the east and the west, carried out the poverty relief through “hundred enterprises in support of hundred villages” and “one company to one county” pair-up to help consolidate the results of shaking off poverty; in terms of social welfare, the Company continued to enhance the influence of the public welfare brand of “Love in Haitong”, earnestly implemented the list of public welfare programs under “Love in Haitong” and solidly promoted common prosperity; in terms of serving “carbon peaking and carbon neutrality”, the Company insisted to green and low-carbon operation, vigorously developed green financial and helped to achieve the national goal of “carbon peaking and carbon neutrality”.

For details of the Company’s performance of social responsibilities in 2021, please refer to the 2021 Social Responsibility Report of Haitong Securities disclosed by the Company on the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### III. DETAILS ON CONSOLIDATING AND EXPANDING THE RESULTS OF SHAKING OFF POVERTY, RURAL REVITALIZATION AND OTHER WORK

The year of 2021 marks the 100th anniversary of the founding of the Communist Party of China as well as a crucial year for the effective connection between consolidating and expanding the results of shaking off poverty and rural revitalization. Under the leadership of the CSRC and the municipal Party committee and the municipal government of Shanghai, the Company continued to advance poverty relief through “one company to one county” and “double one hundred” pair-up. We did well in offering comprehensive assistance in rural area and pair-up assistance through partnering with urban and rural Party organizations according to the schedule of Shanghai city. Based on the practical activities under “I Handle Tangible Issues for the Public”, it carried out public welfare activities under the theme of “Voluntary Gifts for the 100th Anniversary of the Founding of the Communist Party of China”. It strived to solve practical issues of the public in counties shaking off poverty and boosted the regional economic growth in such counties to achieve high-quality development.

#### (I) Industrial supports stimulate endogenous power

The Company earnestly implemented the requirements of “Four Don’ts (四不摘)” of the Party central committee and continued to carry out the poverty relief through “hundred enterprises in support of hundred villages” and “one company to one county” pair-up. We provided assistance funds of RMB9.5 million to assist five pair-up counties such as Xichou County in Yunnan, Yecheng County in Xinjiang, Lixin County and Shucheng County in Anhui and Ningdu County in Jiangxi in consolidating the results of shaking off poverty and assisting rural revitalization. In addition, the Company also allocated a special fund of RMB5 million to solidly carry out comprehensive assistance in Chongming District of Shanghai and pair-up assistance work of urban and rural Party organizations such as Fu’an Village in Jianshe Town, Chongming District, Jiulong Village in Shanyang Town, Jinshan District and Chongming Village in Xuanqiao Town, Pudong District through measures such as assistance project construction, visiting people in difficulty, offering financial services to the countryside and dispatching talents in the village.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### (II) Educational supports provide intellectual support

The Company actively implemented the list of public welfare programs under “Love in Haitong” in 2021 of “gather Haitong strength and love to build hope”, continued to carry out the public welfare project under “Love in Haitong • Beautiful Tibet” for student aid, with 20 new college students who pair-up for assistance to Tibet and in aggregate 70 pair-up Tibetan college students, and organized local Party and League organizations to carry out assistance and condolence activities on the eve of the Spring Festival and the new school year. The Company continued to carry out the public welfare project of “Love in Haitong • Beautiful Xinjiang” for student aid, and provide pair-up assistance to 100 primary school students and 6 Chinese-Uygur bilingual teachers in Kashgar. The Company carried out the public welfare project of “Haitong • Love in Health” for water purification, installed 45 water purification and heating equipment for 27 schools in Xichou County of Yunnan to improve the water conditions for teachers and students. The preschool teacher training project of “Love in Haitong • Help Growth” was launched to train excellent teaching teachers for Yecheng kindergarten in Xinjiang. The public welfare project of “Haitong • Love in Reading” was carried out for primary and secondary schools and kindergartens in Kashgar of Xinjiang and Shigatse of Tibet and the flood-stricken areas on 20 July in Henan. Nearly 80,000 books were donated to 62 “Haitong Securities • Little Pomegranate Bookstore” and 5,000 gift boxes were elaborately prepared, which gave confidence and hope to the children in the poverty alleviation schools.

### (III) Financial empowerment to drive accelerated growth

The Company gives full play to the advantages of the financial industry to provide a large amount of low-cost funds to the regions it supported, helping the development of enterprises and urban-rural development. In 2021, the Company helped JL MAG, a listed company in the old revolutionary area of southern Jiangxi, to complete the private placement, raising RMB520 million; and the Company underwrote the first order of rural revitalization special corporate bonds on SSE, financing RMB225 million (total size of RMB500 million) for Jiangxi Communications Investment Group, setting the lowest interest rate ever for corporate bonds of the same maturity in Jiangxi Province.

Our subsidiary Haitong Futures has brought into play its expertise in risk management and continued to build the financial brand of “Better Together”, combining OTC options of futures with spot in the form of “insurance + futures” to carry out professional financial assistance and rural revitalization. In 2021, it carried out 11 “insurance + futures” and OTC option projects, covering 6 former state-level underprivileged counties, covering a total of over 160,000 mu of agricultural products, nearly 100,000 hogs and more than 16,000 farmer households, avoiding nominal principal risk of more than RMB400 million and providing more than RMB10 million of cost support. It has been highly praised by the local governments, farmers and related authorities.

## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### (IV) Integrate consumption facilitates into corporate culture construction

The Company effectively combines consumption assistance with its culture construction. In 2020, the Company explored “notoginseng”, a premium medicinal material in Xichou County in Yunnan, and produced “Haitong Notoginseng (Sanqi) Powder”, a featured gift on helping of the Company. The term Sanqi means the number 3 and 7, connoting the stock code of Haitong Securities of “600837”, which was recognized and welcomed by our partners and clients. In 2021, the Company purchased “Zhenbang” and “Zhenhao”, featured tea in Yunnan, as gifts to promote a culture of assistance and unite more social forces to participate in assistance. Meanwhile, our union and Weitai Properties, a subsidiary of the Company, actively purchased featured agricultural products as staff benefits and raw materials for its staff canteen.

### (V) Social charity support to polish up the brand of Party-build public welfare

In order to welcome the 100th anniversary of the founding of the Communist Party of China, combined with the practical activities of “Handle Concrete Issues for the Public” of the study and education of the Party history, we issued a joint initiative with the Party, Workers’ Union and the League, and called on all employees to take action and carry out a series of public welfare projects of “Love in Haitong • Voluntary Gifts”. The Company, together with the customer enterprises, donated multimedia teaching all-in-one equipment with a market value of RMB600,000 to 30 kindergartens in Yecheng County, Yarkant County and Batu County of Kashgar, Xinjiang. Relying on the advantages of platform of the Company’s state-level investor educational base platform, the Party and the League organizations of the Company at all levels visited over 50 schools in 30 provinces, municipalities and autonomous regions, and carried out financial education for teenagers through the “Rainbow Classroom” for more than 37,000 students, helping teenagers in poverty-stricken areas establish the right wealth management concept and awareness on preventing financial risks.

The Company also strongly supports the headquarter departments and branches to carry out relevant public welfare activities in conjunction with the actual situations. For example, M&A financing department carried out love donations to support Shoushan Township Central School in Yanshou County, Heilongjiang, to purchase additional teaching furniture; Xinjiang Branch donated desks, chairs, water heaters and other goods to the Baishigaimai Elementary School (拜什蓋買小學) belonging to the town of Tagalchi, Yarkant County, Xinjiang; Zunyi Business Department of Guizhou Branch donated sports teaching aids to the Sixteenth Elementary School in Huichuan District, Zunyi; Guangxi Branch donated sports field lighting facilities to the Shuiyueyan Middle School in Caiwan Town, Quanzhou County, Guilin; Jiangxi branch and Heilongjiang branch carried out village help and condolences activities, etc.

In 2021, the Company’s volunteer team had more than 2,700 volunteers and conducted volunteer public services for 7,800 hours, serving more than 80,000 people. The development of the “Love in Haitong” volunteer public welfare project had been paid attention to and reported by Xinhuanet, People’s Daily, Zuzhi Renshi Bao (組織人事報), Shanghai State-owned Assets and Party Building (上海國資黨建), Shanghai Securities News and other mainstream official media, and received good social responses. The Company won the “Charity Star” Shanghai Nomination Award and other honors.



## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

### (VI) Other work in actively fulfilling social responsibilities

In July 2021, Zhengzhou, Henan suffered the heaviest rainfall on record with extremely severe flood control situation. The Company immediately decided to donate RMB5 million to help Henan. The Company fully explored customer resources and urgently contacted potential material suppliers nationwide to purchase gasoline generators, drainage pumps, kayaks, edible oil, flour, dried noodles and other flood relief materials, and used all the remaining donated funds for the post-disaster reconstruction projects in Henan. The Company actively supported the care for retired soldiers in Shanghai and helped the retired soldiers who have difficulties in life due to major diseases and emergencies. Based on the actual situation, each subsidiary contributed to the epidemic prevention and control, and carried out industrial assistance to agricultural technologies, the action of supporting Tibet through aid to students, community care activities and other public welfare work.

### (VII) Follow-up plan

In 2022, the Company will continue to thoroughly implement the instructions and requirements of the CPC Central Committee on consolidating the achievements of poverty alleviation and rural revitalization by giving full play to its advantages in professionalism and resources as a large state-owned financial enterprise, and continuously optimizing the “five-in-one” financial assistance model to help the areas under support further revitalize the rural economy. We will focus on the following four aspects: firstly, we will further deepen the paired assistance of “one company to one county” and “hundred enterprises in support of hundred villages”, the assistance to Xinjiang and Tibet, as well as comprehensive assistance and urban and rural party organizations paired assistance, to help paired areas explore innovative development models to benefit more villagers. Secondly, we will continue to give full play to the advantages in financial expertise, provide targeted poverty alleviation services and further integrate the Group’s resources to provide multi-channel, multi-variety and all-round financial services to areas that have shaken off poverty, and continuously enhance the self-development capabilities of areas that have shaken off poverty and rural areas. Thirdly, we will strengthen the concept of green development and innovate green financial practices. In the combination of the “lucid waters and lush mountains are invaluable assets” concept and the rural revitalization strategy, we will implement before positioning precisely, and help achieve “carbon neutral”, “peak carbon dioxide emissions” and beautiful countryside by issuing financial instruments such as green bonds, carbon neutral bonds, and rural revitalization bonds. Fourthly, we will continue to promote public welfare alleviation projects, adhere to the “Love in Haitong” party building public welfare brand and focus on paired areas and border ethnic areas through “Haitong • Love” series of public welfare projects to constantly provide education assistance, thereby promoting ethnic unity and safeguarding the stable development in border areas.

## SECTION VI SIGNIFICANT EVENTS

### I. PERFORMANCE OF UNDERTAKINGS

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

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

## SECTION VI SIGNIFICANT EVENTS

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

## SECTION VI SIGNIFICANT EVENTS

| Background of undertaking                        | Type of undertaking | Undertaking party               | Content of undertaking  | Date and duration of undertaking                         | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in the next steps |
|--|---------------------|---------------------------------|---|--|---|---|--|---|
| Undertaking relating to the refinancing projects | Others              | Directors and senior management | <ol style="list-style-type: none"> <li>1. They will not transfer any benefits to other entities or individuals on a free basis or under unfair conditions, nor harm the interests of the Company in any other way;</li> <li>2. they will restrain position related consumption behaviors;</li> <li>3. they will not use the Company's assets to engage in any investment and consumption activities not relating to the performance of their duties;</li> <li>4. the remuneration system formulated by the Board or the Nomination, Remuneration and Assessment Committee will be linked to the implementation of the remedial measures relating to returns of the Company;</li> <li>5. in the event of the implementation of any share option incentive scheme by the Company in the future, the exercise conditions of the share option incentive scheme to be announced will be linked to the implementation of the remedial measures relating to returns of the Company.</li> </ol> | Tenure as Directors and senior management of the Company | Yes   | Yes   | -  | -   |

## SECTION VI SIGNIFICANT EVENTS

| Background of undertaking                        | Type of undertaking | Undertaking party | Content of undertaking   | Date and duration of undertaking  | Whether there is a deadline for performance | Whether strictly performed in a timely manner | If not performed in a timely manner, describe the specific reasons | If not performed in a timely manner, describe plans in the next steps |
|--|---------------------|-------------------|--|---|---|---|--|---|
| Undertaking relating to the refinancing projects | Asset injection     | The Company       | From the issue date of this undertaking to the date before the proceeds are used up or within 36 months from the date of receipt of the proceeds, the Company will no longer commit funds into the quasi-financial business (including fund commitments in various forms such as capital increase, loans and guarantees) | From 26 September 2019 to the date before the proceeds are used up or within 36 months from the date of receipt of the proceeds | Yes   | Yes   | -  | -   |

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

☐ Satisfied ☐ Not satisfied ☒ Not applicable

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

☐ Applicable ☒ Not applicable

## SECTION VI SIGNIFICANT EVENTS

### II. APPROPRIATION OF FUNDS ON A NON-OPERATING BASIS BY CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

### III. GUARANTEES IN BREACH OF REGULATIONS

☐ Applicable ☒ Not applicable

### IV. THE BOARD'S EXPLANATIONS ON THE "NON-STANDARD AUDIT REPORT" OF THE ACCOUNTING FIRM

☐ Applicable ☒ Not applicable

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

#### (I) Analysis and explanation of the Company on causes and effects of changes in accounting policies and accounting estimates

☐ Applicable ☒ Not applicable

#### (II) Analysis and explanation of the Company on causes and effects of corrections of substantial accounting errors

☐ Applicable ☒ Not applicable

#### (III) Communications with former accounting firm

☐ Applicable ☒ Not applicable

#### (IV) Other explanations

☐ Applicable ☒ Not applicable

## SECTION VI SIGNIFICANT EVENTS

### VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Million Yuan Currency: RMB

|   |  | Currently engaged   |
|---|--|---|
| Name of the domestic accounting firm                            |  | PricewaterhouseCoopers<br>Zhong Tian LLP<br>(Special General Partnership) |
| Remuneration of the domestic accounting firm                    |  | 2.40  |
| Term of the audit services provided by domestic accounting firm |  | 2 Years   |
| Name of the overseas accounting firm                            |  | PricewaterhouseCoopers  |
| Remuneration of the overseas accounting firm                    |  | 2.40  |
| Term of the audit services provided by overseas accounting firm |  | 2 Years   |
|   | Name   | Remuneration  |
| Accounting firm engaged for internal control audit              | PricewaterhouseCoopers<br>Zhong Tian LLP (Special General Partnership) | 0.40  |

#### Explanations on appointment and dismissal of accounting firms

At the 2020 Annual General Meeting held by the Company on 18 June 2021, the resolution regarding the renewal appointment of accounting firms of the Company for the year 2021 was considered and approved. Therefore, the Company was approved to renewal engage PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) ("**PricewaterhouseCoopers Zhong Tian**") and PricewaterhouseCoopers ("**PricewaterhouseCoopers**") as external auditors of the Company in 2021 for a term of one year. Together will be responsible for the provision of relevant domestic and overseas audit and review services for financial statements prepared in accordance with PRC GAAP and IFRS. During the Reporting Period, it did not occur that the Board disagree the Audit Committee's opinions on matters of selection and appointment external audit institution.

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

During the Reporting Period, the Company did not change its external audit institution.



## SECTION VI SIGNIFICANT EVENTS

### VII. FACING THE RISK OF DELISTING

#### (I) Reasons of delisting risk warning

☐ Applicable ☒ Not applicable

#### (II) Prevention measures to be taken by the Company

☐ Applicable ☒ Not applicable

#### (III) Facing the risk of delisting and reason

☐ Applicable ☒ Not applicable

### VIII. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

☐ Applicable ☒ Not applicable

### IX. MATERIAL LITIGATION AND ARBITRATION

☐ The Company was involved in any material litigation or arbitration during the year

☒ The Company was not involved in any material litigation or arbitration during the year

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounts for more than 10% of the absolute value of the Company's net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules.

From the beginning of the Reporting Period until the date of disclosure of this report, the Group's new litigations or arbitrations with an amount of over RMB100 million that had not been disclosed or disclosed ones with progress are as follows:

#### **Dispute between the Company and Henan Taiyuan Investment Guarantee Co., Ltd. On the Guarantee Contract**

As the outsider Hou Jianfang failed to repurchase his pledged stocks in accordance with the agreement, the guarantor Henan Taiyuan Investment Guarantee Co., Ltd. (河南泰元投資擔保有限公司, "Taiyuan Guarantee") shall undertake the guarantee obligation. The Company filed a lawsuit with Shanghai Financial Court, requesting Taiyuan Guarantee undertake the principal of RMB106,910.8 thousand and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor's rights and other guarantee obligation. Shanghai Financial Court officially accepted the case on 29 November 2021 and heard the case on 23 February 2022. Currently, the first instance verdict has not been made by the court.

## SECTION VI SIGNIFICANT EVENTS

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

As Nanjing First Agricultural Chemical Group Ltd. (南京第一農藥集團有限公司, “**Nanjing First Agricultural Chemical Company**”) refused to fulfill the obligation of stock pledge repurchase in accordance with the agreement, the Company filed a lawsuit with Shanghai Financial Court, requesting Nanjing First Agricultural Chemical Company, the borrower, to pay the principal of RMB300 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees, and requesting the guarantors (Red Sun Group Corporation (紅太陽集團有限公司, “**Red Sun Group**”) and Nanjing World Village Automotive Power Co., Ltd. (南京世界村汽車動力有限公司, “**Nanjing World Village**”)) to undertake the guarantee obligation. Shanghai Financial Court officially accepted the case on 19 May 2020 and heard the case on 12 November 2020. The court issued the first instance verdict in April 2021, supporting the Company’s requests. In June 2021, Nanjing First Agricultural Chemical Company was adjudged bankrupt by the People’s Court of Nanjing’s Gaochun District. The Company has declared its claims to the administrator of the bankruptcy and restructuring project of Nanjing First Agricultural Chemical Company and participated in the first creditors meeting.

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

As Red Sun Group failed to repay the related fees such as financing principal, securities and interest on time in accordance with the “Securities Margin Trading Contract” after the expiry of the securities margins terms, it constituted a breach of contract. The Company filed a lawsuit with Shanghai Financial Court, requesting the borrowers, Red Sun Group, to pay the principal of financing liabilities of RMB257,711.8 thousand and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees, and requesting Nanjing First Agricultural Chemical Company, Yang Shouhai, Yang Liu, Nanjing Zhenbang Investment Development Co., Ltd. (南京振邦投資發展有限公司, “**Nanjing Zhenbang**”) and Jiangsu Zhenbang Agricultural Crop Technology Co., Ltd. (江蘇振邦農作物科技有限公司, “**Jiangsu Zhenbang**”) to undertake the corresponding guarantee obligations. Shanghai Financial Court officially accepted the case on 13 January 2021 and the case has been heard on 25 January 2022. The court issued the first instance verdict on 30 January 2022, supporting the Company’s requests.

### **Dispute between Sichuan Trust and HT Asset Management, the Company and other parties on the financial entrusted wealth management contract**

Due to the dispute on the financial entrusted wealth management contract, Sichuan Trust Co., Ltd. (四川信託有限公司, “**Sichuan Trust**”) filed a lawsuit with the Chengdu Intermediate People’s Court of Sichuan Province (四川省成都市中級人民法院), requesting 13 defendants including Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司, “**HT Asset Management**”) and the Company to return or compensate the plaintiff’s entrusted property of RMB514.55 million and corresponding interest. The Chengdu Intermediate People’s Court of Sichuan Province officially accepted the case on 13 September 2021 and the case has not yet been heard.

## SECTION VI SIGNIFICANT EVENTS

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

Due to the material breach of contract for the “Huatai Beautiful Auspicious Lights Asset-backed Special Project (華泰美吉特燈都資產支持專項計劃)”, one of the holders of the special plan, Postal Savings Bank of China Co., Ltd. (“**PSBC**”), filed a lawsuit with Shanghai Financial Court, requesting that five defendants including the original owner Kunshan Beautiful Auspicious Lights Management Co., Ltd. (昆山美吉特燈都管理有限公司) and related intermediaries, including Shanghai Fucheng Haifutong Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司, “**Fucheng Haifutong**”), should be jointly and severally liable for all of its losses, with the principal amount of RMB526,579.8 thousand and the corresponding interest being claimed. On 12 November 2020, the court officially accepted the case and the first trial was conducted on 9 July 2021. Currently, the first instance verdict has not been made by the court.

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

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

As Nanjing First Agricultural Chemical Group Ltd. pledged its shares held in Red Sun (stock code: 000525) and contributed capital to the asset management plan managed by Shanghai Haitong Securities Asset Management Company Limited (“**HT Asset Management**”), the pledge transaction constituted a breach of contract. HT Asset Management filed a lawsuit with Shanghai Financial Court for requesting the debtor to pay the principal of RMB320 million and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees. The court officially accepted the case on 2 January 2020 and the first trial was conducted on 7 August 2020. On 31 December 2020, the court issued the first instance verdict in favor of the litigation claims of HT Asset Management. Nanjing First Agricultural Chemical Group Ltd. subsequently appealed to the Shanghai High People’s Court, and the original judgment was unchanged by the Shanghai High People’s Court on 23 June 2021. The People’s Court of Nanjing’s Gaochun District has accepted the bankruptcy reorganization application from Nanjing First Agricultural Chemical Group Ltd. on 3 June 2021, and the court has designated an administrator. HT Asset Management has declared claims to the administrator on behalf of the asset management plan. The potential losses involved in the case have been fully considered before the transaction, and the risk of potential losses to the Company and HT Asset Management is relatively insignificant in the future.

In addition to the above cases, the Group, excluding its overseas listed subsidiaries, still has a total of nine cases pending for enforcement, with an aggregate amount of RMB1,273,563.5 thousand. In respect of material litigation and arbitration matters of overseas listed subsidiaries, the Company’s overseas listed subsidiaries shall perform their own information disclosure obligations in accordance with relevant listing rules.

## SECTION VI SIGNIFICANT EVENTS

### X. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS BY, PUNISHMENT AGAINST AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

The Company had the following events subject to being investigated or imposed administrative penalties by the CSRC, and subject to administrative and regulatory measures taken by the CSRC and its agencies:

In February 2021, the CSRC issued the “Decision on Taking Regulatory Talk Measures Against Haitong Securities Co., Ltd.” ([2021] No. 14) to take regulatory measures by talking to the Company. The letter of regulation affirmed that the Company failed to conduct regular follow-up visits, on-site inspections and other procedures in the process of performing its continuous supervision duties in respect of restructuring and listing as required, and failed to prudently verify the work of accountants engaged by it as required; it did not examine the external guarantees of the relevant listed company through issuing external confirmations and conducting interviews while serving a financial consultant. After receiving the aforesaid letter of regulation, the Company attached great importance to it, proceeded to timely rectifications, further intensified its efforts on compliance training and inspection and supervised its staff to duly perform responsibilities to improve continuous supervision capabilities, improve the quality of preliminary drafts of various working reports and practically enhance the capability to practice.

In February 2021, the CSRC issued the “Decision on the Regulatory Measures for Issuing Warning Letters to Haitong Securities Co., Ltd.” ([2021] No. 16) to take measures by issuing warning letters to the Company. The letter of regulation affirmed that the verification of the internal control and equity interests of the relevant listed company conducted by the Company was inadequate. After receiving the aforesaid letter of regulation, the Company attached great importance to it, proceeded to timely rectifications, further intensified its efforts on compliance training and inspections and supervised its staff to duly perform responsibilities and practically enhance the capability to practice.

## SECTION VI SIGNIFICANT EVENTS

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

In April 2021, the CSRC issued the “Decision on the Regulatory Measures for Issuing Warning Letters to Haitong Securities Co., Ltd., Jiang Huang (江煌) and Zhang Shu (張舒)” ([2021] No. 32) to take measures by issuing warning letters to the Company and these two sponsor representatives. The letter of regulation affirmed that in the document of the application for non-public issuance of shares submitted by the Company and these two sponsor representatives to the issuer, the shareholding structure of indirect shareholders of the subscription target disclosed in the issuance plan was not consistent with the shareholding structure set out in the working report on the issuance and sponsoring. After receiving the letter of regulation, the Company attached great importance to it, proceeded to timely rectifications, paid particular attention to the disclosure of the complicated shareholding structure of the issuer in handling other projects, strengthened the advance communication with regulatory departments, and supervised its staff to duly perform responsibilities, improve the quality of preliminary drafts of various working reports and practically enhance the capability to practice.

In April 2021, the CSRC issued the “Decision on the Regulatory Measures for Issuing Warning Letters to Haitong Securities Co., Ltd., Li Mingjia (李明嘉) and Zhu Wenjie (朱文傑)” ([2021] No. 34) to take measures by issuing warning letters to the Company and these two sponsor representatives. The letter of regulation affirmed that in the document of the application for non-public issuance of shares submitted by the Company and these two sponsor representatives to the issuer, the shareholding structure of indirect shareholders of the subscription target disclosed in the issuance plan was not consistent with the shareholding structure set out in the working report on the issuance and sponsoring. After receiving the letter of regulation, the Company attached great importance to it, proceeded to timely rectifications, paid particular attention to the disclosure of the complicated shareholding structure of the issuer in handling other projects, strengthened the advance communication with regulatory departments, and supervised employees to duly perform responsibilities, improve the quality of preliminary drafts of various working reports and practically enhance the capability to practice.

## SECTION VI SIGNIFICANT EVENTS

In May 2021, the CSRC Jiangsu Bureau issued the “Decision on the Measures of Ordering Nantong Renmin Middle Road Securities Business Department of Haitong Securities Co., Ltd. to Make Rectifications” ([2021] No. 46) to take measures of ordering Nantong Renmin Middle Road Securities Business Department of the Company to make rectifications. The letter of regulation affirmed that Nantong Business Department had defects in warning, monitoring and handling of unusual trades, the authority of the employee management system and elements of customers’ trading and entrustment records. After receiving the letter, the Company attached great importance to it, urged the business department to make immediate rectifications, improved the management and control mechanism for unusual trades and continuously promoted the optimization of the trading system to ensure the user authorization of the employee information system meeting relevant requirements and practically enhance the monitoring, management and internal control of unusual trades.

The Company received the Notice of Case Filing (Zheng Jian Li An Zi No. 0152021022) and the Notice of Investigation (Zheng Jian Diao Cha Zi No. 0152021061) issued by CSRC on 7 September 2021. The Chongqing Securities Regulatory Bureau of CSRC issued the Decision of Administrative Penalty ([2021] No. 5) on 14 October 2021, ordering Haitong Securities to make correction, confiscating the income of RMB1 million earned from the financial advisory business, and imposing a fine of RMB3 million on it; giving a warning to Li Chun and Jia Wenjing, and imposing a fine of RMB50,000 on each of them, respectively. The penalty decision ruled that the Company failed to fully perform its continuous supervision obligations and failed to perform due diligence during the continuous supervision of the financial advisory business of Southwest Pharmaceutical Co., Ltd. (currently known as Aurora Optoelectronics Co., Ltd.). For further details, please refer to the Announcement on the Receipt of Notice of Case Filing and Notice of Investigation from China Securities Regulatory Commission published by the Company on the HKEXnews website on 8 September 2021, the Announcement on the Receipt of Advance Notice of Administrative Penalty from Chongqing Securities Regulatory Bureau of the China Securities Regulatory Commission published on the HKEXnews website on 29 September 2021, and the Announcement on the Receipt of Decision of Administrative Penalty from Chongqing Securities Regulatory Bureau of the China Securities Regulatory Commission published on the HKEXnews website on 14 October 2021. The Company adheres to the prudential operation principles, further strengthens the internal control of its investment banking business segment, enhances the operational compliance awareness, comprehensively improves the compliance risk management of the investment banking business and robustly performs its duties of due diligence and care.

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

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



## SECTION VI SIGNIFICANT EVENTS

### XII. MATERIAL RELATED PARTY TRANSACTIONS

#### (I) Related party transactions pertaining to daily operations

**1. *Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation***

☐ Applicable ☒ Not applicable

**2. *Matters that have been disclosed in interim announcements and have developments or changes in subsequent implementation***

☐ Applicable ☒ Not applicable

**3. *Matters that have not been disclosed in interim announcements***

☐ Applicable ☒ Not applicable

**4. *Daily related party/connected transactions***

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

During the Reporting Period, the Company conducted routine related party/connected transactions in strict compliance with the resolution regarding projected routine related party/connected transactions of the Company in 2021 considered and approved in the annual general meeting of 2020.

Disclosure of related party/connected transactions set out in this section were determined in accordance with the Shanghai Stock Exchange Listing Rules and the Hong Kong Listing Rules, and may differ from the amounts of related party transactions (prepared in accordance with the Accounting Standards for Business Enterprises) in notes to financial statements. The related party transactions set out in note 74 to the combined financial statements of the Report do not constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, except that the related party transactions between the Company and Shanghai Guosheng Group and its associates constituted a connected transaction and continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and the Company has complied with the requirements under



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Chapter 14A of the Hong Kong Listing Rules. For details of these connected transactions, please see the announcement of the connected transaction – formation of partnership dated 15 December 2021 and continuing connected transactions of the Company dated 6 August 2020. Save for the above connected transactions, during the Reporting Period, the Company did not have any connected transaction which is disclosable in accordance with the requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of such related party transactions are as follows:

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

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

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

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

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

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

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

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

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

*Unit: RMB10 thousand*

| Content of transactions   | Projected transaction cap of 2021 | Actual transaction amount of 2021 |
|---|-----------------------------------|-----------------------------------|
| <b>Securities and Financial Products Transactions</b>   |                                   |                                   |
| Inflow <sup>(1)</sup>   | 290,000.00                        | 30,379.98                         |
| Outflow <sup>(2)</sup>  | 540,000.00                        | 49,132.51                         |
| <b>Securities and Financial Services</b>  |                                   |                                   |
| Total revenue derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates | 7,000.00                          | 2,561.76                          |
| Total expenses incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group    | 2,000.00                          | –                                 |

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

### Pricing basis of the continuing connected transactions

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

The Securities and Financial Products Transactions are mainly conducted in national inter-bank bond market (中國銀行間債券市場), stock exchange markets of China (中國交易所市場) and open-ended fund market (開放式基金市場). Such transactions are and will continue to be conducted at prevailing market prices or market rates in the ordinary and usual course of the Group’s business and with high frequency. In respect of the transactions conducted in the inter-bank bond market, the price shall be determined at the prevailing market price quoted in the inter-bank bond market; in respect of the transactions conducted in the stock exchange market, the price shall be determined at the prevailing market price in the stock exchange

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market; in respect of the transactions conducted in the open-ended fund market, the price shall be determined based on the unit net value of the relevant fund products on the date of transaction. The above pricing of such transactions is subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

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

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

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

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

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

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

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

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

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

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

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transactions set out in the above table, nothing has come to their attention that causes them to believe that the amount of the continuing connected transactions exceeded the annual caps set by the Company.

- *Routine related party transactions under the Shanghai Stock Exchange Listing Rules*
  - (1) Related party transactions with Shanghai Guosheng (Group) Co., Ltd. and Shanghai Guosheng Group Assets Co., Ltd.

*Unit: RMB10 thousand*

| Content of transactions   | Transaction volume in 2021 | Percentage to the amount of similar transactions (%) | Remarks   |
|---|----------------------------|--|---|
| Fee and commission income   | 340.38                     | 0.00%  | Fee income from investment banking business received from related parties   |
| Fee and commission income   | 15.81                      | 0.00%  | Securities trading fee and commission income received from related parties  |
| Net interest income   | 14.93                      | 0.00%  | Net interest income from margin deposits of related parties   |
| Net gains or losses from trading of derivative financial instruments (note) | -360.28                    | 0.00%  | During the Reporting Period, the amount of notional principal amounts was RMB180 million; as at the end of the Reporting Period, the balance of notional principal amounts was RMB92 million. |

*Note:* The realized and unrealized investment income generated from trading of derivatives between the related parties as the counterparties and the Company, with losses presented in negative terms.



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Unit: RMB10 thousand

| Item                                  | Balance as at<br>31 December<br>2021 | Percentage to<br>the amount<br>of similar<br>transactions<br>(%) | Remarks  |
|---------------------------------------|--------------------------------------|--|--|
| Accounts receivable                   | 58.50                                | 0.00%  | Balance of bond underwriting service fees receivable from related parties                                |
| Accounts payable to brokerage clients | 17,469.89                            | 0.00%  | Balance of margin deposits from clients placed by related parties  |
| Accounts payable                      | 9,160.00                             | 1.00%  | Balance of margin deposits payable by the Company to related parties on derivative financial instruments |
| Derivative financial assets           | 94.92                                | 0.00%  | Balance of derivative financial assets generated from trading of derivatives with related parties        |

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

Unit: RMB10 thousand

| Content of transactions  | Transaction volume in 2021 | Percentage to the amount of similar transactions (%) | Remarks   |
|--|----------------------------|--|---|
| Fee and commission income  | 30,571.87                  | 2.00%  | Income from assets management business, income from sales service and income from investment consulting service received from related parties |
| Net gains or losses from trading of derivative financial instruments<br>(Note) | -4,462.62                  | 0.00%  | During the Reporting Period, the amount of notional principal amounts was RMB11,731 million   |
|  |                            |  | As at the end of the Reporting Period, the balance of notional principal amounts was RMB5,666 million   |
| Fee and commission income  | 61.02                      | 0.00%  | Securities trading fee and commission income received from related parties  |
| Net interest income  | 8.42                       | 0.00%  | Net interest income from margin deposits of related parties   |
| Business and management expenses   | 16.69                      | 0.00%  | Expenses such as fund sales service fees paid to related parties  |

Note: The realized and unrealized investment income generated from trading of derivatives between the related parties as the counterparties and the Company, with losses presented in negative value.

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Unit: RMB10 thousand

| Item                                     | Balance as at<br>31 December<br>2021 | Percentage to<br>the amount<br>of similar<br>transactions<br>(%) | Remarks  |
|--|--------------------------------------|--|--|
| Accounts payable to<br>brokerage clients | 962.39                               | 0.00%  | Balance of margin deposits from<br>clients placed by related<br>parties                        |
| Accounts receivable                      | 5,251.00                             | 0.00%  | Balance of performance fees<br>receivable from related parties                                 |
| Accounts payable                         | 6.93                                 | 0.00%  | Service fees balance due to<br>related parties   |
| Derivative financial<br>assets           | 749.38                               | 1.00%  | Balance of derivative financial<br>assets from derivative trading<br>with related parties      |
| Derivative financial<br>liabilities      | 9,653.00                             | 6.00%  | Balance of derivative financial<br>liabilities from derivative<br>trading with related parties |

Related corporate legal persons, such as certain securities companies, carried out spot trading with the Company as qualified counterparties. During the Reporting Period, the accumulated trading volume amounted to RMB2,419 million.

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

**1. Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation**

☐ Applicable ☒ Not applicable

**2. Matters that have been disclosed in interim announcements and have developments or changes in subsequent implementation**

☐ Applicable ☒ Not applicable

**3. Matters that have not been disclosed in interim announcements**

☐ Applicable ☒ Not applicable

**4. If a performance agreement is involved, the achievement of performance targets during the Reporting Period shall be disclosed**

☐ Applicable ☒ Not applicable

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

#### 1. *Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation*

☐ Applicable ☒ Not applicable

#### 2. *Matters that have been disclosed in interim announcements and have developments or changes in subsequent implementation*

☐ Applicable ☒ Not applicable

#### 3. *Matters that have not been disclosed in interim announcements*

☐ Applicable ☒ Not applicable

### (IV) Creditor's rights and debts pertaining to related party transactions

#### 1. *Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation*

☐ Applicable ☒ Not applicable

#### 2. *Matters that have been disclosed in interim announcements and have developments or changes in subsequent implementation*

☐ Applicable ☒ Not applicable

#### 3. *Matters that have not been disclosed in interim announcements*

☐ Applicable ☒ Not applicable

### (V) Financial businesses between the Company and affiliated financial companies, Company-controlled financial companies and the related parties

Both the self-owned funds and client funds of the Company were deposited in qualified commercial banks. During the reporting period, the Company had no financial business including deposits and loans with affiliated financial companies.

### (VI) Others

#### 1. *Connected transactions under the Hong Kong Listing Rules*

Reference is made to the announcement of connected transaction relating to formation of partnership dated 15 December 2021. Haitong Creative (as an ordinary partnership), Zhongshi Fusion (Shanghai) Enterprise Management Partnership (limited partnership) (as an ordinary partnership), Haitong Capital (as a limited partnership), Shanghai Guosheng Group (as a limited partnership) and other independent third-parties entered into a partnership agreement to jointly set up CCTV Convergence Media Industrial Investment Fund (limited partnership) ("**Partnership**") for the purpose of maximizing the value of the interests of all partners through equity investment in and the subsequent capital operation of target companies in the fields of culture and internet economy. The partnership primarily

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invests in culture and Internet economy, including but not limited to 5G+4K/8K+AI, sports industry, entertainment industry, education industry, digital technology, enterprise services, and pay-for-content, etc. The total amount of capital contributed by all partners of the partnership to the partnership was RMB3,712,500,000, among which, Haitong Creative contributed RMB10,000,000, Haitong Capital contributed RMB665,250,000, and Shanghai Guosheng Group contributed RMB100,000,000. As the fund manager, Haitong Creative is responsible for providing investment management service and other services for the partnership, and the partnership shall pay the fund management fees to Haitong Creative.

As at the date of this report, Shanghai Guosheng Group is a substantial shareholder of the Company and holds directly or indirectly approximately 10.38% of the entire issued share capital of the Company. Accordingly, Shanghai Guosheng Group and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, the transaction under the partnership agreement constitutes connected transactions of the Company. As the highest applicable percentage ratio of the transaction is more than 0.1% but lower than 5%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but is exempted from the requirements of the circular (including independent financial advice) and the approval of independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

### 2. *Special audit of related party transactions*

Pursuant to relevant regulations and the requirements of the Shanghai Securities Regulatory Bureau's "Notice on Matters Concerning Further Strengthening the Supervision of Related Party Transactions of Securities Companies" (Hu Zheng Jian Ji Gou Zi [2018] No. 198), the Company has conducted a special audit on related party transactions in 2021. This audit did not find any situations which are non-compliance with the current laws, regulations, rules and systems in the construction of the related party transaction management system, decision-making procedures and information disclosure. The Twenty-fifth Meeting of the Seventh Session of the Board of Directors of the Company reviewed and approved the Special Audit Report on Related Party Transactions of Haitong Securities Co., Ltd. in 2021.

### (VII) Transactions between the Company and overseas subsidiaries

Pursuant to the relevant requirements of the "Administrative Measures for the Overseas Establishment and Acquisition of, and Equity Participation in, Operating Institutions by Securities Companies and Securities Investment Fund Management Companies", the transactions between the Company and its overseas subsidiaries are disclosed here: the amount of the Company's asset items at the end of 2021 affected by the relevant transactions was RMB2.941 billion, involving transactional financial assets, other receivables and other items; the amount of the 2021 operating profit affected by the relevant transactions was RMB109 million, involving fee and commission income, fee and commission expenses and other items.

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### XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

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

#### (II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding the guarantees for subsidiaries)

Total amount of guarantees incurred during the Reporting Period  
(excluding the guarantees provided for subsidiaries)

Total balance of guarantees at the end of the Reporting Period (A)  
(excluding the guarantees provided for subsidiaries)

#### Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of guarantees provided for subsidiaries during the  
Reporting Period

4,417,217,550

Total balance of guarantees provided for subsidiaries at the end of the  
Reporting Period (B)

19,622,271,474

#### Total amount of guarantees provided by the Company (including those provided for subsidiaries)

Total amount of guarantees (A+B)

19,622,271,474

Percentage of total guarantee amount to the net assets of the  
Company (%)

11.04

Including:

Amount of guarantees provided to shareholders, de facto controllers  
and their related parties (C)

Amount of debt guarantees directly or indirectly provided for the  
guaranteed parties with a gearing ratio exceeding 70% (D)

16,384,922,461

Amount of the portion of total guarantee exceeding 50% of net  
assets (E)

Total amount of the above three types of guarantees (C+D+E)

16,384,922,461

Explanations on outstanding guarantees which may undertake joint and  
several liability for repayment

Explanations on guarantees

- On 28 August 2020, the Company convened the 11th meeting of the seventh session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved, and the Company was approved to provide a joint liability guarantee for offshore debt financing (including but not limited to issuance of overseas bond, medium-and long-term commercial borrowings and other financing methods in compliance with regulatory requirements) of the offshore wholly-owned subsidiary Haitong Bank or subsidiaries thereof, with a guarantee amount of not more than EUR375 million covering debt financing principal (inclusive, or other currencies with equivalent value), interest and other fees to be borne by the borrower, and a guarantee period of not more than 6 years (inclusive).

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On 17 May 2021, the Company signed the Loan Agreement as a guarantor to provide a joint liability guarantee of EUR375 million (inclusive, or other currencies with equivalent value) for the syndicated loan of the offshore wholly-owned subsidiary Haitong Bank.

2. Haitong Capital, a wholly-owned subsidiary of the Company, transferred 2,440,846,824 domestic shares of Haitong UT held by it to Haitong Innovation Securities, a wholly-owned subsidiary of the Company. Haitong Capital reduced its registered capital by RMB3,150 million from RMB10.65 billion to RMB7.5 billion. The Company provides a general guarantee of RMB1,055,020.8 thousand of outstanding debts during Haitong Capital's capital reduction process. The event of the guarantee was considered and approved at the 14th meeting (extraordinary meeting) of the seventh session of the Board held on 29 January 2021.

As of 31 December 2021, the Company's guarantee balance of such liability was RMB237.349 million.

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

The Company signed the deed of guarantee on 12 March 2020, pursuant to which, the Company provided joint liability guarantee for the issue of an USD bond with the amount of USD670 million and an interest rate of 2.107% which will be due in 2025 by Haitong International Finance Holdings 2015 Limited (an offshore wholly-owned subsidiary of the Company).

4. On 29 August 2018, the Company held the 31st meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved. On 22 March 2019, the Company signed the Loan Agreement as a guarantor to provide a joint liability guarantee of EUR375 million for the syndicated loan of Haitong Investment Ireland Public Limited Company, an indirect offshore wholly-owned subsidiary of the Company.
5. On 29 August 2017, the Company held the 25th meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved. The Company signed the loan agreement as a guarantor on 14 May 2018, and provided US\$600 million joint liability guarantee for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.



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6. On 27 April 2017, the Company convened the 24th meeting of the sixth session of the Board, at which the Resolution on Providing Joint Liability Guarantee for Offshore Debt Financing of an Offshore Wholly-owned Subsidiary was considered and approved. On 8 June 2017, the Company signed the Loan Agreement as a guarantor to provide a joint liability guarantee of EUR200 million for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

As of 31 December 2021, the Company's guarantee balance of such liability was EUR160 million.

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

On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Contribution to its Registered Capital was considered and approved at the 18th meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB4,000 million for the net assets of HT Asset Management. The Company provided guarantees up to RMB4,000 million for the net assets of HT Asset Management and undertook to provide cash within the abovementioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board. With regard to this net capital guarantee, HT Asset Management has obtained the "No Objection Letter on Haitong Securities Co., Ltd. Issued a Net Capital Guarantee Commitment to Shanghai Haitong Securities Asset Management Co., Ltd." from the CSRC Shanghai Bureau (Hu Zheng Jian Ji Gou Zi [2016] No. 325).

In December 2021, the Company has deducted the provision of the guarantee commitment amount of net capital to HT Asset Management by RMB1,800 million. With regard to this decreased net capital guarantee, HT Asset Management has obtained the "No Objection Letter on Haitong Securities Co., Ltd. Deducted the Provision of Part of Net Capital Guarantee Commitment to Shanghai Haitong Securities Asset Management Co., Ltd." from the CSRC Shanghai Bureau (Hu Zheng Jian Ji Gou Zi [2021] No. 532). As of 31 December 2021, the Company's provision of guarantee commitment amount of net capital for HT Asset Management was RMB3,000 million.

## SECTION VI SIGNIFICANT EVENTS

*Note:* During the Reporting Period, the total amount of external guarantees provided by Haitong Bank, a subsidiary of the Company (excluding guarantees provided for its subsidiaries) was EUR83,186,622 (equivalent to RMB600,582,452 calculated based on the RMB central parity rate of EUR1=RMB7.2197 in the Interbank Foreign Exchange Market as at 31 December 2021). As at the end of the Reporting Period, the balance of external guarantees (excluding guarantees provided for its subsidiaries) was EUR130,663,254 (equivalent to RMB943,349,492 calculated based on the RMB central parity rate of EUR1=RMB7.2197 in the Interbank Foreign Exchange Market as at 31 December 2021).

During the Reporting Period, Haitong International Securities, a subsidiary of the Company, did not increase its internal guarantee. Translated based on the RMB central parity rates published by China Foreign Exchange Trade System on 31 December 2021 of HK\$1=RMB0.8176, USD1=RMB6.3757 and S\$1=RMB4.7179, the total balance of Haitong International Securities' internal guarantee as at the end of the Reporting Period was RMB8,057,194,000.

### (III) Other material contracts

☐ Applicable ☒ Not applicable

## XIV. DESCRIPTION OF OTHER MATERIAL MATTERS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

☒ Applicable ☒ Not applicable

### 1. Capital increase in one subsidiary

#### ➤ Capital injection into Haitong Innovation Securities

According to the Proposal regarding the Adjustment of the General Mandate of Capital Increase by the Company in Subsidiaries and the Establishment of Subsidiaries (《關於調整公司對子公司增資及設立子公司的一般性授權的議案》) considered and approved at the 13th meeting of the seventh session of the Board of the Company, an extraordinary meeting held on 29 December 2020, the Company decided to make a capital injection of RMB1 billion into Haitong Innovation Securities in June 2021. On 6 October 2021, the 20th meeting of the seventh session of the Board of the Company considered and approved the Proposal on Making a Capital Injection into the Wholly-owned Subsidiary Haitong Innovation Securities Investment Co., Ltd. (《關於向全資子公司海通創新證券投資有限公司增資的議案》), agreeing to make a capital injection of no more than RMB3.3 billion into Haitong Innovation Securities in several rounds by the end of 2022. According to the resolution, the Company decided to make a capital injection of RMB2.2 billion into Haitong Innovation Securities in November 2021. Upon completion of two capital injections, the registered capital of Haitong Innovation Securities will have been increased to RMB11.5 billion.

## SECTION VI SIGNIFICANT EVENTS

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

#### ➤ *Haitong International Holdings transferred its equity interests in Haitong UT Capital*

On 30 November 2021, the Proposal on Adjusting the Shareholding Structure of Haitong UT Capital Group Co., Limited (《關於調整海通恒信金融集團有限公司股權架構的議案》) was considered and approved at the 21st meeting of the seventh session of the Board of the Company, an extraordinary meeting, agreeing the Company to accept the all equity interests of Haitong UT Capital held by Haitong International Holdings, a wholly-owned subsidiary of the Company, and Haitong UT Capital was turned to a first-level overseas subsidiary.

### 3. Other matters of subsidiaries

#### (1) *Haitong Bank, Macau Branch opened for business*

In 2019, the CSRC and the Bank of Portugal (葡萄牙央行) approved the establishment of a branch by Haitong Bank in Macau. In July 2021, the Office of the Chief Executive of the Macau Special Administrative Region (澳門特別行政區行政長官辦公室) formally issued Executive Order No. 26/2021, granting permission for Haitong Bank to establish a branch in the Macau Special Administrative Region. On 27 October 2021, Haitong Bank, Macau Branch was officially launched.

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

On 29 December 2020, the Resolution regarding the Adjusted Completion Period for Haitong Capital to Transfer its Equity Interests in Haitong UT (《關於調整限期海通開元轉讓海通恒信股權方案的議案》) was approved at the 13th meeting of the seventh session of the Board, an extraordinary meeting, agreeing Haitong Capital to transfer 2,440,846,824 domestic shares of Haitong UT held by it to Haitong Innovation Securities before 30 April 2021, and the corresponding amount of the transfer price was the corresponding carrying amount of the aforementioned shares held by Haitong Capital as at the end of the month for such share transfer; and the Resolution allow Haitong Capital to reduce the registered capital by RMB3,150 million, from RMB10,650 million to RMB7,500 million.

Haitong Capital and Haitong Innovation Securities entered into a share transfer agreement on 26 February 2021 and completed the share transfer procedures on 18 March 2021, representing the completion of the transfer of Haitong Capital's equity in Haitong UT. The aforesaid capital reduction by Haitong Capital was completed on 25 February 2021.

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

#### (I) Table of changes in ordinary shares

##### 1. *Table of changes in shares*

During the Reporting Period, there was no change in the total number of shares and share capital structure of the Company. The total number of Shares of the Company was 13,064,200,000, of which 9,654,631,180 were A Shares and 3,409,568,820 were H Shares.

##### 2. *Particulars about changes in ordinary shares*

There was no change in the Shares of the Company during the Reporting Period.

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

## (II) Changes in restricted shares

Unit: Share

| Name of shareholders  | Number of restricted shares at the beginning of the year | Number of restricted shares released in the year | Number of restricted shares increased in the year | Number of restricted shares at the end of the year | Reasons for restriction on sale                   | Date of release for sale |
|---|--|--|---|--|---|--------------------------|
| Shanghai Guosheng (Group) Co., Ltd.   | 781,250,000  | 0  | 0   | 781,250,000  | Restriction on sale of non-publicly issued shares | 5 August 2024            |
| Shanghai Haiyan Investment Management Company Limited                               | 234,375,000  | 0  | 0   | 234,375,000  | Restriction on sale of non-publicly issued shares | 7 February 2022          |
| Shanghai Electric (Group) Corporation   | 78,203,125   | 0  | 0   | 78,203,125   | Restriction on sale of non-publicly issued shares | 7 February 2022          |
| Bright Food (Group) Co., Ltd.   | 78,125,000   | 0  | 0   | 78,125,000   | Restriction on sale of non-publicly issued shares | 7 February 2022          |
| UBS AG  | 116,406,250  | 116,406,250                                      | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Harvest Global Investments Limited  | 62,890,625   | 62,890,625                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| China Huarong Asset Management Co., Ltd.  | 39,062,500   | 39,062,500                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Shanghai Lansheng Corporation   | 39,062,500   | 39,062,500                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Shanghai Chengtou Holdings Co., Ltd.  | 35,156,250   | 35,156,250                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Fuanda Fund Management Co., Ltd.  | 31,250,000   | 31,250,000                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| JPMorgan Chase Bank, National Association   | 27,734,375   | 27,734,375                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Qilu Zhongtai Private Equity Management Co., Ltd. (齊魯中泰私募基金管理有限公司)                  | 23,359,375   | 23,359,375                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| Greater Bay Area Industry Finance Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司) | 15,625,000   | 15,625,000                                       | 0   | 0  | Restriction on sale of non-publicly issued shares | 5 February 2021          |
| <b>Total</b>  | <b>1,562,500,000</b>                                     | <b>390,546,875</b>                               | <b>0</b>  | <b>1,171,953,125</b>                               | <b>/</b>  | <b>/</b>                 |

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

As at the date of this Report, the restricted shares with the date of release for sale of 7 February 2022 were released, and the total restricted shares being released that time were 390,703,125 shares. After the release of the restriction, the total number of shares of the Company was 13,064,200,000, among which 3,409,568,820 were H Shares and 9,654,631,180 were A Shares; and 781,250,000 were restricted circulating shares and 12,282,950,000 were unrestricted circulating shares. For details, please refer to the overseas regulatory announcement regarding the eligibility for trading for restricted shares under the non-public issuance of the Company disclosed by the Company on the HKEXnews website of the Hong Kong Stock Exchange on 21 January 2022.

### II. SECURITIES ISSUANCE AND LISTING

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

|   |                     |                          |                                 |                  | Unit: Share                                     | Currency: RMB             |
|---|---------------------|--------------------------|---------------------------------|------------------|---|---------------------------|
| Type of stocks<br>and derivative securities   | Date of<br>issuance | Issue price<br>(or rate) | Issue size<br>(in RMB1 billion) | Date of listing  | Amount approved                                 | Date of                   |
|   |                     |                          |                                 |                  | for listing and<br>trading<br>(in RMB1 billion) | termination<br>of trading |
| Bonds (including enterprise bonds, corporate bonds and debt financial instruments for nonfinancial enterprises) |                     |                          |                                 |                  |   |                           |
| Corporate bonds   | 25 November 2013    | 6.18%                    | RMB2.39 billion                 | 16 December 2013 | RMB2.39 billion                                 | 25 November 2023          |
| Corporate bonds   | 14 July 2014        | 5.85%                    | RMB0.8 billion                  | 13 August 2014   | RMB0.8 billion                                  | 14 July 2024              |
| Corporate bonds   | 11 August 2017      | 4.80%                    | RMB1 billion                    | 24 August 2017   | RMB1 billion                                    | 11 August 2022            |
| Corporate bonds   | 22 September 2017   | 4.99%                    | RMB5.5 billion                  | 10 October 2017  | RMB5.5 billion                                  | 22 September 2027         |
| Corporate bonds   | 8 March 2018        | 5.15%                    | RMB3 billion                    | 16 March 2018    | RMB3 billion                                    | 8 March 2021              |
| Corporate bonds   | 22 March 2018       | 5.14%                    | RMB3 billion                    | 3 April 2018     | RMB3 billion                                    | 22 March 2021             |
| Corporate bonds   | 10 May 2018         | 4.70%                    | RMB3 billion                    | 25 May 2018      | RMB3 billion                                    | 10 May 2021               |
| Corporate bonds   | 6 August 2018       | 3.98%                    | RMB3 billion                    | 17 August 2018   | RMB3 billion                                    | 6 August 2021             |
| Corporate bonds   | 22 November 2018    | 3.88%                    | RMB3 billion                    | 5 December 2018  | RMB3 billion                                    | 22 November 2021          |
| Corporate bonds   | 11 April 2019       | 3.75%                    | RMB5 billion                    | 23 April 2019    | RMB5 billion                                    | 11 April 2022             |
| Corporate bonds   | 15 November 2019    | 3.52%                    | RMB4.5 billion                  | 26 November 2019 | RMB4.5 billion                                  | 15 November 2022          |
| Corporate bonds   | 27 February 2020    | 3.01%                    | RMB5 billion                    | 6 March 2020     | RMB5 billion                                    | 27 February 2023          |
| Corporate bonds   | 19 March 2020       | 2.99%                    | RMB3.5 billion                  | 27 March 2020    | RMB3.5 billion                                  | 19 March 2023             |
| Corporate bonds   | 30 April 2020       | 2.38%                    | RMB5.6 billion                  | 12 May 2020      | RMB5.6 billion                                  | 30 April 2023             |
| Corporate bonds   | 30 April 2020       | 2.88%                    | RMB0.7 billion                  | 12 May 2020      | RMB0.7 billion                                  | 30 April 2025             |
| Corporate bonds   | 25 May 2020         | 2.70%                    | RMB6.7 billion                  | 29 May 2020      | RMB6.7 billion                                  | 25 May 2023               |
| Corporate bonds   | 11 August 2020      | 3.53%                    | RMB6 billion                    | 18 August 2020   | RMB6 billion                                    | 11 August 2023            |
| Short-term corporate bonds  | 5 June 2020         | 2.20%                    | RMB1 billion                    | 12 June 2020     | RMB1 billion                                    | 2 March 2021              |
| Subordinated bonds  | 17 November 2016    | 3.40%                    | RMB2 billion                    | 30 November 2016 | RMB2 billion                                    | 17 November 2021          |
| Subordinated bonds  | 28 February 2019    | 4.09%                    | RMB3.3 billion                  | 7 March 2019     | RMB3.3 billion                                  | 28 February 2022          |
| Non-public corporate bonds  | 18 May 2016         | 3.80%                    | RMB5 billion                    | 15 June 2016     | RMB5 billion                                    | 18 May 2021               |
| Non-public corporate bonds  | 21 October 2020     | 3.50%                    | RMB5 billion                    | 2 November 2020  | RMB5 billion                                    | 25 October 2021           |

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

| Type of stocks<br>and derivative securities | Date of<br>issuance | Issue price<br>(or rate) | Issue size<br>(in RMB1 billion) | Date of listing  | Amount approved<br>for listing and<br>trading<br>(in RMB1 billion) | Date of<br>termination<br>of trading |
|---|---------------------|--------------------------|---------------------------------|------------------|--|--------------------------------------|
| Non-public corporate bonds                  | 21 October 2020     | 3.82%                    | RMB5 billion                    | 2 November 2020  | RMB5 billion   | 21 October 2022                      |
| Non-public corporate bonds                  | 19 November 2020    | 3.70%                    | RMB5 billion                    | 26 November 2020 | RMB5 billion   | 13 January 2022                      |
| Overseas bonds (U.S. dollar)                | 13 December 2018    | 4.50%                    | RMB0.3 billion                  | 14 December 2018 | RMB0.3 billion   | 13 December 2023                     |
| Overseas bonds (EUR)                        | 13 December 2018    | 3M EURIBOR<br>+1.65%     | RMB0.23 billion                 | 14 December 2018 | RMB0.23 billion  | 13 December 2023                     |
| Financial bonds                             | 29 August 2019      | 3.39%                    | RMB7 billion                    | 30 August 2019   | RMB7 billion   | 29 August 2022                       |
| Corporate bonds                             | 13 January 2021     | 3.58%                    | RMB6 billion                    | 20 January 2021  | RMB6 billion   | 13 January 2024                      |
| Short-term corporate bonds                  | 28 January 2021     | 3.10%                    | RMB6 billion                    | 4 February 2021  | RMB6 billion   | 20 December 2021                     |
| Corporate bonds                             | 8 February 2021     | 3.79%                    | RMB5.4 billion                  | 19 February 2021 | RMB5.4 billion   | 8 February 2024                      |
| Corporate bonds                             | 23 April 2021       | 3.45%                    | RMB5 billion                    | 30 April 2021    | RMB5 billion   | 23 April 2024                        |
| Corporate bonds                             | 27 May 2021         | 3.35%                    | RMB2.8 billion                  | 1 June 2021      | RMB2.8 billion   | 27 May 2024                          |
| Corporate bonds                             | 10 June 2021        | 3.40%                    | RMB2.1 billion                  | 16 June 2021     | RMB2.1 billion   | 10 June 2024                         |
| Short-term corporate bonds                  | 12 July 2021        | 2.82%                    | RMB6 billion                    | 15 July 2021     | RMB6 billion   | 16 June 2022                         |
| Corporate bonds                             | 29 July 2021        | 3.14%                    | RMB2 billion                    | 4 August 2021    | RMB2 billion   | 29 July 2024                         |
| Short-term corporate bonds                  | 29 July 2021        | 2.72%                    | RMB5 billion                    | 4 August 2021    | RMB5 billion   | 29 July 2022                         |
| Corporate bonds                             | 20 August 2021      | 3.04%                    | RMB3 billion                    | 25 August 2021   | RMB3 billion   | 20 August 2024                       |
| Corporate bonds                             | 30 August 2021      | 3.10%                    | RMB2 billion                    | 3 September 2021 | RMB2 billion   | 30 August 2024                       |
| Corporate bonds                             | 30 August 2021      | 3.43%                    | RMB2 billion                    | 3 September 2021 | RMB2 billion   | 30 August 2026                       |
| Corporate bonds                             | 10 November 2021    | 3.10%                    | RMB5 billion                    | 15 November 2021 | RMB5 billion   | 10 November 2024                     |
| Corporate bonds                             | 22 November 2021    | 3.09%                    | RMB5 billion                    | 25 November 2021 | RMB5 billion   | 22 November 2024                     |

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

For details of the Company's bond issuance, please refer to the section headed "CORPORATE BONDS".

For existing bonds of subsidiaries during the Reporting Period, please refer to Note 49 in FINANCIAL REPORT.



## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

During the Reporting Period, there was no change in the total number of Shares and shareholding structure of the Company as a result of bonus share issuance, transfer into share capital increase, share allotment, issuance of new shares, issuance of shares to specific objects (non-public offering), exercise of warrants, implementation of share award scheme, corporate merger, conversion of convertible corporate bonds into shares, capital reduction, listing of internal employee shares, bond issuance or other reasons.

For details of the changes in the assets and liabilities structure of the Company, please refer to “V. OPERATIONS DURING THE REPORTING PERIOD – (I) Analysis of the consolidated statement of profit or loss” in “SECTION III. REPORT OF THE BOARD OF DIRECTORS” in this Report.

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

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

## III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

|  |   |
|--|---|
| Total number of shareholders of ordinary shares as at the end of the Reporting Period  | 285,796<br>(of which 285,648 were holders of A Shares and 148 were holders of H Shares) |
| Total number of shareholders of ordinary shares as at the end of the previous month prior to the date of disclosure of the annual report | 280,801 (of which 280,654 were holders of A Shares and 147 were holders of H Shares)    |

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

Unit: Share

| Name of shareholders<br>(Full name)                    | Shareholdings of the top ten shareholders                   |   |                | Particulars of shares                               |                           |                  | Nature of shareholders   |
|--|---|---|----------------|---|---------------------------|------------------|--------------------------|
|  | Changes in the number of shares during the Reporting Period | Number of shares held as at the end of the Reporting Period | Percentage (%) | Number of shares held subject to trading moratorium | pledged, marked or frozen | Number of Shares |                          |
| Hong Kong Securities Clearing Company Nominees Limited | -33,200   | 3,408,784,295   | 26.09          | 0   | Unknown                   | -                | Foreign legal person     |
| Shanghai Guosheng (Group) Co., Ltd.                    | 0   | 862,489,059   | 6.60           | 781,250,000   | Nil                       | 0                | State-owned legal person |
| Shanghai Haiyan Investment Management Company Limited  | 0   | 635,084,623   | 4.86           | 234,375,000   | Nil                       | 0                | State-owned legal person |
| Bright Food (Group) Co., Ltd.                          | -8,124,400  | 472,150,600   | 3.61           | 78,125,000  | Nil                       | 0                | State-owned legal person |
| Shenergy Group Company Limited                         | 5,207,000   | 315,789,086   | 2.42           | 0   | Nil                       | 0                | State-owned legal person |
| Shanghai Electric (Group) Corporation                  | 75,455,100  | 301,268,418   | 2.31           | 78,203,125  | Nil                       | 0                | State                    |
| China Securities Finance Corporation Limited           | -85,797,235   | 258,104,024   | 1.98           | 0   | Nil                       | 0                | Others                   |
| Hong Kong Securities Clearing Company Ltd.             | 103,984,789   | 248,897,358   | 1.91           | 0   | Nil                       | 0                | Foreign legal person     |
| Shanghai Guosheng Group Assets Co., Ltd.               | 0   | 238,382,008   | 1.82           | 0   | Nil                       | 0                | State-owned legal person |
| Shanghai Jiushi (Group) Co., Ltd.                      | 0   | 235,247,280   | 1.80           | 0   | Nil                       | 0                | State-owned legal person |

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

| Name of shareholders   | Number of circulating shares held not subject to selling restrictions  | Type and number of shares       |                  |
|--|--|---------------------------------|------------------|
|  |  | Type                            | Number of Shares |
| Hong Kong Securities Clearing Company Nominees Limited   | 3,408,784,295  | Foreign shares listed overseas  | 3,408,784,295    |
| Shanghai Haiyan Investment Management Company Limited  | 400,709,623  | RMB denominated ordinary shares | 400,709,623      |
| Bright Food (Group) Co., Ltd.  | 394,025,600  | RMB denominated ordinary shares | 394,025,600      |
| Shenergy Group Company Limited   | 315,789,086  | RMB denominated ordinary shares | 315,789,086      |
| China Securities Finance Corporation Limited   | 258,104,024  | RMB denominated ordinary shares | 258,104,024      |
| Hong Kong Securities Clearing Company Ltd.   | 248,897,358  | RMB denominated ordinary shares | 248,897,358      |
| Shanghai Guosheng Group Assets Co., Ltd.   | 238,382,008  | RMB denominated ordinary shares | 238,382,008      |
| Shanghai Jiushi (Group) Co., Ltd.  | 235,247,280  | RMB denominated ordinary shares | 235,247,280      |
| Shanghai Electric (Group) Corporation  | 223,065,293  | RMB denominated ordinary shares | 223,065,293      |
| Shanghai Bailian Group Co., Ltd.   | 214,471,652  | RMB denominated ordinary shares | 214,471,652      |
| Particulars of the repurchase accounts for the top ten shareholders  |  |                                 | -                |
| Description of entrusting voting rights, entrusted voting rights, waving voting rights of the above shareholders |  |                                 | -                |
| Explanations on the related relationship or concerted action among the above shareholders                        | Shanghai Guosheng Group Assets Co., Ltd. is a wholly-owned subsidiary of Shanghai Guosheng (Group) Co., Ltd. Moreover, the Company is not aware of any related relationship among other shareholders or whether they are parties acting in concert as stipulated in the Measures for the Administration of the Takeover of Listed Companies. |                                 |                  |
| Explanations on the shareholders of preference shares whose voting rights were resumed and their shareholdings   | -  |                                 |                  |

- Notes:
1. The nature of shareholders of RMB denominated ordinary shares (A Shares) represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
  2. In the table above, overseas listed foreign shares are H Shares. Among the H Shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
  3. Shanghai Guosheng Group and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold a total of 1,356.3275 million A Shares and H Shares of the Company, representing 10.38% of the total share capital of the Company; Shanghai Electric (Group) Corporation holds a total of 502.0308 million A Shares and H Shares of the Company, representing 3.84% of the total share capital of the Company.
  4. As the shares of the Company are subject of margin financing and securities lending, the number of shares held by a shareholder is calculated based on the aggregated number of shares and interests held by such shareholder through ordinary securities accounts and credit securities accounts.

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

*Unit: Share*

| No.   | Name of shareholders subject to trading moratorium    | Number of shares held subject to trading moratorium | Listing and trading of shares subject to trading moratorium |                                       | Trading moratorium          |
|---|---|---|---|---------------------------------------|-----------------------------|
|   |   |   | Available listed trading hours                              | Number of newly listed trading shares |                             |
| 1   | Shanghai Guosheng (Group) Co., Ltd.                   | 781,250,000   | 5 August 2024   | -                                     | Lock-up period of 48 months |
| 2   | Shanghai Haiyan Investment Management Company Limited | 234,375,000   | 7 February 2022   | -                                     | Lock-up period of 18 months |
| 3   | Shanghai Electric (Group) Corporation                 | 78,203,125  | 7 February 2022   | -                                     | Lock-up period of 18 months |
| 4   | Bright Food (Group) Co., Ltd.                         | 78,125,000  | 7 February 2022   | -                                     | Lock-up period of 18 months |
| Explanations on the related relationship or concerted action among the above shareholders |   |   | Nil   |                                       |                             |

As at the date of the publication of the report, the restricted shares with the date of release for sale of 7 February 2022 were released, and the total restricted shares being released that time were 390,703,125 shares. For details, please refer to the overseas regulatory announcement regarding the eligibility for trading for restricted shares under the non-public issuance of the Company disclosed by the Company on the HKEXnews website of Hong Kong Stock Exchange dated 21 January 2022. As at the date of the publication of the report, the Company had 781,250,000 restricted circulating shares and 12,282,950,000 unrestricted circulating shares.

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

As at 31 December 2021, to the best knowledge of the Directors of the Company having made all reasonable enquiries, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

| No. | Name of substantial shareholders              | Type of share | Nature of interests                          | Number of shares held | Percentage of total issued shares of the Company (%) | Percentage of total issued A Shares of the Company (%) | Long position (Note 2)/short position (Note 3)/interests in lending pool |
|-----|---|---------------|--|-----------------------|--|--|--|
| 1.  | Maunakai Capital Partners (Hong Kong) Limited | H Share       | Investment manager                           | 272,590,000           | 2.09   | 7.99   | Long position  |
| 2.  | BSA Strategic Fund I                          | H Share       | Beneficial owner                             | 272,590,000           | 2.09   | 7.99   | Long position  |
| 3.  | Shi Jing                                      | H Share       | Founder of discretionary trust               | 228,000,000           | 1.75   | 6.69   | Long position  |
| 4.  | Wickhams Cay Trust Company Limited            | H Share       | Trustee (Note 1)                             | 228,000,000           | 1.75   | 6.69   | Long position  |
| 5.  | Abhaya Limited                                | H Share       | Interests in controlled corporation (Note 1) | 228,000,000           | 1.75   | 6.69   | Long position  |
| 6.  | Heyday Trend Limited                          | H Share       | Beneficial owners (Note 1)                   | 228,000,000           | 1.75   | 6.69   | Long position  |
| 7.  | Shanghai Guosheng (Group) Co., Ltd. (Note 4)  | H Share       | Beneficial owner                             | 241,206,000           | 1.85   | 7.07   | Long position  |
|     |   | A Share       | Beneficial owner                             | 1,100,871,067         | 8.43   | 11.40  | Long position  |
| 8.  | Shanghai Electric (Group) Corporation         | H Share       | Beneficial owner                             | 204,909,600           | 1.57   | 6.01   | Long position  |
| 9.  | China National Tobacco Corporation            | A Share       | Beneficial owner                             | 635,084,623           | 4.86   | 6.58   | Long position  |

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

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

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

*Note 4:* For the avoidance of doubt, as the scope of the abovementioned interest disclosure is not limited to the actual shares held by the relevant shareholders, there may be differences between the number and percentage of shares held by the relevant shareholders shown in this table and the number and percentage of shares beneficially held by the relevant shareholders disclosed in other parts of the annual report.

Save as disclosed above, as at 31 December 2021, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

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

As at 31 December 2021, according to the information obtained by the Company and so far as the Directors are aware, none of the Director(s), Supervisor(s) and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation (as defined under the Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

☐ Applicable    ☒ Not applicable

## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

#### (I) Controlling shareholders

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

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

#### 1 *Special explanation on the absence of a controlling shareholder in the Company*

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

#### (II) De facto controllers

#### 1 *Special explanation on the absence of a de facto controller in the Company*

The Company did not have any de facto controller. The shareholding of the Company is disperse. Shanghai Guosheng Group, the largest shareholder of the Company, and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold approximately 10.38% of the Shares of the Company. HKSCC Nominees Limited held shares on behalf of the non-registered H shareholders.

#### (III) Other information on controlling shareholders and de facto controllers

☐ Applicable ☒ Not applicable



## SECTION VII CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### V. THE CUMULATIVE NUMBER OF SHARES PLEDGED BY THE CONTROLLING SHAREHOLDER OR THE LARGEST SHAREHOLDER OF THE COMPANY AND PARTIES ACTING IN CONCERT WITH IT ACCOUNTED FOR MORE THAN 80% OF THE NUMBER OF SHARES HELD BY THE COMPANY

☐ Applicable ☒ Not applicable

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

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

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

### VII. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION

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

### VIII. SPECIFIC IMPLEMENTATION OF REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY DURING THE REPORTING PERIOD

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

## SECTION VIII PREFERENCE SHARES

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

## SECTION IX BONDS

### I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

#### (1) Enterprise Bonds

☐ applicable ☒ Not applicable

#### (2) Corporate Bonds

##### 1. Basic information of corporate bonds

Details of the existing publicly issued corporate bonds as at the approval date of issuance of the annual report are set out below.

Unit: yuan Currency: RMB

| Name of Bonds   | Abbreviation  | Code   | Date of issuance  | Effective date    | Maturity date     | Balance of bonds | Interest rate (%) | Method to repay principal and pay interest | Venue of trading | Arrangement to ensure the suitability of investors (if any) | Trading mechanism  | Whether it is exposed to termination of the listing and trading |
|---|---------------|--------|-------------------|-------------------|-------------------|------------------|-------------------|--|------------------|---|--|---|
| 2013 Corporate Bonds (Tranche 1) (10 Years) of Haitong Securities Co., Ltd.                                       | 13 Haitong 03 | 122282 | 25 November 2013  | 25 November 2013  | 25 November 2023  | 23.9             | 6.18              | Simple annualised interest rate            | SSE              | Public investors, institutional investors                   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2013 Corporate Bonds (Tranche 2) (10 Years) of Haitong Securities Co., Ltd.                                       | 13 Haitong 06 | 122313 | 14 July 2014      | 14 July 2014      | 14 July 2024      | 8                | 5.85              | Simple annualised interest rate            | SSE              | Public investors, institutional investors                   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2017 Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd. Publicly issued to qualified investors | 17 Haitong 02 | 143232 | 09 August 2017    | 11 August 2017    | 11 August 2022    | 10               | 4.80              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | 17 Haitong 03 | 143301 | 20 September 2017 | 22 September 2017 | 22 September 2027 | 55               | 4.99              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2019 Non-public Issued Subordinated Bonds (Tranche 1) of Haitong Securities Co., Ltd.                             | 19 Haitong C1 | 151202 | 27 February 2019  | 28 February 2019  | 28 February 2022  | –                | 4.09              | Simple annualised interest rate            | SSE              | Qualified institutional investors                           | Price quotation, price consultation and trading through agreement                | No  |

## SECTION IX BONDS

| Name of Bonds  | Abbreviation  | Code   | Date of issuance | Effective date   | Maturity date    | Balance of bonds | Interest rate (%) | Method to repay principal and pay interest | Venue of trading | Arrangement to ensure the suitability of investors (if any) | Trading mechanism  | Whether it is exposed to termination of the listing and trading |
|--|---------------|--------|------------------|------------------|------------------|------------------|-------------------|--|------------------|---|--|---|
| 2019 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | 19 Haitong 01 | 155316 | 10 April 2019    | 11 April 2019    | 11 April 2022    | 50               | 3.75              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2019 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | 19 Haitong 02 | 155830 | 14 November 2019 | 15 November 2019 | 15 November 2022 | 45               | 3.52              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | 20 Haitong 01 | 163148 | 26 February 2020 | 27 February 2020 | 27 February 2023 | 50               | 3.01              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | 20 Haitong 02 | 163290 | 18 March 2020    | 19 March 2020    | 19 March 2023    | 35               | 2.99              | Simple annualised interest rate            | SSE              | Qualified investors   | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 1) (Type I) of Haitong Securities Co., Ltd. publicly issued to professional investors  | 20 Haitong 04 | 163507 | 29 April 2020    | 30 April 2020    | 30 April 2023    | 56               | 2.38              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd. publicly issued to professional investors | 20 Haitong 05 | 163508 | 29 April 2020    | 30 April 2020    | 30 April 2025    | 7                | 2.88              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | 20 Haitong 06 | 163568 | 22 May 2020      | 25 May 2020      | 25 May 2023      | 67               | 2.70              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2020 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | 20 Haitong 08 | 163903 | 10 August 2020   | 11 August 2020   | 11 August 2023   | 60               | 3.53              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |

## SECTION IX BONDS

| Name of Bonds  | Abbreviation  | Code   | Date of issuance | Effective date   | Maturity date    | Balance of bonds | Interest rate (%) | Method to repay principal and pay interest                                      | Venue of trading | Arrangement to ensure the suitability of investors (if any) | Trading mechanism  | Whether it is exposed to termination of the listing and trading |
|--|---------------|--------|------------------|------------------|------------------|------------------|-------------------|---|------------------|---|--|---|
| 2020 Non-public Issued Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd.               | 20 Haitong F2 | 167897 | 20 October 2020  | 21 October 2020  | 21 October 2022  | 50               | 3.82              | Simple annualised interest rate   | SSE              | Qualified institutional investors                           | Price quotation, price consultation and trading through agreement                | No  |
| 2020 Non-public Issued Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.                         | 20 Haitong F3 | 177170 | 18 November 2020 | 19 November 2020 | 13 January 2022  | –                | 3.70              | Principal to be repaid upon maturity in one lump sum together with the interest | SSE              | Qualified institutional investors                           | Price quotation, price consultation and trading through agreement                | No  |
| 2021 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 01 | 175630 | 12 January 2021  | 13 January 2021  | 13 January 2024  | 60               | 3.58              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 02 | 175741 | 05 February 2021 | 08 February 2021 | 08 February 2024 | 54               | 3.79              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 03 | 175975 | 22 April 2021    | 23 April 2021    | 23 April 2024    | 50               | 3.45              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 04 | 188150 | 26 May 2021      | 27 May 2021      | 27 May 2024      | 28               | 3.35              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 05 | 188202 | 09 June 2021     | 10 June 2021     | 10 June 2024     | 21               | 3.40              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |

## SECTION IX BONDS

| Name of Bonds  | Abbreviation  | Code   | Date of issuance | Effective date   | Maturity date    | Balance of bonds | Interest rate (%) | Method to repay principal and pay interest                                      | Venue of trading | Arrangement to ensure the suitability of investors (if any) | Trading mechanism  | Whether it is exposed to termination of the listing and trading |
|--|---------------|--------|------------------|------------------|------------------|------------------|-------------------|---|------------------|---|--|---|
| 2021 Publicly Issued Short-term Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.                          | 21 Haitong S2 | 163885 | 09 July 2021     | 12 July 2021     | 16 June 2022     | 60               | 2.82              | Principal to be repaid upon maturity in one lump sum together with the interest | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 6) (Type II) of Haitong Securities Co., Ltd. publicly issued to professional investors | 21 Haitong 06 | 188458 | 28 July 2021     | 29 July 2021     | 29 July 2024     | 20               | 3.14              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 6) (Type I) of Haitong Securities Co., Ltd. publicly issued to professional investors  | 21 Haitong S3 | 163895 | 28 July 2021     | 29 July 2021     | 29 July 2022     | 50               | 2.72              | Principal to be repaid upon maturity in one lump sum together with the interest | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 7) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | 21 Haitong 07 | 188571 | 19 August 2021   | 20 August 2021   | 20 August 2024   | 30               | 3.04              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 8) (Type I) of Haitong Securities Co., Ltd. Publicly issued to professional investors  | 21 Haitong 08 | 188663 | 27 August 2021   | 30 August 2021   | 30 August 2024   | 20               | 3.10              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 8) (Type II) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 21 Haitong 09 | 188664 | 27 August 2021   | 30 August 2021   | 30 August 2026   | 20               | 3.43              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 9) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | 21 Haitong 10 | 188962 | 09 November 2021 | 10 November 2021 | 10 November 2024 | 50               | 3.10              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2021 Corporate Bonds (Tranche 10) of Haitong Securities Co., Ltd. Publicly issued to professional investors          | 21 Haitong 11 | 185010 | 19 November 2021 | 22 November 2021 | 22 November 2024 | 50               | 3.09              | Simple annualised interest rate   | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |

## SECTION IX BONDS

| Name of Bonds   | Abbreviation  | Code   | Date of issuance | Effective date   | Maturity date    | Balance of bonds | Interest rate (%) | Method to repay principal and pay interest | Venue of trading | Arrangement to ensure the suitability of investors (if any) | Trading mechanism  | Whether it is exposed to termination of the listing and trading |
|---|---------------|--------|------------------|------------------|------------------|------------------|-------------------|--|------------------|---|--|---|
| 2022 Subordinated Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 22 Haitong C1 | 185219 | 11 January 2022  | 12 January 2022  | 12 January 2025  | 50               | 3.18              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2022 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to professional investors    | 22 Haitong 01 | 185285 | 19 January 2022  | 20 January 2022  | 25 December 2024 | 50               | 2.84              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2022 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to professional investors    | 22 Haitong 02 | 185359 | 17 February 2022 | 21 February 2022 | 21 February 2025 | 29               | 2.9               | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2022 Subordinated Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 22 Haitong C2 | 185400 | 24 February 2022 | 25 February 2022 | 25 February 2025 | 20               | 3.15              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2022 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to professional investors    | 22 Haitong 03 | 185448 | 4 March 2022     | 7 March 2022     | 7 March 2025     | 5                | 3.03              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |
| 2022 Subordinated Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to professional investors | 22 Haitong C3 | 185472 | 8 March 2022     | 9 March 2022     | 9 March 2025     | 24.8             | 3.29              | Simple annualised interest rate            | SSE              | Professional investors                                      | Price bidding, price quotation, price consultation and trading through agreement | No  |

As of the date of the announcement, 20 Haitong F3 and 19 Haitong C1 had been repaid and delisted.

*The Company's countermeasures to the risks of termination of listing and trading of bonds*

☐ applicable ☒ Not applicable

*Outstanding obligation of overdue bonds*

☐ applicable ☒ Not applicable



## SECTION IX BONDS

*Payment of interest and repayment of principal of bonds during the Reporting Period*

| Name of Bonds   | Description of payment of interest and repayment of principal |
|---|---|
| 2013 Corporate Bonds (Tranche 1) (10 Years) of Haitong Securities Co., Ltd.                                       | Annual payment of interest completed on 25 November 2021      |
| 2013 Corporate Bonds (Tranche 2) (10 Years) of Haitong Securities Co., Ltd.                                       | Annual payment of interest completed on 14 July 2021          |
| 2016 Non-public Issued Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd.                      | Repayment and delisting completed on 18 May 2021              |
| 2016 Non-public Issued Subordinated Bonds (Tranche 1) of Haitong Securities Co., Ltd.                             | Repayment and delisting completed on 17 November 2021         |
| 2017 Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd. Publicly issued to qualified investors | Annual payment of interest completed on 11 August 2021        |
| 2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Annual payment of interest completed on 22 September 2021     |
| 2018 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Repayment and delisting completed on 08 March 2021            |
| 2018 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Repayment and delisting completed on 22 March 2021            |
| 2018 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Repayment and delisting completed on 10 May 2021              |
| 2018 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Repayment and delisting completed on 24 March 2021            |
| 2018 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Repayment and delisting completed on 22 November 2021         |
| 2019 Non-public Issued Subordinated Bonds (Tranche 1) of Haitong Securities Co., Ltd.                             | Annual payment of interest completed on 28 February 2021      |
| 2019 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to qualified investors           | Annual payment of interest completed on 11 April 2021         |

## SECTION IX BONDS

| Name of Bonds  | Description of payment of interest and repayment of principal |
|--|---|
| 2019 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | Annual payment of interest completed on 15 November 2021      |
| 2020 Publicly Issued Short-term Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.                          | Repayment and delisting completed on 02 March 2021            |
| 2020 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | Annual payment of interest completed on 27 February 2021      |
| 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to qualified investors              | Annual payment of interest completed on 19 March 2021         |
| 2020 Corporate Bonds (Tranche 1) (Type I) of Haitong Securities Co., Ltd. publicly issued to professional investors  | Annual payment of interest completed on 30 April 2021         |
| 2020 Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd. publicly issued to professional investors | Annual payment of interest completed on 30 April 2021         |
| 2020 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | Annual payment of interest completed on 25 May 2021           |
| 2020 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. Publicly issued to professional investors           | Annual payment of interest completed on 11 August 2021        |
| 2020 Non-public Issued Corporate Bonds (Tranche 1) (Type I) of Haitong Securities Co., Ltd.                          | Repayment and delisting completed on 23 October 2021          |
| 2020 Non-public Issued Corporate Bonds (Tranche 1) (Type II) of Haitong Securities Co., Ltd.                         | Annual payment of interest completed on 21 October 2021       |
| 2021 Publicly Issued Short-term Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.                          | Repayment and delisting completed on 19 December 2021         |

2. *The triggering and performance of issuer or investor option terms, investor protection terms*

☐ Applicable    ☒ Not applicable

## SECTION IX BONDS

3. *Intermediaries providing services for bond issuance and business over the duration*

| Name of intermediary  | Office address  | Name of signatory accountants   | Contact persons | Tel          |
|---|---|---------------------------------|-----------------|--------------|
| PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)                     | 50th Floor, Qiantan Center, No. 588, Dongyu Road, Pudong New Area, Shanghai                   | Xu Kangwei<br>Liu Wei           | Xu Kangwei      | 021-23238888 |
| Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) | 21st Floor, the Bund Center, No. 222, Yan'an East Road, Shanghai                              | Hu Xiaojun<br>Gong<br>Mingliang | Hu Xiaojun      | 021-61412068 |
| BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)    | 4th Floor, No. 61, Nanjing East Road, Huangpu District, Shanghai                              | Zhao Min<br>Chi Yuan            | Zhao Min        | 021-23281034 |
| Shanghai AllBright Law Offices  | 11th and 12th Floor, Shanghai Tower, No. 501, Yincheng Middle Road, Pudong New Area, Shanghai | –                               | Xiao Wenyan     | 021-20511000 |
| China Chengxin International Credit Rating Co., Ltd.                                    | Room 60101, Building 1, No. 2, Nanzhugan Hutong, Dongcheng District, Beijing                  | –                               | Qiao Shuang     | 010-66428877 |

*Changes to the above intermediaries*✓ Applicable    ☐ Not applicable

| Name of intermediary  | Reason for change                         | Fulfill the procedure  | Impact on the rights and interests of bond investors  |
|---|---|--|---|
| BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)    | The 8-year term of consecutive engagement | The change was considered and approved at the 36th meeting of the sixth session of the Board on 27 March 2019/the 2018 Annual General Meeting on 18 June 2019  | There was no significant change in accounting policies and accounting estimates before and after the change, and major accounting matters were handled prudently. |
| Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) | The 8-year term of consecutive engagement | The change was considered and approved at the 7th meeting of the seventh session of the Board on 26 March 2020/the 2019 Annual General Meeting on 18 June 2020 | There was no significant change in accounting policies and accounting estimates before and after the change, and major accounting matters were handled prudently. |

## SECTION IX BONDS

According to the Administrative Measures for the Selection and Appointment of Accounting Firms by Financial Enterprises (Cai Jin [2016] No. 12) (《金融企業選聘會計師事務所管理辦法》) (財金[2016]12號) issued by the Ministry of Finance, in principle, the term that a financial enterprise may consecutively engage the same accounting firm shall not exceed 5 years. For the accounting firms that rank among the top 15 in the comprehensive evaluation of the Chinese Institute of Certified Public Accountants and have excellent audit quality, the term of renewal may be appropriately extended, but not more than 8 years.

From 2011 to 2018, the Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP as the external auditor for the domestic audit service of the Company, and the term of consecutive engagement has reached the maximum. Since 2019, BDO China Shu Lun Pan Certified Public Accountants LLP has ceased to serve as the external auditor of the Company.

Since 2012, the Company has engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor for the overseas audit service of the Company, which also undertook the domestic audit services of the Company in 2019. After the audit work in 2019, the term of consecutive engagement has reached the maximum. Since 2020, Deloitte Touche Tohmatsu Certified Public Accountants LLP has ceased to serve as the external auditor of the Company.

Since 2020, the Company has engaged PricewaterhouseCoopers Zhong Tian LLP as the external auditor for the domestic audit service of the Company.

## SECTION IX BONDS

## 4. Use of proceeds at the end of the Reporting Period

| Name of Bonds  | Total amount of proceeds | Used amount | Unused amount | Operation of the special account for proceeds (if any) | Rectification on illegal use of proceeds (if any) | Whether it is consistent with the purpose, use plan and other agreements promised in the prospectus |
|--|--------------------------|-------------|---------------|--|---|---|
| 2021 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd. publicly issued to professional investors           | 60                       | 60          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd. publicly issued to professional investors           | 54                       | 54          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd. publicly issued to professional investors           | 50                       | 50          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd. publicly issued to professional investors           | 28                       | 28          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd. publicly issued to professional investors           | 21                       | 21          | 0             | Nil  | Nil   | Yes   |
| 2021 Publicly Issued Short-term Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.                          | 60                       | 60          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 6) (Type II) of Haitong Securities Co., Ltd. publicly issued to professional investors | 20                       | 20          | 0             | Nil  | Nil   | Yes   |
| 2021 Corporate Bonds (Tranche 6) (Type I) of Haitong Securities Co., Ltd. publicly issued to professional investors  | 50                       | 50          | 0             | Nil  | Nil   | Yes   |

## SECTION IX BONDS

| Name of Bonds   | Total amount of proceeds | Used amount | Unused amount | Operation of the special account for proceeds (if any) | Rectification on illegal use of proceeds (if any) | Whether it is consistent with the purpose, use plan and other agreements promised in the prospectus |
|---|--------------------------|-------------|---------------|--|---|---|
| 2021 Corporate Bonds (Tranche 7) of Haitong Securities Co., Ltd. publicly issued to professional investors              | 30                       | 30          | 0             | Nil  | Nil   | Yes   |
| Corporate Bonds (Tranche 8) (Type I) of Haitong Securities Co., Ltd. publicly issued to professional investors in 2021  | 20                       | 20          | 0             | Nil  | Nil   | Yes   |
| Corporate Bonds (Tranche 8) (Type II) of Haitong Securities Co., Ltd. publicly issued to professional investors in 2021 | 20                       | 20          | 0             | Nil  | Nil   | Yes   |
| Corporate Bonds (Tranche 9) of Haitong Securities Co., Ltd. publicly issued to professional investors in 2021           | 50                       | 50          | 0             | Nil  | Nil   | Yes   |
| Corporate Bonds (Tranche 10) of Haitong Securities Co., Ltd. publicly issued to professional investors in 2021          | 50                       | 50          | 0             | Nil  | Nil   | Yes   |

The proceeds raised from issuance of various bonds in previous years have been used, and the usage were consistent with the committed use of proceeds in the prospectus. For the use of proceeds, please see the annual report of the year. In March 2022, the Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) (“BDO”) to conduct special inspection on the deposit and usage of proceeds raised from bonds of the Company as at 31 December 2021, and BDO prepared an Inspection Report (XIN KUAI SHI BAO ZI [2022] No. ZA10306) accordingly.

*The solicitation of the proceeds for construction projects and operating benefits*

☐ Applicable ☒ Not applicable

*Explanations of changing the use of proceeds from above-mentioned bonds during the reporting period*

☐ Applicable ☒ Not applicable

## SECTION IX BONDS

### *Other explanations*

☐ Applicable    ☒ Not applicable

### **5. Adjustment of credit rating result**

☐ Applicable    ☒ Not applicable

### *Other explanations*

☐ Applicable    ☒ Not applicable

### **6. The implementation and change of the guarantees, repayment plan and other repayment supporting measures during the reporting period and its impact**

☐ Applicable    ☒ Not applicable

#### *(i) Guarantees*

Above-mentioned bonds are unsecured.

#### *(ii) Repayment plan*

The Company will perform the obligation of annual payment of interest and repayment of principal and interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities.

#### *(iii) Other repayment supporting measures*

On 18 June 2019, the proposal regarding the General Mandate to Issue Onshore and Offshore Debt Financing Instruments was considered and approved at the annual general meeting held by the Company, which stipulated repayment supporting measures, i.e., "authorising the Board and permitting the Board to re-authorize the authorised persons, jointly or separately, in respect of the issuances of the Corporate Onshore and Offshore Debt Financing Instruments to adopt at least the following measures when there is an anticipated failure to repay the principal and interest of the onshore and offshore debt financing instrument or an actual failure to repay the principal and interest of the onshore and offshore debt financing instrument on due dates: ① ceasing to distribute dividends to the Shareholders; ② suspending the implementation of capital expenditure projects such as material external investments, acquisitions and mergers; ③ reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; ④ freezing the job transfer of the key responsible personnel."

### **7 Further Description of Corporate Bonds**

Please refer to Bonds Payable of Note to the Consolidated Financial Statements in Section X headed FINANCIAL REPORT for more details on corporate bonds.



## SECTION IX BONDS

### (III) OTHER BONDS

Unit: 100 million    Currency: refer to the table

| Name of Bonds                    | Abbreviation                             | Code      | Balance of bonds | Interest rate (%) | Date of issuance | Due for payment  | Method to repay principal and pay interest | Venue of trading         |
|----------------------------------|--|-----------|------------------|-------------------|------------------|------------------|--|--------------------------|
| financial bonds (offshore)       | Haitong Securities 4.5% B2023            | 5482      | US\$300 million  | 4.50              | 13 December 2018 | 13 December 2023 | Simple semi-annualised interest rate       | Hong Kong Stock Exchange |
| financial bonds (offshore)       | Haitong Securities FRN B2023             | 5483      | EUR230 million   | 3M EURIBOR +1.65  | 13 December 2018 | 13 December 2023 | Simple quarterly interest rate             | Hong Kong Stock Exchange |
| 2019 Financial Bonds (Tranche 1) | 19 Haitong Securities Financial Bonds 01 | 091900022 | RMB7,000 million | 3.39              | 29 August 2019   | 29 August 2022   | Simple annualised interest rate            | Inter-bank market        |

### (IV) Debt financial instruments of inter-bank bond market for non-financial enterprises

☐ Applicable    ☒ Not applicable

### (V) The Company's losses in the consolidated financial statements during the reporting period exceeded 10% of the net assets as at the end of the previous year

☐ Applicable    ☒ Not applicable

### (VI) Overdue interest-bearing debts as at the end of reporting period, excluding the bonds

☐ Applicable    ☒ Not applicable

### (VII) Violation of the requirements of laws and regulations, the Articles of Association, management system of information disclosure, and the impact of agreements or commitments as described in the prospectus in connection with issuance of bonds on the bond investors during the Reporting Period

☐ Applicable    ☒ Not applicable

## SECTION IX BONDS

## (VIII) Accounting data and financial indicators of the Company for the recent two years as of the end of the Reporting Period

✓Applicable    □Not applicable

Unit: 100 million    Currency: RMB

| Key indicators                                    | 2021   | 2020   | Movement for the period compared with the last corresponding period (%) | Reasons of change  |
|---|--------|--------|---|--|
| Net profit, net of non-recurring gains and losses | 124.02 | 106.78 | 16.15   | –  |
| Liquidity ratio                                   | 1.99   | 1.96   | 1.53  | –  |
| Quick ratio                                       | 1.99   | 1.96   | 1.53  | –  |
| Gearing ratio (%)                                 | 71.41  | 71.30  | 0.15  | –  |
| EBITDA total debt ratio                           | 0.08   | 0.08   | –   | –  |
| Interest coverage ratio                           | 2.59   | 2.25   | 14.94   | –  |
| Cash interest coverage ratio                      | 7.44   | 2.19   | 239.67  | Significant increase in net cash flows generated from operating activities |
| EBITDA interest coverage ratio                    | 2.69   | 2.36   | 14.16   | –  |
| Loan repayment ratio (%)                          | 100    | 100    | –   | –  |
| Interest payment ratio (%)                        | 100    | 100    | –   | –  |

## II. CONVERTIBLE CORPORATE BONDS

□ Applicable    ✓ Not applicable

## SECTION X FINANCIAL REPORT

- (I) THE FINANCIAL REPORT (H SHARE) OF THE COMPANY FOR THE YEAR 2020 HAS BEEN AUDITED BY PRICEWATERHOUSECOOPERS, WHICH HAS ISSUED A STANDARD UNQUALIFIED AUDIT REPORT.
- (II) CONSOLIDATED FINANCIAL STATEMENTS (H SHARE) (APPENDICES).
- (III) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (H SHARE) (APPENDICES).

## SECTION XI INFORMATION DISCLOSURES OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING MATTERS OF THE COMPANY

| <u>Date</u>    | <u>Title of Approval Document</u>                           | <u>Approval Organization</u>          | <u>No. of Approval</u>     |
|----------------|---|---------------------------------------|----------------------------|
| 1 January 2021 | Permission for Printing Publication of Internal Information | Shanghai Press and Publication Bureau | Permission Number: (K)0772 |

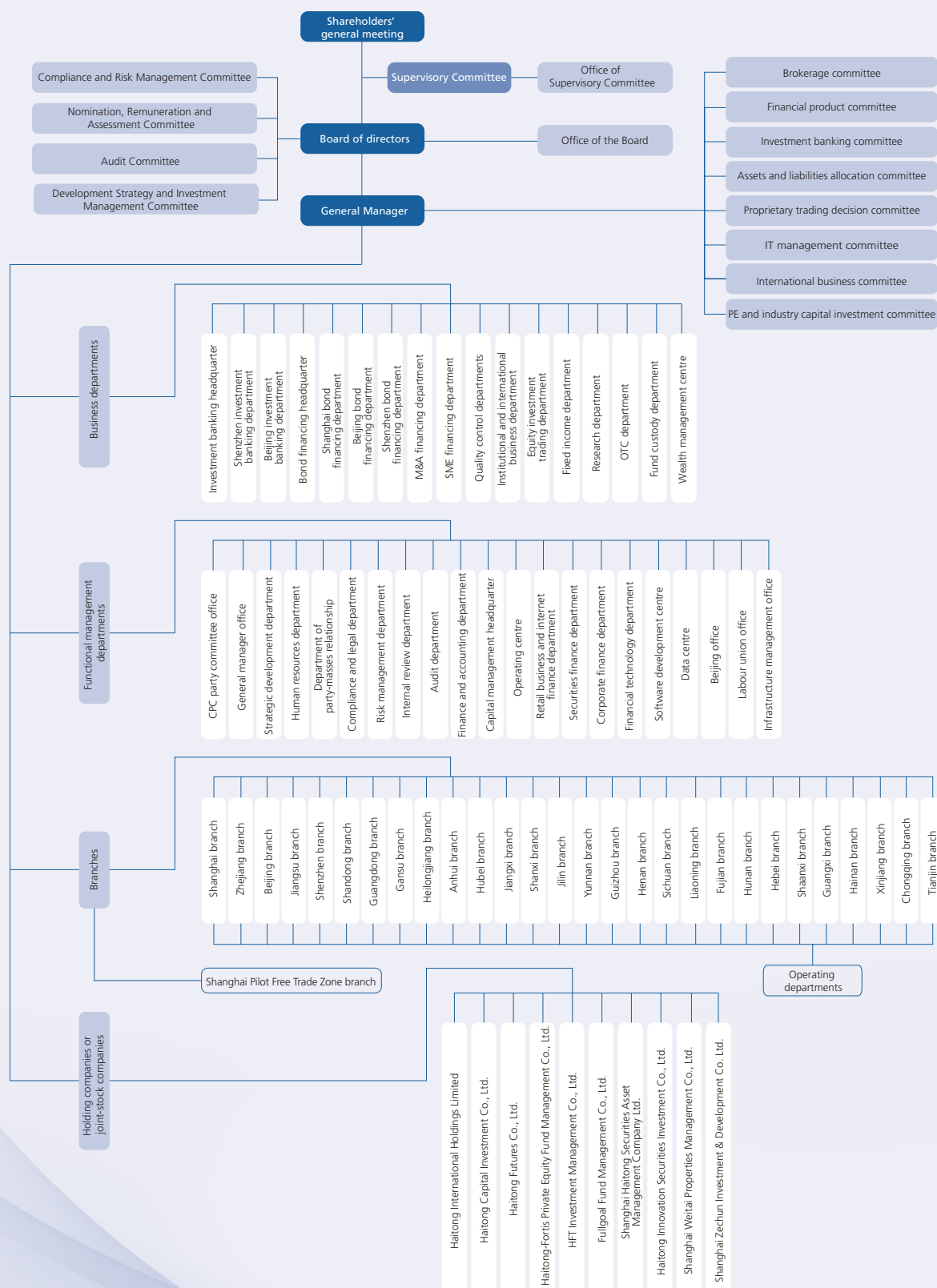
### II. RESULTS OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

The Company was rated as Grade AA under Category A company both in 2019 and 2020 and as Grade BBB under Category B company in 2021 in classification and evaluation of securities firms.

|  |  |
|--|--|
| Contents of documents available for inspection | The text of annual reports bearing the signature of the legal representative of the Company.   |
|  | The text of financial reports bearing the signatures and seals of the legal representative, the head of the accounting department and the head of the accounting firm of the Company.  |
|  | The text of audit reports bearing the seal of the accounting firm and the signatures and seals of the certified public accountants.  |
|  | The original copies of all of the documents and announcements of the Company published through media that satisfy the conditions required by the securities regulatory authority of the State Council during the Reporting Period. |
|  | Annual reports disclosed in other securities markets.  |
|  | Other relevant materials.  |

## APPENDIX I

Organizational structure chart of Haitong Securities Co., Ltd.



## APPENDIX II

## List of branches

| No. | Branch              | Address  | Year of establishment | Person in charge        |
|-----|---------------------|--|-----------------------|-------------------------|
| 1   | Shanghai branch     | 19, 20/F, No. 285, Jianguo West Road, Xuhui District, Shanghai   | 2009                  | Cao Xuesong<br>(曹雪松)    |
| 2   | Zhejiang branch     | Rooms 801, 803 & 804, Dikai Yinzu, Jianggan District, Hangzhou, Zhejiang   | 2009                  | Jin Xiaoyang<br>(金曉陽)   |
| 3   | Jiangsu branch      | Rooms 2303-2306, 2307-2308, Siya Zhidi Plaza, No. 55, Hongwu North Road, Xuanwu District, Nanjing, Jiangsu   | 2009                  | Zhao Jianxiang<br>(趙建祥) |
| 4   | Shenzhen branch     | 6101, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen     | 2009                  | Zhuang Wei<br>(莊煒)      |
| 5   | Guangdong branch    | Rooms 901-902, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou  | 2009                  | Cai Zhaopeng<br>(蔡昭鵬)   |
| 6   | Beijing branch      | Room 701, 7/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing  | 2009                  | Li Jiansheng<br>(李建生)   |
| 7   | Heilongjiang branch | 10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin  | 2009                  | Hu Haibin<br>(胡海斌)      |
| 8   | Gansu branch        | 3/F, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu  | 2009                  | Han Gang<br>(韓鋼)        |
| 9   | Hubei branch        | No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan  | 2009                  | Wang Song<br>(王宋)       |
| 10  | Anhui branch        | 6/F, Xingdu Building, crossing between Huangshan Road and Susong Road, Baohe District, Hefei, Anhui  | 2009                  | Sun Wei<br>(孫偉)         |
| 11  | Jilin branch        | Building 4, Xinglan Community (No. 550, Dajing Road), Nangan District, Changchun   | 2011                  | Meng Qinglu<br>(孟慶錄)    |
| 12  | Jiangxi branch      | Rooms 1802, 1803, 1804, Bojin Centre, No. 777, Jinrong Street, Honggutan District, Nanchang, Jiangxi   | 2011                  | Zhu Farong<br>(朱發榮)     |
| 13  | Shanxi branch       | Units 04, 05 & 06, 16/F, Building B, China Overseas International Center, No. 8, Jinci Road Section 1, Wanbailin District, Taiyuan, Shanxi         | 2011                  | Li Benquan<br>(李本權)     |
| 14  | Yunnan branch       | No. 3-4, 22/F, Spring City 66, No. 23, Dongfeng East Road, Panlong District, Kunming, Yunnan   | 2011                  | Ye Kang<br>(葉康)         |
| 15  | Guizhou branch      | No. 1, 12-14/F, North Tower, South-North Building of Tianheng Building, Tianheng City Garden, Fushui North Road, Yunyan District, Guiyang, Guizhou | 2011                  | Zhong Jian<br>(鍾健)      |

## APPENDIX II

| No. | Branch                                | Address  | Year of establishment | Person in charge       |
|-----|---------------------------------------|--|-----------------------|------------------------|
| 16  | Henan branch                          | 6/F, Haitong Securities Building, No. 16, Jingqi Road, Jinshui District, Zhengzhou, Henan  | 2011                  | Sun Xiaodong<br>(孫曉東)  |
| 17  | Shandong branch                       | 2/F, Building D, Shunhuayuan, No. 28, Shungeng Road, Shizhong District, Jinan, Shandong  | 2011                  | Lin Peng<br>(林鵬)       |
| 18  | Sichuan branch                        | No. 12, Xiaohe Street, Qingyang District, Chengdu  | 2011                  | Liu Hongzhi<br>(劉宏志)   |
| 19  | Liaoning branch                       | No. 364, Daxi Road, Shenyang, Liaoning   | 2011                  | Zhang Long<br>(張龍)     |
| 20  | Fujian branch                         | Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian | 2011                  | Lin Yupeng<br>(林毓鵬)    |
| 21  | Guangxi branch                        | 16/F, Building C, Guangxi Xinyi Financial Investment Building, No. 34, Shuangyong Road, Qingxiu District, Nanning                            | 2012                  | Lu Xiangyang<br>(盧向陽)  |
| 22  | Hunan branch                          | 16/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha, Hunan   | 2012                  | Li Ying<br>(李穎)        |
| 23  | Shaanxi branch                        | North side of Room 11801, Building 11, No. 16, Fenghui South Road, High-tech Zone, Xi'an   | 2012                  | Meng Liya<br>(孟立亞)     |
| 24  | Hebei branch                          | No. 2, Shifan Street, Qiaoxi District, Shijiazhuang  | 2012                  | Liu Tao<br>(劉濤)        |
| 25  | Hainan branch                         | AVIC Building, No. 15, Longkun North Road, Haikou  | 2014                  | Xing Weichang<br>(邢維暢) |
| 26  | Xinjiang branch                       | 2/F, Jinzuo, Xinshidai Hotel, No. 739, Youhao North Road, Shayibake District, Urumqi, Xinjiang   | 2014                  | Lin Hai<br>(林海)        |
| 27  | Shanghai Pilot Free Trade Zone branch | Unit 02, 25/F, No. 1196, Century Avenue, China (Shanghai) Pilot Free Trade Zone  | 2014                  | Xu Li<br>(許莉)          |
| 28  | Chongqing branch                      | 4-8, 4-9, No. 2, Qingyun Road, Jiangbei District, Chongqing  | 2020                  | Jiang Xue<br>(江雪)      |
| 29  | Tianjin branch                        | 503, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin  | 2020                  | Ma Hui<br>(馬暉)         |



## APPENDIX II

## List of Securities Business Departments

| No. | Name of business department                                 | Address   | Person in charge        |
|-----|---|---|-------------------------|
| 1   | Anqing Huxin North Road Securities Business Department      | Room 1, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui                | Wang Tao<br>(王韜)        |
| 2   | Bengbu Zhongrong Street Securities Business Department      | Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui   | Wang Lingwei<br>(王凌巍)   |
| 3   | Bozhou Xiyi Avenue Securities Business Department           | No. 442, Xiyi Avenue, Bozhou  | Jiang Long<br>(江龍)      |
| 4   | Chuzhou Huifeng Road Securities Business Department         | Room 103-11-14, Building 1, No.1899, Fengle Avenue (Changjiang Trade City), Chuzhou, Anhui  | Shu Yaming<br>(束亞明)     |
| 5   | Fuyang Qinghe East Road Securities Business Department      | Building 1, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui  | Wan Hao<br>(萬浩)         |
| 6   | Hefei Huangshan Road Securities Business Department         | 4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui   | Wang Liguó<br>(王立國)     |
| 7   | Huaibei Xiangshan Road Securities Business Department       | Rooms 1016-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, Huaibei   | Huang Baohong<br>(黃保宏)  |
| 8   | Huainan Dongshan Middle Road Securities Business Department | Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxing Community, Dongshan Street, Tianjia'an District, Huainan | Zhao Zhifeng<br>(趙陟峰)   |
| 9   | Liu'an Qiupai East Road Securities Business Department      | Shops S2-1022 & 2022, Outside Walking Street, Wanda Plaza, Qiupai East Road, Jin'an District, Liu'an  | Ren Lin<br>(任林)         |
| 10  | Ma'anshan Hudong Middle Road Securities Business Department | 9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui   | Ni Shixu<br>(倪士旭)       |
| 11  | Tongling Beijing West Road Securities Business Department   | No. 6, 1/F, Building 2-B2, Beidou Star City, Tongling, Anhui  | Xiao Lianqi<br>(肖連齊)    |
| 12  | Wuhu Huangshan Middle Road Securities Business Department   | No. 9 Huangshan Middle Road, Jinghu District, Wuhu, Anhui   | Zhang Haibo<br>(張海波)    |
| 13  | Suzhou Renmin Road Securities Business Department           | Rooms 0101-0103, Building 13, Wuyuehuafu, Renmin Road, Yongqiao District, Suzhou, Anhui   | Hou Yundong<br>(侯運動)    |
| 14  | Xuancheng Jingting Road Securities Business Department      | No. 299, Jingting Road, Xuanzhou District, Xuancheng, Anhui   | Kuai Yongxiang<br>(蒯永祥) |
| 15  | Hefei Feicui Road Securities Business Department            | Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Economic & Technological Development Area, Hefei, Anhui       | Huang Fei<br>(黃飛)       |
| 16  | Beijing Guanghua Road Securities Business Department        | Room 3-302, 3/F, Building 1, No. A8 Block, Guanghua Road, Chaoyang District, Beijing  | Pan Shuai<br>(潘帥)       |

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| No. | Name of business department   | Address   | Person in charge       |
|-----|---|---|------------------------|
| 17  | Beijing Workers Stadium North Road Securities Business Department   | Unit 301, 3/F, No. 66, Workers Stadium North Road, Dongcheng District, Beijing  | Qi Pengjin<br>(齊彭進)    |
| 18  | Beijing Zhongguancun South Street Securities Business Department    | No. A56, Zhongguancun South Street, Haidian District, Beijing   | Guo Ran<br>(郭冉)        |
| 19  | Beijing Zhichun Road Securities Business Department                 | Room 309, 3/F, Building 51, No. 63, Zhichun Road, Haidian District, Beijing   | Bai Rubing<br>(白汝斌)    |
| 20  | Beijing Pinggu Jinxiang Road Securities Business Department         | 1 & 3/F, No. 1, Jinxiang Road, Pinggu District, Beijing   | Yu Hao<br>(於昊)         |
| 21  | Beijing Miyun Drum Tower East Street Securities Business Department | East Side Gate, No. 19-7, Drum Tower East Street, Miyun District, Beijing   | Chai Yue<br>(柴岳)       |
| 22  | Beijing Fuwai Street Securities Business Department                 | S1002 & S1003, No. 2, Fuchengmenwai Street, Xicheng District, Beijing   | Meng Xiujuan<br>(孟秀娟)  |
| 23  | Beijing Liangmaqiao Road Securities Business Department             | S104 & S105, 1/F, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing  | Lin Yi<br>(林鵬)         |
| 24  | Beijing Tongzhou Xinhua North Road Securities Business Department   | 116, 1/F to 2/F, Building 3, No. 4, Guanyinan South Street, Tongzhou District, Beijing  | Guo Jialiang<br>(郭家良)  |
| 25  | Fu'an Yangtuo Square North Road Securities Business Department      | Office B05, 5/F, Building 1, Pearl along Riverside, No. 6, Yangtuo Square North Road, Fu'an Urban Area, Fujian                      | Chen Zuowu<br>(陳作武)    |
| 26  | Fuzhou Qunzhong Road Securities Business Department                 | 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian | Chen Chaoying<br>(陳朝迎) |
| 27  | Quanzhou Tian'an Road Securities Business Department                | 4/F, Youth Building, Tian'an Road, Quanzhou, Fujian   | Zhu Chengkai<br>(朱承凱)  |
| 28  | Xiamen Zhanhong Road Securities Business Department                 | Unit 2604, International Finance Centre, No. 82, Zhanhong Road, Siming District, Xiamen   | Yang Guoqiang<br>(楊國強) |
| 29  | Sanming Liedong Street Securities Business Department               | Shop 15 on 1/F & Shop 5 on 2/F, Building 3, Jiangbin Square, Sanyuan District, Sanming, Fujian                                      | Guan Na<br>(管娜)        |
| 30  | Fuqing Qingchang Avenue Securities Business Department              | Room 1206, Office Building A2, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian  | Li Qiang<br>(李強)       |
| 31  | Longyan Longteng Middle Road Securities Business Department         | Room 03, 2/F, Block 56-61, (City Center Garden Phase 3), No. 488, Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian | Su Weijian<br>(蘇偉建)    |
| 32  | Jinjiang Century Avenue Securities Business Department              | Joint Store 62, Building 1- Building 2, Jinjiangwan Square, No. 888, Century Avenue, Meiling Street, Jinjiang, Quanzhou, Fujian     | Li Yangqing<br>(李燕清)   |
| 33  | Zhangzhou Shuixian Street Securities Business Department            | Room 405, Building B, No. 88, Shuixian Street, Longwen District, Zhangzhou, Fujian  | Hu Jinbiao<br>(胡金標)    |
| 34  | Chengxian East Binhe Middle Road Securities Business Department     | No. 21, 3/F, Unit 3, Guanshui Lijing Commercial and Residential Building, East Binhe Middle Road, Chengxian, Longnan, Gansu         | Niu Lingqi<br>(牛凌琦)    |

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| No. | Name of business department                                   | Address   | Person in charge        |
|-----|---|---|-------------------------|
| 35  | Jiayuguan Xinhua Middle Road Securities Business Department   | No. 28, Xinhua Middle Road, Jiayuguan, Gansu  | Zhou Youxue<br>(周有學)    |
| 36  | Jinchang Changchun Road Securities Business Department        | China Salt Administration Building, Changchun Road, Jinchang  | Xu Longshan<br>(許龍善)    |
| 37  | Lanzhou Donggang East Road Securities Business Department     | No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu  | Wang Weida<br>(王維達)     |
| 38  | Lanzhou Wudu Road Securities Business Department              | No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu  | Zhou Jun<br>(周軍)        |
| 39  | Lanzhou Tianshui Road Securities Business Department          | No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu  | Wu Yong<br>(武勇)         |
| 40  | Lanzhou Xijin West Road Securities Business Department        | No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu   | Wu Chunrui<br>(吳春瑞)     |
| 41  | Lanzhou Tongda Street Securities Business Department          | Rooms 701-702 & Rooms 710-716, 7/F, Dingtaizhonghui Square, No. 666, Tongda Street, Anning District, Lanzhou, Gansu                           | Shen Ziqiang<br>(沈自強)   |
| 42  | Qingyang West Street Securities Business Department           | No. 22, West Street, Xifeng District, Qingyang, Gansu   | Liu Ru<br>(劉儒)          |
| 43  | Tianshui Xinhua Road Securities Business Department           | 1/F, Tianshui Feitian Meiju Hotel, No. 108, Xinhua Road, Qinzhou District, Tianshui, Gansu  | Zhou Qiong<br>(周瓊)      |
| 44  | Wuwei Qilian Avenue Securities Business Department            | No. 612, Qilian Avenue, Liangzhou District, Wuwei, Gansu  | Qian Qian<br>(錢茜)       |
| 45  | Xining Wenjing Street Securities Business Department          | 1/F, Building A, Qinghai Guotou Plaza, No. 32, Wenjing Street, Chengxi District, Xining, Qinghai  | Ren Chengxin<br>(任承新)   |
| 46  | Dongguan Shenghe Road Securities Business Department          | 3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong  | Wang Tieping<br>(王鐵平)   |
| 47  | Foshan Shunde Dongle Road Securities Business Department      | No. 2001-1, Block 1, Wanbang Commercial Plaza, No. 266, Dongle Road, Fuyou Community, Daliang Subdistrict, Shunde District, Foshan, Guangdong | Lin Peigui<br>(林培貴)     |
| 48  | Guangzhou Dongfeng West Road Securities Business Department   | Room 1306, No. 209, Dongfeng West Road, Yuexiu District, Guangzhou  | Zhuang Yiqun<br>(莊益群)   |
| 49  | Guangzhou Xingang East Road Securities Business Department    | Room 2601, No. 148, Xingang East Road, Haizhu District, Guangzhou   | Tian Xiangming<br>(田向明) |
| 50  | Guangzhou Zhujiang West Road Securities Business Department   | 9/F (whole floor), No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong   | Wang Zhenghe<br>(王正和)   |
| 51  | Huizhou Huishadi Second Road Securities Business Department   | No. 31 & No. 32, 1/F, Building 14, Yuehuhui Garden, No. 86, Huishadi Second Road, Henan Riverbank, Huicheng District, Huizhou, Guangdong      | Wang Nanwang<br>(王南望)   |
| 52  | Jieyang Puning Xinhe East Road Securities Business Department | 6th and 7th from South of the Westward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong                              | Lin Dequan<br>(林德銓)     |

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| No. | Name of business department   | Address   | Person in charge        |
|-----|---|---|-------------------------|
| 53  | Shantou Zhongshan Middle Road Securities Business Department        | Rooms 203 & 303, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong   | Zhu Shiqun<br>(朱詩群)     |
| 54  | Shaoguan Wenhua Street Securities Business Department               | 1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan  | Lin Hanli<br>(林漢利)      |
| 55  | Zhongshan Zhongshan 5th Road Securities Business Department         | Booths 102-2 & 103-1, No. 48, Zhongshan 5th Road, East District, Zhongshan, Guangdong   | Ruan Weiming<br>(阮偉明)   |
| 56  | Zhuhai Jingshan Road Securities Business Department                 | 1st & 2nd, N Axis, 18 & 23-A, 2/F, Huangshan Building, No. 65, Jingshan Road; 1st, N Axis, 18 & 23-A, G/F, Huangshan Building, No. 65-67, Jingshan Road, Jida, Xiangzhou District, Zhuhai | Ma Chufeng<br>(馬楚峰)     |
| 57  | Guangzhou Huadu Fenghuang North Road Securities Business Department | Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou   | Huang Haixiang<br>(黃海翔) |
| 58  | Jiangmen Yingbin Avenue West Securities Business Department         | Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen   | Zhang Ming<br>(張鳴)      |
| 59  | Guangzhou Xingmin Road Securities Business Department               | Room 1502, No. 222-3, Xingmin Road, Tianhe District, Guangzhou  | Ouyang Ting<br>(歐陽婷)    |
| 60  | Guangzhou Panyu Hanxi Avenue East Securities Business Department    | No. 539 & No. 541, Hanxi Avenue East, Nancun Town, Panyu District, Guangzhou, Guangdong   | Huang Shuolin<br>(黃燦林)  |
| 61  | Foshan Nanhai Jinyuan Road Securities Business Department           | Shops 146-147, Starcrest Zijing Commercial, No. 8, Jinyuan Road, Guicheng Subdistrict, Nanhai District, Foshan  | Li Wu<br>(李銓)           |
| 62  | Guilin Lijiang Road Securities Business Department                  | 4/F, No. 4, Lijiang Road, Qixing District, Guilin   | Tang Min<br>(唐敏)        |
| 63  | Nanning Shuangyong Road Securities Business Department              | 16/F, Building C, Guangxi Xinyi Financial Investment Building, No. 34, Shuangyong Road, Qingxiu District, Nanning   | Ma Jun<br>(馬俊)          |
| 64  | Liuzhou Derun Road Securities Business Department                   | No. 1-1 & No. 1-2, Building 2, Huarun Triumphal Arch, No. 6, Derun Road, Liuzhou  | Cai Qingqing<br>(蔡青青)   |
| 65  | Qinzhou Zicai East Street Securities Business Department            | Shops 1-31-32, 1/F, Sunny Manhattan, No. 4, Zicai East Street, Qinzhou  | Bin Yifeng<br>(賓一鋒)     |
| 66  | Bijie Kaihang Road Securities Business Department                   | No. 25, 9/F, Lianbangjinzhuo, No. 163, Kaihang Road, Sanshimi Avenue, Mayuan Subdistrict, Qixingguan District, Bijie, Guizhou   | Jin Liping<br>(靳麗萍)     |
| 67  | Guiyang Fushui North Road Securities Business Department            | Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou  | Zhang Kai<br>(章凱)       |
| 68  | Guiyang Changling North Road Securities Business Department         | No. 4 & 5, 12/F, Building 1, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang   | Yuan Liting<br>(袁麗婷)    |
| 69  | Liupanshui Qilin Road Securities Business Department                | Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Crossing between Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou                | Zhang Lanyi<br>(張藍藝)    |

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| No. | Name of business department                                       | Address  | Person in charge        |
|-----|---|--|-------------------------|
| 70  | Zunyi Zhonghua South Road Securities Business Department          | 3/F, Longjinggou Complex, Zunyi  | Huang Zhiyi<br>(黃志義)    |
| 71  | Haikou Longkun North Road Securities Business Department          | AVIC Building, No 15, Longkun North Road, Haikou, Hainan   | Yang Haiyan<br>(楊海燕)    |
| 72  | Qinhuangdao Yingbin Road Securities Business Department           | No. 100, Yingbin Road, Haigang District, Qinhuangdao   | Gu Yue<br>(谷悅)          |
| 73  | Baoding Dongfeng East Road Securities Business Department         | Ground Floor Shop, Renhe Yijia Apartment, No. 215, Dongfeng East Road, Baoding   | You Mu<br>(尤牧)          |
| 74  | Shijiazhuang Shifan Street Securities Business Department         | No. 2, Shifan Street, Qiaoxi District, Shijiazhuang  | Tian Hong<br>(田紅)       |
| 75  | Shijiazhuang Zhaiying South Street Securities Business Department | Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei      | Ma Xiaoyong<br>(馬驍勇)    |
| 76  | Cangzhou Shuxi Street Securities Business Department              | Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei   | Zhao Jie<br>(趙傑)        |
| 77  | Tangshan Youyi South Road Securities Business Department          | No. 121, Youyi South Road, Lubei District, Tangshan, Hebei   | Sun Chuchuan<br>(孫楚川)   |
| 78  | Luoyang Changxing Street Securities Business Department           | No. 66, Changxing Street, Luolong District, Luoyang  | Mao Yun<br>(毛贊)         |
| 79  | Shangqiu Shenhua Avenue Securities Business Department            | Room 53, Sheraton, west of Shenhua Avenue and north of Wenhua Road, Liangyuan District, Shangqiu   | Shen Shuaipeng<br>(僧帥鵬) |
| 80  | Xuchang Weiwen Road Securities Business Department                | 1/F & 2/F, Building 1, Zhongyuan Yunding Square, No. 2019, Weiwen Road, Xuchang  | Dong Yixing<br>(凍逸興)    |
| 81  | Zhengzhou Jingqi Road Securities Business Department              | No. 16, Jingqi Road, Zhengzhou, Henan  | Zhao Limin<br>(趙麗敏)     |
| 82  | Zhengzhou 8th Avenue Securities Business Department               | No.102-11, 8th Avenue, Zhengzhou Economic and Technological Development Zone   | Sun Shijie<br>(孫世傑)     |
| 83  | Jiaozuo Renmin Road Securities Business Department                | Shop No.8, 1/F, Commercial and Residential Building No.1, Jiaozuo Nongxin Community, No. 889, Minzhu South Road, Jiefang District, Jiaozuo | Meng Xinke<br>(孟信可)     |
| 84  | Daqing Chengfeng Avenue Securities Business Department            | No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang   | Gu Chunming<br>(顧春明)    |
| 85  | Jiagedaqi Renmin Road Securities Business Department              | No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang   | Wang Dayang<br>(王大洋)    |
| 86  | Jiamusi Baowei Road Securities Business Department                | No. 263 (Baowei Community), Baowei Road, Qianjin District, Jiamusi, Heilongjiang   | Han Min<br>(韓民)         |
| 87  | Daqing Kunlun Avenue Securities Business Department               | No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang  | Zhou Guohong<br>(周國洪)   |
| 88  | Daqing Jianshe Road Securities Business Department                | No. 51-6, Jianshe Road, Sa'ertu District, Daqing, Heilongjiang   | Zhao Qun<br>(趙群)        |



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| No. | Name of business department                                     | Address   | Person in charge      |
|-----|---|---|-----------------------|
| 89  | Daqing Weier Road Securities Business Department                | Business Outlets, No. 9-12, Xincun, High-tech Zone, Daqing, Heilongjiang (No. 119, Weier Road)                                  | Song Junjie<br>(宋俊頤)  |
| 90  | Daqing Dongfeng Road Securities Business Department             | Business Outlets A7-7 (1-2 floors), Hancheng Xingyuan community, No. 102 Dongfeng Road, Longfeng District, Daqing, Heilongjiang | Wu Di<br>(吳迪)         |
| 91  | Harbin Hexing Road Securities Business Department               | No. 17-4, Hexing Road, staff residence building, Northeast Agricultural University, Xiangfang District, Harbin                  | Li Gaoping<br>(李高平)   |
| 92  | Harbin Changjiang Road Securities Business Department           | 1-3/F, No. 109, Changjiang Road, Nangang Jizhong District, Harbin Economic Development Zone                                     | You Mingzhe<br>(尤明哲)  |
| 93  | Harbin Gogol Avenue Securities Business Department              | 3/F & 4/F, No. 278, Gogol Avenue, Nangang District, Harbin  | Qu Pu<br>(曲譜)         |
| 94  | Harbin Yiman Street Securities Business Department              | 2/F & 3/F, No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang   | Zhao Jia<br>(趙家)      |
| 95  | Harbin Qunli First Avenue Securities Business Department        | 1-2/F, Room C1-08, No. 1802 & 1804 Qunli First Avenue, Daoli District, Harbin, Heilongjiang                                     | Liu Songtao<br>(劉松濤)  |
| 96  | Harbin Xidazhi Street Securities Business Department            | No. 40, Xidazhi Street, Nangang District, Harbin  | Guo Haifeng<br>(郭海峰)  |
| 97  | Harbin Zhongshan Road Securities Business Department            | No. 111, Zhongshan Road, Nangang District, Harbin   | Li Yanli<br>(李延立)     |
| 98  | Harbin Hulan Beiierdao Street Securities Business Department    | No. 135, Beiierdao Street, Group 2, Committee 4, Shengli Street, Hulan District, Harbin   | Tian Ran<br>(田然)      |
| 99  | Harbin Haxi Street Securities Business Department               | 1-2/F, Yuecheng, No. 163, Haxi street, Nangang District, Harbin, Heilongjiang   | Yao Haitao<br>(姚海濤)   |
| 100 | Hegang East Jiefang Road Securities Business Department         | No. 27, East Jiefang Road, Hegang, Heilongjiang   | Wang Yucehng<br>(王玉成) |
| 101 | Heihe Zhongyang Street Securities Business Department           | No. 258, Zhongyang Street, Aihui District, Heihe, Heilongjiang  | Su Xianwu<br>(蘇憲武)    |
| 102 | Heihe Bei'an Jiaotong Road Securities Business Department       | No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang  | Zhang Chi<br>(張弛)     |
| 103 | Heihe Nenjiang Nenxing Road Securities Business Department      | Nos. 59 and 61, Nenxing Road, Nenjiang City, Heihe, Heilongjiang  | Wang Nan<br>(王楠)      |
| 104 | Jixi Hulin Chenguang Road Securities Business Department        | 101, Unit 0, East Annex Building, Jinxuan Jiayuan Complex Building, Hulin City, Jixi, Heilongjiang                              | Yang Fanghua<br>(楊芳華) |
| 105 | Jixi Zhongxin Street Securities Business Department             | (No. 110, Zhongxin Street), Xiangyang Office, Jiguan District, Jixi, Heilongjiang   | Geng Cheng<br>(庚成)    |
| 106 | Jixi Mishan Dong'an Street Securities Business Department       | No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang   | He Ming<br>(何明)       |
| 107 | Daxing'anling Mohe Zhenxing Road Securities Business Department | Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Daxing'anling Region, Heilongjiang                              | Zhu Zhiqiang<br>(朱志強) |

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| No. | Name of business department                                       | Address   | Person in charge       |
|-----|---|---|------------------------|
| 108 | Mudanjiang Mudan Street Securities Business Department            | No. 1, Mudan Street, Xi'an District, Mudanjiang, Heilongjiang   | Bao Xiuyong<br>(包修勇)   |
| 109 | Mudanjiang Ping'an Street Securities Business Department          | No. 7, West Ping'an Street, Xi'an District, Mudanjiang, Heilongjiang  | Yao Houyu<br>(姚厚宇)     |
| 110 | Mudanjiang Dongning Fanrong Street Securities Business Department | No. 75, Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang  | Chen Quan<br>(陳全)      |
| 111 | Mudanjiang Xin'an street Securities Business Department           | No. 125, East Xin'an street, Dong'an District, Mudanjiang, Heilongjiang   | Zhang Wei<br>(張偉)      |
| 112 | Mudanjiang Suifenhe Shancheng Road Securities Business Department | No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang   | Ji Zhenyu<br>(紀振宇)     |
| 113 | Qiqihar Nehe Zhongxin Street Securities Business Department       | No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang   | Zhang Yandong<br>(張彥東) |
| 114 | Qitaihe Datong Street Securities Business Department              | No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang  | Dong Tao<br>(董濤)       |
| 115 | Qiqihar Bukui Street Securities Business Department               | No. 42, Bukui Street, Longsha District, Qiqihar, Heilongjiang   | Yin Ziguang<br>(尹子光)   |
| 116 | Qiqihar Heping Road Securities Business Department                | No. 81, Heping Road, Fularji District, Qiqihar, Heilongjiang  | Liu Wei<br>(劉威)        |
| 117 | Qiqihar Anshun Road Securities Business Department                | No. 6, Anshun Road, Longsha District, Qiqihar, Heilongjiang   | Tian Yukun<br>(田玉坤)    |
| 118 | Shuangyashan Wuma Road Securities Business Department             | No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang   | Wang Xiaofei<br>(王曉飛)  |
| 119 | Suihua Anda Niu Street Securities Business Department             | Business Outlet 1, East of Youdian Community West, Anda, Suihua, Heilongjiang   | Zhang Xuguang<br>(張旭光) |
| 120 | Suihua Zhongxing Street Securities Business Department            | Room 108, Building A, Fuqian Hutongdong Securities Community, North of Zhongxing Street, Beilin District Suihua, Heilongjiang   | Zhou Haibo<br>(周海波)    |
| 121 | Yichun Xinwei Street Securities Business Department               | 1-6/F, Post Construction Department, north side of ICBC Office Building, No. 256, Xinwei Street, Qianjin Office, Yichun District, Yichun, Heilongjiang  | Guan Xuqing<br>(管旭慶)   |
| 122 | Tianmen Xihu Road Securities Business Department                  | Part of 4/F, Building 2, Yinzuo Dijingwan (Tianmen CBD), Tianmen Xincheng, Xihu Road, Jingling Office, Tianmen  | Fu Guopeng<br>(付國鵬)    |
| 123 | Wuhan Zhaojiatiao Securities Business Department                  | No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan   | Wan Sheng<br>(萬晟)      |
| 124 | Wuhan Zhongbei Road Securities Business Department                | No. 259, Zhongbei Road, Wuchang District  | Yu Zhonggui<br>(余宗貴)   |
| 125 | Wuhan Optics Valley Securities Business Department                | (Wuhan district of free trade zone) Nos. 25-29, Part of Nos. 37-38, Nos. 44-45, R & D Department, 1/F, Building B1, phase II, Modern International Design City, No. 41, Optics Valley Avenue, East Lake High-Tech Development Zone, Wuhan | Xiao Huifang<br>(肖慧芳)  |



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| No. | Name of business department                                      | Address  | Person in charge       |
|-----|--|--|------------------------|
| 126 | Xianning Qianshan Road Securities Business Department            | No. 6, Qianshan Road, Xian'an District, Xianning, Hubei  | Huang Li<br>(黃莉)       |
| 127 | Yueyang Baling Middle Road Securities Business Department        | Room 703, 7/F, Haichuan Building, No. 450, Baling Middle Road, Yueyanglou District, Yueyang                            | Lin Yao<br>(林垚)        |
| 128 | Chenzhou Qingnian Avenue Securities Business Department          | Room 1013, 10/F, Building 1, Yangguang Ruicheng, No. 333, Qingnian Avenue, Bailudong Street, Suxian District, Chenzhou | Li Jie<br>(李傑)         |
| 129 | Changde Langzhou Road Securities Business Department             | 1/F & 6/F, No. 619, Langzhou Road, Binhu Community, Chuanzi River Subdistrict, Wuling District, Changde, Hunan         | Chen Yongchao<br>(陳永超) |
| 130 | Hengyang Zhengyang South Road Securities Business Department     | Rooms 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang | Wu Xiaowei<br>(伍小偉)    |
| 131 | Shaoyang Xihu Road Securities Business Department                | 1/F & 3/F, Guotu Building, No. 474, Xihu Road, Daxiang District, Shaoyang  | Liu Lei<br>(劉磊)        |
| 132 | Changsha Wuyi Avenue Securities Business Department              | 1/F & 6/F, Yinhua Building, No. 618, Wuyi Avenue, Changsha, Hunan  | Deng Jiabin<br>(鄧家斌)   |
| 133 | Dongfeng Dongfeng Road Securities Business Department            | Rooms 1-4, Building 2, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin                          | Wang Naibin<br>(王乃彬)   |
| 134 | Jilin Nanjing Street Securities Business Department              | No. 104, Nanjing Street, Jilin, Jilin  | Gao Yang<br>(高揚)       |
| 135 | Liaoyuan Renmin Avenue Securities Business Department            | No. 2853, Renmin Avenue, Longshan District, Liaoyuan, Jilin  | Qin Jingbo<br>(秦靖波)    |
| 136 | Songyuan Wulan Street Securities Business Department             | No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin  | Zhang Hongtao<br>(張洪濤) |
| 137 | Changchun Dajing Road Securities Business Department             | No. 550, Dajing Road, Nanguan District, Changchun, Jilin   | Zheng Weichao<br>(鄭偉超) |
| 138 | Nantong Hai'an Zhongba South Road Securities Business Department | No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong, Jiangsu   | Zhang Fugui<br>(張富貴)   |
| 139 | Changshu Haiyu North Road Securities Business Department         | No. 20, Haiyu North Road, Changshu, Jiangsu  | Su Jiahong<br>(蘇加宏)    |
| 140 | Changzhou Jianshen Road Securities Business Department           | No. 16, Jianshen Road, Changzhou, Jiangsu  | Qian Jingxing<br>(錢敬星) |
| 141 | Changzhou Guangdian West Road Securities Business Department     | No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu   | Tan Yajian<br>(談亞建)    |
| 142 | Danyang Jinling West Road Securities Business Department         | Stores 1-2, No. 180, Jinling West Road, Danyang  | Zhang Lei<br>(張蕾)      |
| 143 | Huai'an Huaihai North Road Securities Business Department        | 1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an, Jiangsu   | Liang Liang<br>(梁樑)    |
| 144 | Yangzhou Wenchang East Road Securities Business Department       | Rooms 296 & 298, Building S2, Merlion Garden, No. 368, Wenchang East Road, Jiangdu District, Yangzhou                  | Qiao Leizhang<br>(喬雷璋) |

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| No. | Name of business department                                  | Address  | Person in charge       |
|-----|--|--|------------------------|
| 145 | Jiangyin Chaoyang Road Securities Business Department        | 1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu  | Ren Xiaoping<br>(任筱萍)  |
| 146 | Kunshan Qianjin Road Securities Business Department          | Nos. 53 and 55, Qianjin Road, Yushan Town, Kunshan   | Xin Mingyue<br>(辛明越)   |
| 147 | Liyang Yanshan Middle Road Securities Business Department    | Nos. 5-10, Yanshan Middle Road, Licheng Street, Liyang   | Jiang Yi<br>(姜怡)       |
| 148 | Lianyungang Julong South Road Securities Business Department | Room 110, Building 5, Junyue Fortune Plaza, No. 66, Julong South Road, Lianyungang, Jiangsu                          | Cun Jiansong<br>(寸建松)  |
| 149 | Nanjing Changfu Street Securities Business Department        | No. 85-7, Changfu Street, Qinhuai District, Nanjing, Jiangsu   | Xu Xuchao<br>(徐旭超)     |
| 150 | Nanjing Guangzhou Road Securities Business Department        | No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu  | Chen Zhiping<br>(陳志平)  |
| 151 | Nantong Renmin Middle Road Securities Business Department    | No. 23-6, Renmin Middle Road, Nantong, Jiangsu   | Liao Pengfei<br>(繆鵬飛)  |
| 152 | Suzhou Nanyuan North Road Securities Business Department     | No. 31, Nanyuan North Road, Suzhou, Jiangsu  | Xu Jianqiang<br>(徐建強)  |
| 153 | Taichang Shanghai West Road Securities Business Department   | No. 1-1, 1-2, Shanghai West Road, Chengxiang Town, Taichang  | Huang Yingda<br>(黃穎達)  |
| 154 | Taixing Gensi Road Securities Business Department            | Room 113, Building 1, Taixing Wuyue Commercial Plaza, No. 5, Gensi Road, Taixing                                     | Huang He<br>(黃何)       |
| 155 | Taizhou Gulou South Road Securities Business Department      | No. 315, Gulou South Road, Taizhou   | Xing Yi<br>(邢翼)        |
| 156 | Wuxi Xianqian West Street Securities Business Department     | 180-1, -2 & -3, Xianqian West Street, Liangxi District, Wuxi   | Zhang Wei<br>(張瑋)      |
| 157 | Suqian Huanghe South Road Securities Business Department     | Room C104, Podium, Building 6, Jintian Lake Spring, Huanghe South Road, Sucheng District, Suqian                     | Wang Dongyi<br>(王东奕)   |
| 158 | Xuzhou Zhongshan North Road Securities Business Department   | 3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu                                 | Chen Lu<br>(陳律)        |
| 159 | Yancheng Jianjun Middle Road Securities Business Department  | Room 201 (1), Complex Building, No. 68, Jianjun Middle Road, Yancheng, Jiangsu                                       | Ding Zhendong<br>(丁振东) |
| 160 | Yangzhou Wenhe South Road Securities Business Department     | No. 69, Wenhe South Road, Yangzhou, Jiangsu  | Ma Yuefeng<br>(馬跃峰)    |
| 161 | Yixing Jiubin South Road Securities Business Department      | Nos. 63, 65 & 67, Jiubin Avenue, Yicheng Street, Yixing, Jiangsu   | Pan Jun<br>(潘駿)        |
| 162 | Zhangjiagang Donghuan Road Securities Business Department    | No. 123, Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu  | Zhu Hui<br>(朱慧)        |
| 163 | Zhenjiang Zhongshan West Road Securities Business Department | No. 53, Zhongshan West Road, Zhenjiang, Jiangsu  | Liang Zheng<br>(梁正)    |
| 164 | Suzhou Luxiang South Road Securities Business Department     | Nos. 2328, 2330 & 2332, Luxiang South Road, East Taihu Eco Tourism Resort (Taihu New Town), Wujiang District, Suzhou | Shu Mingqing<br>(舒明清)  |

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| No. | Name of business department  | Address  | Person in charge       |
|-----|--|--|------------------------|
| 165 | Yangzhou Baoying Suzhong South Road Securities Business Department | No. 6-1038, Jinqiao Life Plaza, Baoying County, Yangzhou, Jiangsu  | Cui Junlan<br>(崔俊岚)    |
| 166 | Yancheng Funing Shanghai Road Securities Business Department       | Store (C), 1/F, 05 & 06, Building 1, Jincheng Times Square, Groups 2 & 3, Cuiwan Village, Fucheng Town, Funing County, Yancheng              | Xu Qijun<br>(徐其俊)      |
| 167 | Yingtian Linyin West Road Securities Business Department           | Room 102, Building 6 Xintiandi, No. 8, Shengli West Road, Yuehu District, Yingtian, Jiangxi  | Peng Chao<br>(彭超)      |
| 168 | Jingdezhen Jiefang Road Securities Business Department             | Shop 16A, Building 2, International Trade Plaza, Jiefang Road, Zhushan District, Jingdezhen, Jiangxi   | Tang Liting<br>(唐丽婷)   |
| 169 | Jiujiang Xunyang East Road Securities Business Department          | 3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi  | Chin Jun<br>(秦俊)       |
| 170 | Fuzhou Gandong Avenue Securities Business Department               | No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi   | Wenyu<br>(文宇)          |
| 171 | Ganzhou Hongqi Avenue Securities Business Department               | Building 1, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi  | Liang Xiaohui<br>(梁小辉) |
| 172 | Nanchang Nanjing East Road Securities Business Department          | Rooms 211-213, 2/F, Office Building, Tianyu International Building, No. 399, Nanjing East Road, Qingshanhu District, Nanchang, Jiangxi       | Zhong Jinying<br>(钟瑾瑛) |
| 173 | Pingxiang Chuping East Road Securities Business Department         | 27/F, Comprehensive Building 1, No. 98, Chuping East Road, Anyuan District, Pingxiang, Jiangxi   | You Tingting<br>(游婷婷)  |
| 174 | Shangrao Jiefang Road Securities Business Department               | Flat 1-2-1, No. 6, Jiefang Road, Xinzhou District, Shangrao, Jiangxi   | Ao Yehui<br>(敖叶辉)      |
| 175 | Xinyu Laodong South Road Securities Business Department            | No. 1, Laodong South Road, Xinyu, Jiangxi  | Gao Ge<br>(高歌)         |
| 176 | Xinyu Fenyi Fuqian Road Securities Business Department             | Buildings 101/320/370-374, Block A, North Side of Qianyang Road (Dream Times Square), East Side of Fuqian Road, Fenyi County, Xinyu, Jiangxi | Fei Jun<br>(费俊)        |
| 177 | Yichun Yuanshan East Road Securities Business Department           | Nos. 1-8, -1/F, Jiachen Building 1, No. 166-8, Yuanshan East Road, Yuanshan District, Yichun, Jiangxi  | Li Guohua<br>(李国华)     |
| 178 | Yingkou Hudiequan Road Securities Business Department              | Outlet 7#, 10#/F, Yinhewan, No. 36-6, Hudiequan Road, Bayuquan District, Yingkou   | Jiang Dayong<br>(姜大勇)  |
| 179 | Dandong Xingwu Road Securities Business Department                 | Building 1, Bawai, Xingwu Road, Zhenxing District, Dandong   | Wang Liang<br>(王亮)     |
| 180 | Anshan Erdao Street Securities Business Department                 | No. 90, Erdao Street, Tiedong District, Anshan   | Wang Qun<br>(王群)       |
| 181 | Anshan Xiuyan Securities Business Department                       | Street No. 1 (located in West Unit 8 of Building No. 2 Yihua Yuan), Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning           | Hong Yangyang<br>(洪洋洋) |

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| No. | Name of business department                                | Address   | Person in charge       |
|-----|--|---|------------------------|
| 182 | Dalian Tianjin Street Securities Business Department       | No. 91, Tianjin Street, Zhongshan District, Dalian  | Zhao Luzhao<br>(趙魯釗)   |
| 183 | Panjin Shuangxin Road Securities Business Department       | No. 177, Shuangxing South Road, Xinglongtai District, Panjin, Liaoning  | Yang Fan<br>(楊帆)       |
| 184 | Shenyang Daxi Road Securities Business Department          | No. 364, Daxi Road, Shenhe District, Shenyang   | Zhao Bushu<br>(趙步抒)    |
| 185 | Yingkou Liaohe Street Securities Business Department       | No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning   | Qiao Wenxuan<br>(喬文選)  |
| 186 | Hohhot Xinhua East Street Securities Business Department   | 3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region | Tang Hongyu<br>(湯宏宇)   |
| 187 | Weifang Yingqian Street Securities Business Department     | 2/F, No. 107, Jiulong Building, No. 13291 Yingqian Street, Kuiwen District, Weifang, Shandong                         | Li Kai<br>(李開)         |
| 188 | Linyi Suhe South Street Securities Business Department     | Room 103, Building 1, No. 46-1, Suhe South Street, Lanshan District, Linyi, Shandong                                  | Han Jianfei<br>(韓建飛)   |
| 189 | Dongying Beiyi Road Securities Business Department         | E-106, No. 730, Beiyi Road, Dongying District, Dongying, Shandong   | Gao Bo<br>(高博)         |
| 190 | Feicheng Xincheng Road Securities Business Department      | No. 039, Xincheng Road, Feicheng, Shandong  | Liu Shanshun<br>(劉善順)  |
| 191 | Jinan Quancheng Road Securities Business Department        | No. 13, Quancheng Road, Lixia District, Jinan, Shandong   | Yu Hongquan<br>(于洪泉)   |
| 192 | Jinan Hongjialou South Road Securities Business Department | No. 25, Hongjialou South Road, Jinan, Shandong  | Lv Zhicheng<br>(呂志成)   |
| 193 | Qingdao Hangzhou Road Securities Business Department       | No. 20, Hangzhou Road, Qingdao  | Jiao Xuefu<br>(焦學福)    |
| 194 | Qingdao Fuzhou South Road Securities Business Department   | Building 2, No. 6, Fuzhou South Road, Shinan District, Qingdao, Shandong  | Liu Longxin<br>(劉隆鑫)   |
| 195 | Qingdao Jiushui East Road Securities Business Department   | No. 9, Jiushui East Road, Licang District, Qingdao  | Kong Liqian<br>(孔力前)   |
| 196 | Tai'an Daizong Street Securities Business Department       | No. 10, Daizong Street, Tai'an, Shandong  | Xiang Ying<br>(項穎)     |
| 197 | Weihai Gaoshan Street Securities Business Department       | No. 2, Gaoshan Street, Weihai, Shandong   | Jiang Songtao<br>(蔣松濤) |
| 198 | Yantai Jiefang Road Securities Business Department         | No. 164, Jiefang Road, Zhifu District, Yantai   | Wang Peng<br>(王鵬)      |
| 199 | Zaozhuang Yanshan Road Securities Business Department      | Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang, Shandong              | Liu Ke<br>(劉柯)         |
| 200 | Zibo Shihua Securities Business Department                 | No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong  | Xu Yongjian<br>(許永健)   |
| 201 | Zibo Tongji Street Securities Business Department          | No. 140, Tongji Street, Zichuan District, Zibo, Shandong  | Qi Simin<br>(戚思敏)      |

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| No. | Name of business department  | Address  | Person in charge        |
|-----|--|--|-------------------------|
| 202 | Zibo Hantai Dongyue Road Securities Business Department                  | 2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Hantai County, Zibo, Shandong   | Zhang Yong<br>(張勇)      |
| 203 | Liaocheng Dongchang Road Securities Business Department                  | No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong  | Wang Pengfei<br>(王鵬飛)   |
| 204 | Jincheng Huanghua Street Securities Business Department                  | First Floor Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng Urban Area, Shanxi   | Yang Yong<br>(楊勇)       |
| 205 | Taiyuan Xinjian Road Securities Business Department                      | No. 92, Xinjian Road, Taiyuan, Shanxi  | Liu Hong<br>(劉虹)        |
| 206 | Taiyuan Jinci Road Securities Business Department                        | Commercial No. 1006, No. 91, Jinci Road, Wanbailin District, Taiyuan   | Feng Bing<br>(馮冰)       |
| 207 | Shanxi Transformation and Comprehensive Reform Demonstration Zone Branch | No. 8, 1/F, Building 6, No. 2, Longsheng Street, Tanghuai Industrial Park, Shanxi Transformation and Comprehensive Reform Demonstration Zone | Du Yuqing<br>(都玉清)      |
| 208 | Taiyuan Pingyang Road Securities Business Department                     | No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi   | Zhang Bin<br>(張濱)       |
| 209 | Datong Xiangyang Street Securities Business Department                   | No. 14, Xiangyang Street, Datong Urban Area  | Li Wei<br>(李瑋)          |
| 210 | Baoji Jing'er Road Securities Business Department                        | No. 45, Jing'er Road, Weibin District, Baoji, Shaanxi  | Yan Xiaojia<br>(顏小佳)    |
| 211 | Hanzhong Tianhan Avenue Securities Business Department                   | No. 1610, 16/F, Huafu Tianxi Hotel Office Building, Zhuyuan, Tianhan Avenue, Hantai District, Hanzhong, Shaanxi                              | Wang Peng<br>(王鵬)       |
| 212 | Xi'an Xixin Street Securities Business Department                        | 10/F (Nos. 11001 & 11002 of Building 1), Haixing Intelligent Square, No. 11, Xixin Street, Xincheng District, Xi'an                          | Zhao Chenguang<br>(趙晨光) |
| 213 | Xianyang Shenxing North Road Securities Business Department              | 3/F, International Commerce Building, No. 1, Shenxing North Road, Qingdu District, Xianyang  | He Qian<br>(何倩)         |
| 214 | Yulin Yuyang Securities Business Department                              | Room 01, 3/F, No. 112, Shangjun North Road, Yuyang District, Yulin, Shaanxi  | Chen Jian<br>(陳劍)       |
| 215 | Yinchuan Wenhua West Street Securities Business Department               | Room B07, 12/F, Block B, Yinchuan International Trade Center, No. 106, Wenhua West Street, Xingqing District, Yinchuan                       | Wu Wei<br>(武偉)          |
| 216 | Shanghai Yuyao Road Securities Business Department                       | No. 420, Yuyao Road, Shanghai  | Lin Jia<br>(林佳)         |
| 217 | Shanghai Huangpu District Fuzhou Road Securities Business Department     | Nos. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road of Huangpu District, Shanghai                                | Lu Zhiquan<br>(盧志泉)     |
| 218 | Shanghai Jiading District Hongde Road Securities Business Department     | 1/F, Nos. 368 & 370, and Room. 201 & 202, No. 380, Hongde Road, Jiading District, Shanghai   | Zhang Renci<br>(張任慈)    |

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| No. | Name of business department  | Address   | Person in charge       |
|-----|--|---|------------------------|
| 219 | Shanghai Pudong South Road Securities Business Department                  | 1/F and units J, K, L, M, N, O of 25/F, No. 379, Pudong South Road, China (Shanghai) Pilot Free Trade Zone        | Zhou Wei<br>(周韡)       |
| 220 | Shanghai Mudanjiang Road Securities Business Department                    | 1/F, Nos. 263-265, Mudanjiang Road, Baoshan District, Shanghai  | Zhang Minghua<br>(張明華) |
| 221 | Shanghai Gonghexin Road Securities Business Department                     | Room 101, No. 3703, Gonghexin Road, Zhabei District, Shanghai   | Sun Min<br>(孫敏)        |
| 222 | Shanghai Zhongdeqiao Road Securities Business Department                   | No. 2, Zhongdeqiao Road, Shanghai   | Cheng Lin<br>(成琳)      |
| 223 | Shanghai Putuo District Dahua First Road Securities Business Department    | Rooms 101, 102, 103, 104, 1/F & Rooms 201 & 202, 2/F, No. 6, Lane 239, Dahua First Road, Putuo District, Shanghai | Xu Lan<br>(徐嵐)         |
| 224 | Shanghai Gushan Road Securities Business Department                        | 1/F & 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone   | Zhang Yingxia<br>(張穎俠) |
| 225 | Shanghai Pudong New Area Century Avenue Securities Business Department     | Room D, 1/F, No. 1777, Century Avenue, China (Shanghai) Pilot Free Trade Zone                                     | Chen Hao<br>(陳浩)       |
| 226 | Shanghai Putuo District Yichuan Road Securities Business Department        | 1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai  | Song Lina<br>(宋麗娜)     |
| 227 | Shanghai Jianguo West Road Securities Business Department                  | No. 285, Jianguo West Road, Shanghai  | Zhou Jie<br>(周杰)       |
| 228 | Shanghai Hongkou District Xinjian Road Securities Business Department      | Ground floor & 2/F, Nos. 207 & 211, Xinjian Road, Hongkou District, Shanghai                                      | Xie Wenbo<br>(謝聞博)     |
| 229 | Shanghai Yangpu District Zhengben Road Securities Business Department      | No. 141, Zhengben Road, Yangpu District, Shanghai   | Yu Yonghao<br>(于永浩)    |
| 230 | Shanghai Huangpu District Fuxing East Road Securities Business Department  | Ground floor & 4/F, No. 1143, Fuxing East Road, Huangpu District, Shanghai  | Si Anxiang<br>(司安祥)    |
| 231 | Shanghai Zhoujiazui Road Securities Business Department                    | No. 3255, Zhoujiazui Road   | Liao Dayu<br>(廖達愉)     |
| 232 | Shanghai Hefei Road Securities Business Department                         | Rooms 101-1A, 101-0 and 301, Nos. 293, 297 and 301, Hefei Road, Huangpu District, Shanghai                        | Wang Yi<br>(王軼)        |
| 233 | Shanghai Tianping Road Securities Business Department                      | No. 137, Tianping Road, Shanghai  | Zhang Feng<br>(張峰)     |
| 234 | Shanghai Yutian Branch Road Securities Business Department                 | 1-3/F, No. 11, Yutian Branch Road, Shanghai   | Du Shuang<br>(杜霜)      |
| 235 | Shanghai Jinshan District Weiqing West Road Securities Business Department | No. 612, Weiqing West Road, Jinshan District, Shanghai  | Zhang Minrui<br>(張閔睿)  |
| 236 | Shanghai Fengxian District Jinhai Highway Securities Business Department   | Rooms 102 & 901, Building 6-A, No. 3660, Jinhai Highway, Fengxian District, Shanghai                              | Zhang Cheng<br>(張成)    |
| 237 | Shanghai Putuo District Tongchuan Road Securities Business Department      | 1F, No. 548, Tongchuan Road, Putuo District, Shanghai   | Lou Gang<br>(樓剛)       |



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| No. | Name of business department   | Address   | Person in charge        |
|-----|---|---|-------------------------|
| 238 | Shanghai Minhang District Wuzhong Road Securities Business Department         | B101, 4/F, Building 6, No. 1059, Wuzhong Road, Minhang District, Shanghai   | Shi Wei<br>(史偉)         |
| 239 | Shanghai Changning District Tianshan West Road Securities Business Department | 1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai  | Xiao Haiqin<br>(肖海芹)    |
| 240 | Shanghai Xuhui District Liuzhou Road Securities Business Department           | Rooms 109, 703-2, 704, No. 138, Liuzhou Road, Xuhui District, Shanghai  | Mao Jiajun<br>(茅佳俊)     |
| 241 | Shanghai Putuo District Jinshajiang Road Securities Business Department       | Shops 1-2 and 1-3-B, 1/F, No. 960, Jinshajiang Road, Putuo District, Shanghai   | Yang Na<br>(楊娜)         |
| 242 | Shanghai Nanxiang Town Securities Business Department                         | 1/F, No. 681, Deyuan Road, Shanghai   | Wang Yajun<br>(王雅君)     |
| 243 | Shanghai Songjiang District Renmin North Road Securities Business Department  | Nos. 5, 6 & 7, Lane 171, Renmin North Road, Songjiang District, Shanghai  | Ma Huiying<br>(馬惠穎)     |
| 244 | Shanghai Qingpu District Qinghu Road Securities Business Department           | No. 780, Qinghu Road, Qingpu District, Shanghai   | Zheng Kunchang<br>(鄭坤昌) |
| 245 | Shanghai Pudong New Area Chengshan Road Securities Business Department        | No. 1250, Chengshan Road, Pudong New Area, Shanghai   | Zhang Yao<br>(張堯)       |
| 246 | Shanghai Chongming District Chongzhou Road Securities Business Department     | No. 617, Chongzhou Road, Chengqiao Town, Chongming District, Shanghai   | Chen Zheng<br>(陳錚)      |
| 247 | Shenzhen Bao'an Securities Business Department                                | 1606 Tower A, Phase III, North District, Yifang Center, No. 99, Xihu Road, N12 District, Haiwang Community, Xin'an Subdistrict, Bao'an District, Shenzhen   | Nie Jing<br>(聶靜)        |
| 248 | Shenzhen Haide Third Road Securities Business Department                      | Rooms 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Business Plaza, East of Houhai Avenue, Nanshan District, Shenzhen  | Zeng Yunbei<br>(曾韻蓓)    |
| 249 | Shenzhen Branch Hongling Middle Road Securities Business Department           | 3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen   | Shen Zhijing<br>(沈志敬)   |
| 250 | Shenzhen Branch Huaifu Road Securities Business Department                    | Room 500, Nanguang Building, No. 1004, Huaifu Road, Huahang Community, Huaqiang North Road, Futian District, Shenzhen   | Bao Weihua<br>(包衛華)     |
| 251 | Shenzhen Branch Hongling South Road Securities Business Department            | Shop B, 3/F, Podiums Nos. 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen  | Luo Jianbin<br>(羅建斌)    |
| 252 | Shenzhen Jintian Road Securities Business Department                          | 1603-1605, Building 1, Huanggang Business Centre/Excellence Century Centre, Southeast of the Junction of Fuhua 3rd Road and Jintian Road, Fushan Community, Futian Subdistrict, Futian District, Shenzhen | Yang Kenan<br>(楊科南)     |
| 253 | Shenzhen Jingtian Road Securities Business Department                         | Room 201, Ruida Court, Jingtian Road, Lotus Subdistrict, Futian District, Shenzhen  | Wang Lei<br>(王磊)        |



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| No. | Name of business department   | Address  | Person in charge       |
|-----|---|--|------------------------|
| 254 | Shenzhen Shennan Avenue Securities Business Department              | Rooms 2912-2915, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen  | Wang Yapeng<br>(王亞朋)   |
| 255 | Shenzhen High-Tech Park Securities Business Department              | 1703, Building 1, Block 1, Dachong Business Center (Phase II), No. 9680, Shennan Avenue, Dachong Community, Yuehai Subdistrict, Nanshan District, Shenzhen | Lin Xinmeng<br>(林新孟)   |
| 256 | Shenzhen Meilin Road Securities Business Department                 | A1109, Zhuoyuehui, Excellence Meilin Central Plaza (South Area), No. 126, Zhongkang Road, Meidu Community, Meilin Subdistrict, Futian District, Shenzhen   | Liu Chanji<br>(劉燁吉)    |
| 257 | Shenzhen Binhe Avenue Securities Business Department                | 1902, Tower A, Jinji Binhe Times Square, Xiasha Village, No. 9289, Binhe Road, Xiasha Community, Shatou Subdistrict, Futian District, Shenzhen             | Wang Feng<br>(汪豐)      |
| 258 | Shenzhen Longhua Securities Business Department                     | 35#C, Zhongyang Yuanzhe Garden Cang Long Yuan, Daling Community, Minzhi Subdistrict, Longhua District, Shenzhen  | Zhuang Yongxu<br>(莊永許) |
| 259 | Chengdu Renmin West Road Securities Business Department             | No. 96, Renmin West Road, Chengdu  | Yang Zhou<br>(楊洲)      |
| 260 | Chengdu Jinfeng Road Securities Business Department                 | No. 201, 2/F, No. 1-1, Jinfeng Road, Qingyang District, Chengdu  | Wang Jian<br>(王劍)      |
| 261 | Chengdu Jiaozhi North Second Road Securities Business Department    | 1/F, No. 60, Jiaozhi North 2nd Road, Hi-tech Zone, Chengdu   | Liu Nian<br>(劉念)       |
| 262 | Leshan Tongyue Road Securities Business Department                  | Room 1, Building 2, No. 26, Tongyue Road, Shizhong District, Leshan  | Tan Yulong<br>(譚喻隆)    |
| 263 | Mianyang Changhong Avenue Securities Business Department            | No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang  | Li Zhoujuan<br>(李周娟)   |
| 264 | Zigong Dangui Street Securities Business Department                 | No. 407, 4/F, Taifeng Commercial Exhibition Center, No. 80, Dangui Street, Ziliujing District, Zigong, Sichuan   | Lei Jia<br>(雷佳)        |
| 265 | Tianjin Shuishang Gongyuan East Road Securities Business Department | 5/F, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin  | Li Liu<br>(李柳)         |
| 266 | Urumqi Youhao North Road Securities Business Department             | 1/F & 2/F, Yinzuo, New Era Hotel, No. 739, Youhao North Road, Saybag District, Urumqi, Xinjiang  | Liu Cengceng<br>(劉層層)  |
| 267 | Karamay Junggar Road Securities Business Department                 | No. 220, Junggar Road (Building 8, New World Commercial Street), Karamay, Xinjiang   | Zhong Yuan<br>(鍾原)     |
| 268 | Shihezi Beiyi Road Securities Business Department                   | No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang   | Dong Weijun<br>(董偉軍)   |

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| No. | Name of business department                                       | Address  | Person in charge      |
|-----|---|--|-----------------------|
| 269 | Dali Yuhua Road Securities Business Department                    | No. 13, Yuhua Road, Xiaguan Town, Dali, Dali Bai Autonomous Prefecture, Yunnan   | Tong Wanlin<br>(童婉琳)  |
| 270 | Mile Ranweng Road Securities Business Department                  | Yixin Community Shop, Ranweng West Road, Mile, Honghe Prefecture, Yunnan   | Chen Junjun<br>(陳俊駿)  |
| 271 | Jinghong Galan Middle Road Securities Business Department         | No. 100, Galan Middle Road, Jinghong, Yunnan   | Luo Yanping<br>(羅艷萍)  |
| 272 | Kunming Dongfeng West Road Securities Business Department         | No. 162, Dongfeng West Road, Kunming   | Zheng Li<br>(鄭莉)      |
| 273 | Kunming Beijing Road Securities Business Department               | Nos. 176-177 Shop, 1/F, Tower A, Complex Building, Kunming Yigao Digital Center (phase I), No. 900 Beijing Road, Panlong District, Kunming, Yunnan | Huang Fen<br>(黃芬)     |
| 274 | Lishui Jiefang Street Securities Business Department              | No. 61, Jiefang Street, Liandu District, Lishui, Zhejiang  | Luo Miao<br>(駱邈)      |
| 275 | Xinchang Kangfu Road Securities Business Department               | Nos. 569, 571 & 573, Kangfu Road, Qixing Subdistrict, Xinchang County, Zhejiang  | Zhang Minhua<br>(張敏華) |
| 276 | Hangzhou Jiefang Road Securities Business Department              | No. 138, Jiefang Road, Hangzhou, Zhejiang  | Wang Zheng<br>(汪崢)    |
| 277 | Hangzhou Huancheng West Road Securities Business Department       | No. 46-2, Huancheng West Road, Xiacheng District, Hangzhou, Zhejiang   | Qian Hang<br>(錢杭)     |
| 278 | Hangzhou Shixin North Road Securities Business Department         | 4/F, No. 36-7, Shixin North Road, Economic & Technological Development Area, Xiaoshan District, Hangzhou, Zhejiang                                 | Yu Guoping<br>(俞國平)   |
| 279 | Hangzhou Guali Dongling North Road Securities Business Department | No. 160, Dongling North Road, Guali Town, Xiaoshan District, Hangzhou, Zhejiang  | Mu Miao<br>(繆苗)       |
| 280 | Huzhou Shaoxi West Road Securities Business Department            | Nos. 277-281 (odd), Shaoxi West Road, Shaoxi Commercial & Residential Building 2, Wuxing District, Huzhou, Zhejiang                                | Fei Jianping<br>(費建平) |
| 281 | Jiaxing Zhongshan West Road Securities Business Department        | Nos. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang   | Wang Honglei<br>(王宏雷) |
| 282 | Ningbo Zhongshan East Road Securities Business Department         | Room (2-1), No. 922, Zhongshan East Road, Yinzhou District, Ningbo, Zhejiang   | Sun Song<br>(孫嵩)      |
| 283 | Ningbo Jiefang North Road Securities Business Department          | Nos. 136-148, Jiefang North Road, Haishu District, Ningbo  | He Zheng<br>(何崢)      |
| 284 | Cixi Bei'erhuan East Road Securities Business Department          | Room 108, Nos. 204-206, Bei'erhuan East Road, Gutang Street, Cixi  | Zhu Wenshuai<br>(朱文帥) |
| 285 | Shangyu Shimin Avenue Securities Business Department              | 1-3/F, No. 678, Shimin Avenue, Baiguan Subdistrict, Shangyu District, Shaoxing, Zhejiang   | Pan Wei<br>(潘偉)       |
| 286 | Shaoxing Laodong Road Securities Business Department              | No. 158, Laodong Road, Shaoxing, Zhejiang  | Xu Bin<br>(徐斌)        |

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| No. | Name of business department  | Address   | Person in charge       |
|-----|--|---|------------------------|
| 287 | Shengzhou Xiqian Street Securities Business Department                             | No. 89, Xiqian Street, Shengzhou, Zhejiang  | Zou Ning<br>(鄒寧)       |
| 288 | Wenzhou Jinxiu Road Securities Business Department                                 | Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou                                   | Zhu Lianyou<br>(朱連有)   |
| 289 | Yiwu Binwang Road Securities Business Department                                   | 1-3/F, No. 226, Binwang Road, Choucheng Street, Yiwu, Zhejiang  | Pan Jingxia<br>(潘靜霞)   |
| 290 | Zhoushan Haishan Road Securities Business Department                               | 4A, 4/F, Finance Tower, No. 96, Huancheng West Road, Changguo Subdistrict, Dinghai District, Zhoushan, Zhejiang               | Wang Zhaoming<br>(王兆銘) |
| 291 | Zhuji Huancheng East Road Securities Business Department                           | No. 199, Huancheng East Road, Huandong Subdistrict, Zhuji, Zhejiang   | Gao Hongming<br>(高洪銘)  |
| 292 | Jinhua Huixi Street Securities Business Department                                 | No. 196, Huixi Street, Chengbei Subdistrict, Wucheng District, Jinhua, Zhejiang   | Wang Haiqin<br>(汪海琴)   |
| 293 | Taizhou Shifu Avenue Securities Business Department                                | Nos. 231, 233 & 235, Shifu Avenue, Taizhou, Zhejiang  | Zheng Yawen<br>(鄭雅文)   |
| 294 | Hangzhou Jiefang East Road Fortune Financial Center Securities Business Department | Room 1007, Building 2, Fortune Financial Center, No. 37, Jiefang East Road, Jianggan District, Hangzhou, Zhejiang             | Gao Jinxiao<br>(高金嘯)   |
| 295 | Hangzhou Jinhua South Road Securities Business Department                          | Room 510, Building 2, Ocean International Center, Gongshu District, Hangzhou, Zhejiang  | Yang Yi<br>(楊溢)        |
| 296 | Chongqing Jinlong Road Securities Business Department                              | Unit 3-Business 4, Building 10, Caixin City International, No. 261-21, Jinlong Road, Longxi Street, Yubei District, Chongqing | Weng Yuyang<br>(翁玉洋)   |
| 297 | Chongqing Zhongshan 3rd Road Securities Business Department                        | No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing   | Yang Xiaoqi<br>(楊曉琪)   |
| 298 | Chengdu Jinli Road Securities Business Department                                  | No. 321, Jinli Road, Jinjiang District, Chengdu   | Xu Dan<br>(胥丹)         |
| 299 | Nanchong Nanmen North Street Securities Business Department                        | No. 6, Nanmen North Street, Shunqing District, Nanchong, Sichuan  | Zhao Lian<br>(趙鏈)      |
| 300 | Tianjin Qufu Avenue Securities Business Department                                 | Unit 1306, 13/F, China Life Financial Centre, No. 38, Qufu Avenue, Xiaobailou Street, Heping District, Tianjin                | Yang Guang<br>(楊光)     |
| 301 | Dongguan Humen Liansheng Road Securities Business Department                       | Room 101, No. 86, Liansheng Road, Humen Town, Dongguan, Guangdong   | Chen Jinhui<br>(陳進煒)   |

## REPORT APPENDIX III

### INFORMATION ABOUT THE ESTABLISHMENT AND DISPOSAL OF BRANCH OFFICES (BRANCHES AND BUSINESS DEPARTMENTS)

#### 1. Relocation of branch offices

| No. | Name of branch office before relocation  | Name of branch office after relocation   | New address   | Obtain license date |
|-----|--|--|---|---------------------|
| 1   | Xinjiang branch of Haitong Securities Co., Ltd.  | Xinjiang branch of Haitong Securities Co., Ltd.  | 2/F, Jinzuo, New Era Hotel, No. 739, Youhao North Road, Shayibak District, Urumqi, Xinjiang                                 | 1 April 2021        |
| 2   | Shaanxi branch of Haitong Securities Co., Ltd.   | Shaanxi branch of Haitong Securities Co., Ltd.   | North side of Room 11801, Building 11, No. 16, Fenghui South Road, High Tech Zone, Xi'an                                    | 25 May 2021         |
| 3   | Beijing branch of Haitong Securities Co., Ltd.   | Beijing branch of Haitong Securities Co., Ltd.   | Room 701, 7/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing                             | 19 August 2021      |
| 4   | Zhoushan Huancheng West Road Securities Business Department of Haitong Securities Co., Ltd.      | Zhoushan Haishan Road Securities Business Department of Haitong Securities Co., Ltd.     | 4A, 4/F, Finance Tower, No. 96, Huancheng West Road, Changguo Subdistrict, Dinghai District, Zhoushan, Zhejiang             | 22 January 2021     |
| 5   | Daqing Honggang South Road Securities Business Department of Haitong Securities Co., Ltd.        | Daqing Dongfeng Road Securities Business Department of Haitong Securities Co., Ltd.      | Business Outlets A7-7 (F 1-2), Hancheng Xingyuan Community, No. 102, Dongfeng Road, Longfeng District, Daqing, Heilongjiang | 27 January 2021     |
| 6   | Liuzhou Guizhong Avenue Securities Business Department of Haitong Securities Co., Ltd.           | Liuzhou Derun Road Securities Business Department of Haitong Securities Co., Ltd.        | Nos. 1-1 and 1-2, Building 2, China Resources Arc de Triomphe, No. 6, Derun Road, Liuzhou                                   | 28 January 2021     |
| 7   | Jixi Hulin Hongqi Street Securities Business Department of Haitong Securities Co., Ltd.          | Jixi Hulin Chenguang Road Securities Business Department of Haitong Securities Co., Ltd. | Room 101, unit 0, East Annex Building, Jinxuanjiayuan Complex Building, Hulin, Jixi, Heilongjiang                           | 5 March 2021        |
| 8   | Beijing Zhichun Road Securities Business Department of Haitong Securities Co., Ltd.              | Beijing Zhichun Road Securities Business Department of Haitong Securities Co., Ltd.      | 309 3/F, No. 51 Building, No. 63, Zhichun Road, Haidian District, Beijing   | 10 March 2021       |
| 9   | Lanzhou Wanxin South Road Securities Business Department of Haitong Securities Co., Ltd.         | Lanzhou Tongda Street Securities Business Department of Haitong Securities Co., Ltd.     | 701-702, 710-716, 7th Floor, Dingtai Zhonghui Plaza, No. 666, Tongda Street, Anning District, Lanzhou, Gansu                | 16 March 2021       |
| 10  | Hanzhong Tianhan Avenue Securities Business Department of Haitong Securities Co., Ltd.           | Hanzhong Tianhan Avenue Securities Business Department of Haitong Securities Co., Ltd.   | No. 1610, 16F, Office Building of Zhuyuan Huafu Tianxi Hotel, Tianhan Avenue, Hantai District, Hanzhong, Shaanxi            | 17 March 2021       |
| 11  | Harbin Shuangcheng Longhua Street Securities Business Department of Haitong Securities Co., Ltd. | Harbin Haxi Avenue Securities Business Department of Haitong Securities Co., Ltd.        | 1-2F, Yuecheng, No. 163, Haxi Avenue, Nangang District, Harbin, Heilongjiang  | 26 April 2021       |

## REPORT APPENDIX III

| No. | Name of branch office before relocation   | Name of branch office after relocation  | New address   | Obtain license date |
|-----|---|---|---|---------------------|
| 12  | Shanghai Putuo District Tongchuan Road Securities Business Department of Haitong Securities Co., Ltd. | Shanghai Putuo District Tongchuan Road Securities Business Department of Haitong Securities Co., Ltd. | 1F, No. 548, Tongchuan Road, Putuo District, Shanghai   | 28 April 2021       |
| 13  | Kunming Hongjin Road Securities Business Department of Haitong Securities Co., Ltd.                   | Kunming Beijing Road Securities Business Department of Haitong Securities Co., Ltd.                   | Nos. 176-177 Shop, 1F, Tower A, Complex Building, Kunming Yigao Digital Center (phase I), No. 900 Beijing Road, Panlong District, Kunming, Yunnan   | 8 May 2021          |
| 14  | Harbin Tongjiang Street Securities Business Department of Haitong Securities Co., Ltd.                | Harbin Qunli First Avenue Securities Business Department of Haitong Securities Co., Ltd.              | Floors 1-2, rooms c1-08, Nos. 1802 and 1804, Qunli First Avenue, Daoli District, Harbin, Heilongjiang   | 13 May 2021         |
| 15  | Taixing Dongrun Road Securities Business Department of Haitong Securities Co., Ltd.                   | Taixing Gensi Road Securities Business Department of Haitong Securities Co., Ltd.                     | Room 113, Building 1, Taixing Wuyue Commercial Plaza, No. 5, Gensi Road, Taixing  | 25 May 2021         |
| 16  | Daqing Jingsan Street Securities Business Department of Haitong Securities Co., Ltd.                  | Daqing Weier Road Securities Business Department of Haitong Securities Co., Ltd.                      | (Weier Road No.119) Shangfu Building, No. 9-12, Xincun, High Tech Zone, Daqing, Heilongjiang  | 23 June 2021        |
| 17  | Suihua Kangzhuang Road Securities Business Department of Haitong Securities Co., Ltd.                 | Suihua Zhongxing Street Securities Business Department of Haitong Securities Co., Ltd.                | Room 108, Building A, East Securities Community, Fuqian Hutong, West of Zhongxing Street, Beilin, Suihua, Heilongjiang  | 20 July 2021        |
| 18  | Beijing Fuwai Street Securities Business Department of Haitong Securities Co., Ltd.                   | Beijing Fuwai Street Securities Business Department of Haitong Securities Co., Ltd.                   | S1002, S1003, No. 2, Fuchengmenwai Street, Xicheng District, Beijing  | 27 July 2021        |
| 19  | Shanghai Jiading District Fuhai Road Securities Business Department of Haitong Securities Co., Ltd.   | Shanghai Jiading District Hongde Road Securities Business Department of Haitong Securities Co., Ltd.  | 1F, No. 368, 1F, No. 370, Rooms 201 and 202, No. 380, Hongde Road Jiading District, Shanghai  | 10 August 2021      |
| 20  | Liyang Yanshan Middle Road Securities Business Department of Haitong Securities Co., Ltd.             | Liyang Yanshan Middle Road Securities Business Department of Haitong Securities Co., Ltd.             | No. 5-10, Yanshan Middle Road, Licheng Town, Liyang   | 24 August 2021      |
| 21  | Wuhan Shisheng Road Securities Business Department of Haitong Securities Co., Ltd.                    | Wuhan Optics Valley Securities Business Department of Haitong Securities Co., Ltd.                    | (Wuhan area of free trade zone) Nos. 25-29, Part of Nos. 37-38, Nos. 44-45, R&D, 1st floor, Building B1, phase II, Modern International Design City, No. 41, Optics Valley Avenue, East Lake, High-Tech Development Zone, Wuhan | 24 August 2021      |
| 22  | Mudanjiang Hailin Linhai Road Securities Business Department of Haitong Securities Co., Ltd.          | Mudanjiang Xin'an Street Securities Business Department of Haitong Securities Co., Ltd.               | No. 125, Dong Xin'an Street, Dong'an District, Mudanjiang, Heilongjiang   | 8 September 2021    |

## REPORT APPENDIX III

| No. | Name of branch office before relocation  | Name of branch office after relocation  | New address  | Obtain license date |
|-----|--|---|--|---------------------|
| 23  | Shanghai Chongming District Beimen Road Securities Business Department of Haitong Securities Co., Ltd. | Shanghai Chongming District Chongzhou Road Securities Business Department of Haitong Securities Co., Ltd. | No. 617, Chongzhou Road, Chengqiao Town, Chongming District, Shanghai  | 9 September 2021    |
| 24  | Taiyuan North Street Securities Business Department of Haitong Securities Co., Ltd.                    | Shanxi Transformation Comprehensive Reform Demonstration Zone Branch of Haitong Securities Co., Ltd.      | No. 8, 1F, Building 6, No. 2, Longsheng Street, Tanghuai Industrial Park, Transformation Comprehensive Reform Demonstration Zone, Shanxi   | 15 September 2021   |
| 25  | Wuhu Wenhua Road Securities Business Department of Haitong Securities Co., Ltd.                        | Wuhu Huangshan Middle Road Securities Business Department of Haitong Securities Co., Ltd.                 | No. 9, Huangshan Middle Road, Jinghu District, Wuhu, Anhui   | 22 September 2021   |
| 26  | Beijing Liangmaqiao Road Securities Business Department of Haitong Securities Co., Ltd.                | Beijing Liangmaqiao Road Securities Business Department of Haitong Securities Co., Ltd.                   | S104, S105, 1F Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing  | 28 September 2021   |
| 27  | Shanghai Putuo District Macao Road Securities Business Department of Haitong Securities Co., Ltd.      | Shanghai Huangpu District Fuxing East Road Securities Business Department of Haitong Securities Co., Ltd. | Ground floor & 4/F, No. 1143, Fuxing East Road, Huangpu District, Shanghai   | 18 October 2021     |
| 28  | Shanghai Nanqiao Securities Business Department of Haitong Securities Co., Ltd.                        | Shanghai Fengxian District Jinhai Highway Securities Business Department of Haitong Securities Co., Ltd.  | Room 102 and Room 901, Building A, Building 6, No. 3660, Jinhai Highway, Fengxian District, Shanghai   | 18 October 2021     |
| 29  | Qingdao Zhanshan First Road Securities Business Department of Haitong Securities Co., Ltd.             | Qingdao Fuzhou South Road Securities Business Department of Haitong Securities Co., Ltd.                  | Building 2, No. 6, Fuzhou South Road, Shinan District, Qingdao, Shandong   | 25 October 2021     |
| 30  | Suzhou Bianhe Road Securities Business Department of Haitong Securities Co., Ltd.                      | Suzhou Renmin Road Securities Business Department of Haitong Securities Co., Ltd.                         | 0101-0103, Building 13, Wuyue Huafu, Renmin Road, Yongqiao District, Suzhou, Anhui   | 28 October 2021     |
| 31  | Zhongshan Yuelai South Road Securities Business Department of Haitong Securities Co., Ltd.             | Zhongshan Zhongshan Fifth Road Securities Business Department of Haitong Securities Co., Ltd.             | Card 102-2, Card 103-1, No. 48, Zhongshan Fifth Road, East District, Zhongshan, Guangdong  | 9 November 2021     |
| 32  | Wuxi Jiefang East Road Securities Business Department of Haitong Securities Co., Ltd.                  | Wuxi County Qianxi Street Securities Business Department of Haitong Securities Co., Ltd.                  | 180-1, -2, -3, Xianqian West Street, Liangxi District, Wuxi  | 19 November 2021    |
| 33  | Zhuhai Jiuzhou Avenue East Securities Business Department of Haitong Securities Co., Ltd.              | Zhuhai Jingshan Road Securities Business Department of Haitong Securities Co., Ltd.                       | One and Two of Axes 18, 23-A and N on the Second Floor of Huangshan Building, No. 65 Jingshan Road, One of Axes 18, 23-A and N on the Ground Floor of Huangshan Building, No. 65-67 Jida Jingshan Road, Xiangzhou District, Zhuhai | 26 November 2021    |
| 34  | Yingtian Wuzhou Road Securities Business Department of Haitong Securities Co., Ltd.                    | Yingtian Linyin West Road Securities Business Department of Haitong Securities Co., Ltd.                  | Room 102, Building 6, Xintiandi, No. 8 Shengli West Road, Yuehu District, Yingtian, Jiangxi  | 30 December 2021    |

## REPORT APPENDIX III

### 2. CESSATION OF BRANCH OFFICES

| No. | Name of branch office closed  | Address of branch office closed        | Date of cessation |
|-----|---|--|-------------------|
| 1   | Macheng Jinqiao Avenue Securities Business Department of Haitong Securities Co., Ltd. | No. 61, Jinqiao Avenue, Macheng, Hubei | 3 September 2021  |



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

**Haitong Securities Co., Ltd.**

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

## OPINION

### What we have audited

The consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 281 to 476, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of total comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision of expected credit loss for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements
- Consolidation of structured entities
- Valuation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income classified as Level 3 Financial Instruments

| Key Audit Matter  | How our audit addressed the Key Audit Matter   |
|---|--|
| <p><b>(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements:</b></p> <p>Refer to Note 26 &amp; 27 &amp; 32 &amp; 40 to the consolidated financial statements</p> <p>As at 31 December 2021, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements are RMB76,937 million, RMB41,553 million, RMB35,037 million and RMB55,858 million respectively, with credit impairment loss allowance of RMB1,714 million, RMB1,792 million, RMB1,564 million, and RMB770 million provided accordingly. The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2021 is RMB2,646 million.</p> <p>The credit loss allowances as at 31 December 2021 for the aforesaid financial assets represented Management's best estimates of the ECL in accordance with International Financial Reporting Standard 9: "Financial Instruments".</p> | <p>We obtained an understanding of Management's assessment process of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity and sensitivity to potential material misstatement caused by management bias or fraud in the estimation.</p> <p>We evaluated and tested the Group's internal controls relating to the measurement of ECL for the aforesaid financial assets, which included:</p> <p>(i) Governance over ECL models, including the selection and approval of methodologies and models; and the ongoing monitoring and fine tuning of such models;</p> |

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

**(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)**

Management applied a three-stage impairment model to calculate the ECL for the aforesaid financial assets. For financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowance by estimating the future cash flows after taking into consideration forward looking factors.

Management assesses the credit allowances for the aforesaid financial assets at each reporting date. The measurement model for ECL involves significant management judgements and assumptions, primarily including:

- (i) Selection of the appropriate models and parameters;
- (ii) Determination of the criteria for significant increase in credit risk ("SICR"), credit defaults and credit impairment;
- (iii) Projection of macroeconomic variables for forward looking scenarios and probability weightings.

The Group has established governance processes and controls over the measurement of ECL.

- (ii) Review and approval of significant management judgements and assumptions, including the criteria for SICR, credit default and credit impairment; and the use of economic indicators for forward-looking measurement, and relative weighting for forward-looking scenarios;

- (iii) Internal controls over the completeness and accuracy of key data inputs used by the models.

In addition, we also performed the following procedures:

- (i) We examined the ECL modelling methodologies and assessed their reasonableness. We also evaluated whether the underlying coding for the models reflected the methodologies established by Management;
- (ii) We examined on a sample basis, the quantity, nature and fair value of the collateral under advances to customers on margin financing and financial assets held under resale agreements with further reviews on the collateral ratio and the backstop past due days defined by Management; examined on a sample basis finance lease receivables and receivables arising from sale and leaseback arrangements, with further reviews on the credit analysis performed by Management based on the operating and financial information of the debtors, type of collaterals or guarantors; evaluated the appropriateness of the determination of the criteria for the SICR, credit default and credit impairment for these financial assets;

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

**(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)**

The Group applied significant management judgements in measuring the ECL and the amounts involved were significant to the Group's financial statements. This led to this matter being identified as a key audit matter.

(iii) We examined major data inputs to the ECL models on a sample basis, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For forward-looking measurement, we used statistical methods to evaluate Management's selection of economic indicators and their correlation analysis with credit risk portfolios. We assessed the reasonableness of the predictive economic indicators and performed sensitivity analysis of economic indicators and weightings;

(iv) For credit-impaired assets under Stage 3, we examined, on a sample basis, forecasted future cash flows prepared by Management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of credit impairment loss allowance.

Based on the procedures performed, the models, key parameters, significant judgements and assumptions adopted by Management in the provision of ECL for these assets and the measurement results were considered acceptable.

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### (2) Consolidation of structured entities:

Refer to Note 69 Interest in Consolidated Structured Entities to the consolidated financial statements

The Group acted as asset manager for, or invested in, a number of structured entities.

Management made significant judgements when concluding on whether the Group controlled, and therefore should consolidate these structured entities.

Management has determined that the Group had control of certain structured entities based on their assessment of the Group's power over the entities, its exposure to variable returns from its involvement with those entities and its ability to use its power to affect the amount of its returns from these structured entities. The aggregated carrying value of all consolidated structured entities directly held by the Group amounted to RMB33,786 million as at 31 December 2021.

The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of such structured entities on the consolidated statement of financial position of the Group resulted in this matter being identified as a key audit matter.

Our procedures in relation to the assessment of the consolidation scope of structured entities included:

We evaluated and tested the effectiveness of key controls of Management related to the consolidation of structured entities;

We reviewed, on a sample basis, the contracts from the Group's asset management and investment portfolio to assess the extent of power the Group had over its structured entities; the Group's exposure or rights to variable returns from its involvement with those structured entities; and the relationship between the Group's power and returns with respect to the structured entities.

We traced, on a sample basis, the data used by Management in the quantitative assessment of the Group's variable return exposures back to the applicable contracts and other supporting financial information, and re-performed the mathematical computations to examine the accuracy of the Group's variable return exposures.

Based on the procedures performed above, the judgements made by Management when concluding the structured entities for consolidation were considered acceptable.

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matter

#### (3) Valuation of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("debt instruments at FVTOCI") classified as Level 3 Financial Instruments:

Refer to Note 76 Financial Risk Management to the consolidated financial statements

As at 31 December 2021, the Group's FVTPL and debt instruments at FVTOCI classified as Level 3 financial instrument in the fair value hierarchy ("Level 3 Financial Instruments"), were RMB30,656 million and RMB1,287 million, respectively. The fair value of these Level 3 Financial Instruments was measured using valuation techniques that involve significant inputs that were not based on observable market data. These unobservable inputs included liquidity discounts, risk adjusted discount rates, adjusted volatility and market multipliers, etc.

Valuation of the FVTPL and debt instruments at FVTOCI classified as Level 3 Financial Instruments was identified as a key audit matter given the size and the significant judgements required in the use of valuation models, critical assumptions and unobservable inputs in the valuation process of these Level 3 Financial Instruments.

### How our audit addressed the Key Audit Matter

We obtained an understanding of Management's process of valuation of Level 3 Financial Instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity involved and sensitivity to potential material misstatements caused by management bias or fraud in the estimation.

We evaluated and tested the design and the operating effectiveness of the Group's internal controls over the use, data input and ongoing fine-tuning of valuation models and critical estimates for the valuation of these Level 3 Financial Instruments.

We evaluated the appropriateness of the models used by Management for the valuation of Level 3 Financial Instruments based on our knowledge of current industry practice.

We also evaluated, on a sample basis, the reasonableness of the significant assumptions and the accuracy of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed, on a sample basis, an independent valuation of the Level 3 Financial Instruments and compared our results with the Group's valuation results.

Based on the procedures performed above, the valuation models and inputs used in the valuation of Level 3 Financial Instruments by Management were considered acceptable.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wai, Jimmy.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

|  | Notes | 2021<br>RMB'000     | 2020<br>RMB'000 |
|--|-------|---------------------|-----------------|
| <b>Revenue</b>   |       |                     |                 |
| – Commission and fee income                            | 6     | 18,762,734          | 17,387,414      |
| – Interest income                                      | 7     | 15,625,976          | 13,975,952      |
| – Finance lease income                                 | 7     | 3,336,406           | 3,932,863       |
| – Investment income and gains (net)                    | 8     | 10,678,856          | 11,076,986      |
|  |       | <b>48,403,972</b>   | 46,373,215      |
| Other income and gains                                 | 9     | 9,405,589           | 7,903,985       |
| <b>Total revenue, gains and other income</b>           |       | <b>57,809,561</b>   | 54,277,200      |
| Commission and fee expenses                            | 10    | (3,770,637)         | (3,535,266)     |
| Interest expenses                                      | 11    | (12,341,619)        | (13,018,271)    |
| Depreciation and amortisation                          | 12    | (1,569,341)         | (1,363,882)     |
| Staff costs  | 13    | (9,025,250)         | (7,656,682)     |
| Impairment losses under expected credit loss model     | 14    | (3,351,674)         | (4,586,225)     |
| Impairment losses on other assets                      | 15    | (499,168)           | (10,923)        |
| Other expenses   | 16    | (10,357,962)        | (8,891,658)     |
| <b>Total expenses</b>                                  |       | <b>(40,915,651)</b> | (39,062,907)    |
| Share of results of associates and joint ventures      |       | 1,649,889           | 543,017         |
| <b>Profit before income tax</b>                        |       | <b>18,543,799</b>   | 15,757,310      |
| Income tax expense                                     | 17    | (4,795,937)         | (3,720,081)     |
| <b>Profit for the year</b>                             |       | <b>13,747,862</b>   | 12,037,229      |
| <b>Attributable to:</b>                                |       |                     |                 |
| Shareholders of the Company                            |       | 12,826,517          | 10,875,396      |
| Non-controlling interests                              |       | 921,345             | 1,161,833       |
|  |       | <b>13,747,862</b>   | 12,037,229      |
| <b>Earnings per share (Expressed in RMB per share)</b> |       |                     |                 |
| – Basic  | 18    | 0.98                | 0.90            |
| – Diluted  | 18    | 0.98                | 0.90            |

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2021

|   | 2021<br>RMB'000   | 2020<br>RMB'000   |
|---|-------------------|-------------------|
| Profit for the year   | 13,747,862        | 12,037,229        |
| <b>Other comprehensive income:</b>  |                   |                   |
| Items that will not be reclassified subsequently to profit or loss:                                       |                   |                   |
| Actuarial gains/(losses) on defined benefit obligations   | 39,131            | (340)             |
| Fair value (losses)/gains on equity instruments measured at fair value through other comprehensive income | (446,507)         | 268,174           |
| Income tax impact   | 108,150           | (71,531)          |
| Subtotal  | (299,226)         | 196,303           |
| Items that will be reclassified subsequently to profit or loss:   |                   |                   |
| Exchange differences on translation of foreign operations   | (739,071)         | (652,140)         |
| Fair value gains/(losses) on hedging instrument designated in cash flow hedges                            | 94,909            | (74,696)          |
| Fair value gains/(losses) on hedges of net investments in foreign operations                              | 243,987           | (293,331)         |
| Fair value gains/(losses) on debt instruments measured at fair value through other comprehensive income   |                   |                   |
| – Net fair value changes during the year  | 270,696           | (183,103)         |
| – Reclassification adjustment to profit or loss on disposal   | 82,732            | (51,587)          |
| – Reclassification adjustment to profit or loss for expected credit loss                                  | 83,512            | 259,494           |
| – Income tax relating to components of other comprehensive income   | (86,644)          | (4,392)           |
| Share of other comprehensive income of associates and joint ventures, net of related income tax           | (2,193)           | (34,727)          |
| Subtotal  | (52,072)          | (1,034,482)       |
| Other comprehensive income for the year (net of tax)  | (351,298)         | (838,179)         |
| <b>Total comprehensive income for the year</b>  | <b>13,396,564</b> | <b>11,199,050</b> |
| <b>Attributable to:</b>   |                   |                   |
| Shareholders of the Company   | 12,932,504        | 11,090,942        |
| Non-controlling interests   | 464,060           | 108,108           |
|   | <b>13,396,564</b> | <b>11,199,050</b> |
| <b>Total comprehensive income for the period attributable to shareholders of the company arises from:</b> |                   |                   |
| Continuing operations   | 13,396,313        | 11,226,584        |
| Discontinued operations   | 251               | (27,534)          |
|   | <b>13,396,564</b> | <b>11,199,050</b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

|   | Notes | 31 December<br>2021<br>RMB'000 | 31 December<br>2020<br>RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>   |       |                                |                                |
| Property and equipment  | 19    | 15,088,876                     | 15,109,289                     |
| Right-of-use assets   | 20    | 1,778,639                      | 1,811,328                      |
| Investment properties   | 21    | 57,595                         | 111,592                        |
| Goodwill  | 22    | 3,365,313                      | 3,884,910                      |
| Other intangible assets   | 23    | 531,391                        | 551,964                        |
| Investments accounted for using equity method                       | 25    | 6,454,420                      | 4,428,307                      |
| Finance lease receivables   | 26    | 11,270,189                     | 20,751,276                     |
| Receivables arising from sale and leaseback arrangements            | 27    | 31,521,846                     | 20,132,302                     |
| Equity instruments at fair value through other comprehensive income | 28    | 10,246,871                     | 16,239,187                     |
| Debt instruments at fair value through other comprehensive income   | 29    | 33,050,889                     | 11,873,648                     |
| Debt instruments measured at amortised cost                         | 30    | 3,626,108                      | 2,241,831                      |
| Financial assets at fair value through profit or loss               | 31    | 25,132,195                     | 26,145,088                     |
| Financial assets held under resale agreements                       | 32    | 575,403                        | 2,195,793                      |
| Other loans and receivables   | 33    | 2,394,396                      | 3,235,445                      |
| Loans and advances  | 34    | 4,119,086                      | 2,775,492                      |
| Deferred tax assets   | 35    | 5,171,925                      | 4,282,160                      |
| Deposits with exchanges   | 36    | 163,245                        | 166,688                        |
| Restricted bank balances and cash                                   | 37    | 1,503,454                      | 1,288,296                      |
| Other non-current assets  | 39    | 1,891,358                      | 996,613                        |
| <b>Total non-current assets</b>                                     |       | <b>157,943,199</b>             | <b>138,221,209</b>             |
| <b>Current assets</b>   |       |                                |                                |
| Advances to customers on margin financing                           | 40    | 75,223,404                     | 73,067,592                     |
| Accounts receivable   | 41    | 11,372,016                     | 8,410,000                      |
| Finance lease receivables   | 26    | 22,202,398                     | 27,660,127                     |
| Receivables arising from sale and leaseback arrangements            | 27    | 23,566,177                     | 15,082,174                     |
| Debt instruments at fair value through other comprehensive income   | 29    | 4,002,056                      | 1,234,515                      |
| Debt instruments measured at amortised cost                         | 30    | 1,099,101                      | 1,521,668                      |
| Financial assets at fair value through profit or loss               | 31    | 195,277,554                    | 194,251,416                    |
| Derivative financial assets   | 42    | 1,084,731                      | 1,837,912                      |
| Financial assets held under resale agreements                       | 32    | 39,185,614                     | 55,769,601                     |
| Other loans and receivables   | 33    | 12,544,269                     | 16,884,562                     |
| Loans and advances  | 34    | 593,565                        | 1,044,635                      |
| Other current assets  | 43    | 6,242,087                      | 3,446,643                      |
| Placements to banks and other financial institutions                | 44    | 352,928                        | 22,619                         |
| Deposits with exchanges   | 36    | 17,491,923                     | 17,208,163                     |
| Clearing settlement funds   | 45    | 16,765,418                     | 11,852,301                     |
| Deposits with central banks   | 46    | 3,304,209                      | 3,716,130                      |
| Deposits with other banks   | 46    | 226,337                        | 258,664                        |
| Bank balances and cash  | 37    | 156,448,163                    | 122,583,420                    |
| <b>Total current assets</b>   |       | <b>586,981,950</b>             | <b>555,852,142</b>             |
| <b>Total assets</b>   |       | <b>744,925,149</b>             | <b>694,073,351</b>             |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

|  | Notes | 31 December<br>2021<br>RMB'000 | 31 December<br>2020<br>RMB'000 |
|--|-------|--------------------------------|--------------------------------|
| <b>Current liabilities</b>                                 |       |                                |                                |
| Borrowings   | 47    | 48,402,335                     | 59,132,650                     |
| Short-term financing bills payables                        | 48    | 24,986,688                     | 25,718,523                     |
| Bonds payable  | 49    | 52,513,925                     | 36,233,688                     |
| Accounts payable to brokerage clients                      | 50    | 123,202,200                    | 108,167,568                    |
| Customer accounts  | 51    | 2,758,837                      | 4,413,388                      |
| Contract liabilities                                       | 52    | 156,746                        | 131,039                        |
| Other payables and accruals                                | 53    | 28,635,826                     | 21,187,155                     |
| Lease liabilities  | 20    | 307,759                        | 352,544                        |
| Provisions   | 54    | 203,800                        | 141,084                        |
| Tax liabilities  |       | 3,477,590                      | 2,986,567                      |
| Financial liabilities at fair value through profit or loss | 55    | 10,456,105                     | 22,226,074                     |
| Derivative financial liabilities                           | 42    | 1,548,316                      | 2,672,279                      |
| Financial assets sold under repurchase agreements          | 56    | 91,911,952                     | 60,563,433                     |
| Placements from banks and other financial institutions     | 57    | 12,723,438                     | 12,059,685                     |
| Deposits from central banks                                |       | 155,411                        | 887,565                        |
| Deposits from other banks                                  | 58    | 72,787                         | 63,104                         |
| <b>Total current liabilities</b>                           |       | <b>401,513,715</b>             | <b>356,936,346</b>             |
| <b>Net current assets</b>                                  |       | <b>185,468,235</b>             | <b>198,915,796</b>             |
| <b>Total assets less current liabilities</b>               |       | <b>343,411,434</b>             | <b>337,137,005</b>             |
| <b>Non-current liabilities</b>                             |       |                                |                                |
| Long-term payables   | 63    | 6,230,344                      | 8,005,920                      |
| Deferred tax liabilities                                   | 35    | 1,320,651                      | 698,134                        |
| Customer accounts  | 51    | 3,185,654                      | –                              |
| Long-term borrowings                                       | 47    | 30,751,726                     | 33,597,907                     |
| Bonds payable  | 49    | 111,072,145                    | 111,604,522                    |
| Deposits from central banks                                |       | 2,150,202                      | –                              |
| Other payables and accruals                                | 53    | 1,405,175                      | 1,382,286                      |
| Financial liabilities at fair value through profit or loss | 55    | 5,860,112                      | 10,012,227                     |
| Lease liabilities  | 20    | 739,420                        | 699,869                        |
| Placements from banks and other financial institutions     | 57    | 2,941,219                      | 3,009,828                      |
| <b>Total non-current liabilities</b>                       |       | <b>165,656,648</b>             | <b>169,010,693</b>             |
| <b>Total liabilities</b>                                   |       | <b>567,170,363</b>             | <b>525,947,039</b>             |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

|  | Notes | 31 December<br>2021<br>RMB'000 | 31 December<br>2020<br>RMB'000 |
|--|-------|--------------------------------|--------------------------------|
| <b>Equity</b>  |       |                                |                                |
| Share capital  | 59    | 13,064,200                     | 13,064,200                     |
| Capital reserve  |       | 74,913,916                     | 74,888,284                     |
| Revaluation reserve                                    | 60    | 305,179                        | 282,378                        |
| Translation reserve                                    |       | (962,857)                      | (932,948)                      |
| General reserves                                       | 61    | 28,313,210                     | 24,924,156                     |
| Retained earnings                                      | 61    | 47,504,316                     | 41,222,398                     |
| <b>Equity attributable to shareholders the company</b> |       | <b>163,137,964</b>             | 153,448,468                    |
| Non-controlling interests                              |       | 14,616,822                     | 14,677,844                     |
| <b>Total equity</b>                                    |       | <b>177,754,786</b>             | 168,126,312                    |
| <b>Total equity and liabilities</b>                    |       | <b>744,925,149</b>             | 694,073,351                    |

The consolidated financial statements on pages 281 to 476 were approved and authorised for issue by the Board of Directors on 29 March 2022 and signed on its behalf by:

Zhou Jie  
  
Chairman of Board

Li Jun  
  
Executive Director and  
General Manager

Zhang Xinjun  
  
Chief Financial Officer



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

|   | Attributable to shareholders of the Company |                   |                      |                     |                 |                   |             | Non-controlling interests | Total equity |
|---|---|-------------------|----------------------|---------------------|-----------------|-------------------|-------------|---------------------------|--------------|
|   | Share capital                               | Capital Reserve   | Revaluation reserves | Translation reserve | General reserve | Retained earnings | Total       |                           |              |
|   | RMB'000                                     | (Note)<br>RMB'000 | RMB'000              | RMB'000             | RMB'000         | RMB'000           | RMB'000     | RMB'000                   | RMB'000      |
| <b>As at 1 January 2021</b>   | 13,064,200                                  | 74,888,284        | 282,378              | (932,948)           | 24,924,156      | 41,222,398        | 153,448,468 | 14,677,844                | 168,126,312  |
| Profit for the year   | -   | -                 | -                    | -                   | -               | 12,826,517        | 12,826,517  | 921,345                   | 13,747,862   |
| Other comprehensive income for the year   | -   | -                 | 135,896              | (29,909)            | -               | -                 | 105,987     | (457,285)                 | (351,298)    |
| <b>Total comprehensive income for the year</b>                                  | -   | -                 | 135,896              | (29,909)            | -               | 12,826,517        | 12,932,504  | 464,060                   | 13,396,564   |
| Other equity instruments issued by a subsidiary (Note 62)                       | -   | -                 | -                    | -                   | -               | -                 | -           | 811,512                   | 811,512      |
| Appropriation to general reserve  | -   | -                 | -                    | -                   | 3,389,054       | (3,389,054)       | -           | -                         | -            |
| Cash dividend recognised as distribution (Note 67)                              | -   | -                 | -                    | -                   | -               | (3,266,050)       | (3,266,050) | -                         | (3,266,050)  |
| Distribution to non-controlling interests and other equity instruments holders  | -   | -                 | -                    | -                   | -               | -                 | -           | (729,896)                 | (729,896)    |
| Share-based payments of a subsidiary  | -   | 9,356             | -                    | -                   | -               | -                 | 9,356       | 99,710                    | 109,066      |
| Repurchase of shares of subsidiary  | -   | -                 | -                    | -                   | -               | -                 | -           | -                         | -            |
| Disposal of equity instruments at fair value through other comprehensive income | -   | -                 | (113,095)            | -                   | -               | 113,095           | -           | -                         | -            |
| Changes in non-controlling interests  | -   | 16,276            | -                    | -                   | -               | -                 | 16,276      | (705,169)                 | (688,893)    |
| Others  | -   | -                 | -                    | -                   | -               | (2,590)           | (2,590)     | (1,239)                   | (3,829)      |
| <b>As at 31 December 2021</b>   | 13,064,200                                  | 74,913,916        | 305,179              | (962,857)           | 28,313,210      | 47,504,316        | 163,137,964 | 14,616,822                | 177,754,786  |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

|   | Attributable to shareholders of the Company |                        |                      |                     |                 |                   | Non-controlling interests | Total equity |
|---|---|------------------------|----------------------|---------------------|-----------------|-------------------|---------------------------|--------------|
|   | Share capital                               | Capital Reserve (Note) | Revaluation reserves | Translation reserve | General reserve | Retained earnings |                           |              |
|   | RMB'000                                     | RMB'000                | RMB'000              | RMB'000             | RMB'000         | RMB'000           | RMB'000                   | RMB'000      |
| <b>As at 1 January 2020</b>   | 11,501,700                                  | 56,526,247             | 114,007              | (1,002,905)         | 22,092,447      | 36,859,497        | 126,090,993               | 15,027,750   |
| Profit for the year   | -   | -                      | -                    | -                   | -               | 10,875,396        | 10,875,396                | 1,161,833    |
| Other comprehensive income for the year   | -   | -                      | 145,589              | 69,957              | -               | -                 | 215,546                   | (1,053,725)  |
| <b>Total comprehensive income for the year</b>                                  | -   | -                      | 145,589              | 69,957              | -               | 10,875,396        | 11,090,942                | 108,108      |
| Shares issued by the parent company   | 1,562,500                                   | 18,286,436             | -                    | -                   | -               | -                 | 19,848,936                | -            |
| Other equity instruments issued by a subsidiary (Note 62)                       | -   | -                      | -                    | -                   | -               | -                 | -                         | 286,500      |
| Appropriation to general reserve  | -   | -                      | -                    | -                   | 2,831,709       | (2,831,709)       | -                         | -            |
| Cash dividend recognised as distribution (Note 67)                              | -   | -                      | -                    | -                   | -               | (3,657,976)       | (3,657,976)               | -            |
| Distribution to non-controlling interests and other equity instruments holders  | -   | 74,564                 | -                    | -                   | -               | -                 | 74,564                    | (449,464)    |
| Share-based payments of a subsidiary  | -   | 1,037                  | -                    | -                   | -               | -                 | 1,037                     | 41,459       |
| Repurchase of shares of subsidiary  | -   | -                      | -                    | -                   | -               | -                 | -                         | (210,361)    |
| Disposal of equity instruments at fair value through other comprehensive income | -   | -                      | 22,782               | -                   | -               | (22,782)          | -                         | -            |
| Changes in non-controlling interests  | -   | -                      | -                    | -                   | -               | -                 | -                         | (126,176)    |
| Others  | -   | -                      | -                    | -                   | -               | (28)              | (28)                      | 28           |
| <b>As at 31 December 2020</b>   | 13,064,200                                  | 74,888,284             | 282,378              | (932,948)           | 24,924,156      | 41,222,398        | 153,448,468               | 14,677,844   |

**Note:** Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>  |                 |                 |
| Profit before income tax   | 18,543,799      | 15,757,310      |
| Adjustments for  |                 |                 |
| Interest expenses  | 12,341,619      | 13,018,271      |
| Share of results of associates and joint ventures  | (1,649,889)     | (543,017)       |
| Depreciation and amortisation  | 1,569,341       | 1,363,882       |
| Impairment losses under expected credit loss model   | 3,351,674       | 4,586,225       |
| Impairment losses of other assets  | 499,168         | 10,923          |
| Share-based payment of a subsidiary  | 109,065         | 41,459          |
| Losses on disposal of property and equipment and other intangible assets                         | 12,734          | 3,666           |
| Foreign exchange gains, net  | (279,938)       | (211,406)       |
| Interest income from debt instruments at fair value through other comprehensive income           | (839,666)       | (466,824)       |
| Interest income from debt instruments measured at amortised cost                                 | (64,274)        | (36,900)        |
| Dividend income arising from equity instruments at fair value through other comprehensive income | (1,195,069)     | (42,927)        |
| Net gains arising from debt instruments at fair value through other comprehensive income         | (620,788)       | (14,485)        |
| Net realised losses/(gains) arising from financial assets at fair value through profit or loss   | 1,068,863       | (191,259)       |
| Fair value change of financial instruments at fair value through profit or loss                  | (290,515)       | (1,270,742)     |
| Others   | –               | (38,131)        |
| Operating cash flows before movements in working capital   | 32,556,124      | 31,966,045      |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Increase in finance lease receivables and receivables arising from sale and leaseback arrangements                     | <b>(6,313,223)</b>     | (7,663,393)            |
| Decrease in financial assets at fair value through profit or loss and derivative financial assets                      | <b>3,397,337</b>       | 4,567,179              |
| Decrease/(Increase) in financial assets held under resale agreements   | <b>14,489,244</b>      | (1,344,558)            |
| Decrease in other loans and receivables  | <b>4,660,945</b>       | 3,928,030              |
| Increase in loans and advances   | <b>(797,145)</b>       | (604,239)              |
| Increase in advances to customers on margin financing  | <b>(2,617,227)</b>     | (21,246,715)           |
| (Increase)/Decrease in accounts receivables and other current assets   | <b>(5,818,500)</b>     | 1,962,061              |
| (Increase)/Decrease in placements to banks and other financial institutions  | <b>(333,000)</b>       | 64,490                 |
| Increase in deposits with exchanges  | <b>(280,317)</b>       | (6,618,751)            |
| Decrease in deposit with central banks   | <b>8,881</b>           | 17,867                 |
| Increase in restricted bank deposits   | <b>(335,342)</b>       | (718,575)              |
| Increase in cash held on behalf of clients   | <b>(17,775,373)</b>    | (17,237,839)           |
| Increase in accounts payable to brokerage clients and other payables and accruals                                      | <b>20,873,033</b>      | 23,316,400             |
| Increase in customer accounts  | <b>1,531,103</b>       | 1,539,751              |
| Increase/(Decrease) in contract liabilities  | <b>25,707</b>          | (51,959)               |
| Increase in provisions   | <b>64,429</b>          | 83,268                 |
| (Decrease)/Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities | <b>(16,893,288)</b>    | 2,315,850              |
| Increase/(Decrease) in financial assets sold under repurchase agreements   | <b>31,348,519</b>      | (8,907,430)            |
| Increase/(Decrease) in placements from banks and other financial institutions  | <b>595,145</b>         | (5,553,001)            |
| Increase in deposit from central banks   | <b>1,418,048</b>       | 715,624                |
| Increase in deposit from other banks   | <b>9,683</b>           | 60,005                 |
| Cash from operations   | <b>59,814,783</b>      | 590,110                |
| Income taxes paid  | <b>(3,635,454)</b>     | (3,501,661)            |
| Interest paid  | <b>(3,431,920)</b>     | (3,339,751)            |
| <b>Net cash inflow/(outflow) from operating activities</b>   | <b>52,747,409</b>      | (6,251,302)            |

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|  | 2021<br>RMB'000     | 2020<br>RMB'000     |
|--|---------------------|---------------------|
| <b>INVESTING ACTIVITIES</b>  |                     |                     |
| Dividends received from associates and other investments   | 334,540             | 196,746             |
| Dividends received from equity instruments at fair value through other comprehensive income            | 1,195,069           | 42,927              |
| Interest from the debt instruments at fair value through other comprehensive income and amortised cost | 346,175             | 508,248             |
| Purchases of property and equipment and other intangible assets  | (1,799,247)         | (8,094,165)         |
| Acquisition of a subsidiary  | –                   | (1,680,869)         |
| Proceeds on disposal of property and equipment   | 455,196             | 18,557              |
| Cash paid for investments accounted for using equity method  | (1,398,675)         | (419,750)           |
| Proceeds from partial disposal of associates and joint ventures  | 685,719             | 605,400             |
| Purchases of   |                     |                     |
| Debt instruments at fair value through other comprehensive income                                      | (30,272,325)        | (9,522,434)         |
| Financial assets at fair value through profit or loss  | (3,774,445)         | (5,727,804)         |
| Equity instruments at fair value through other comprehensive income                                    | (4,794,583)         | (563,438)           |
| Debt instruments measured at amortised cost  | (2,443,311)         | (2,493,058)         |
| Proceeds from disposal of  |                     |                     |
| Equity instruments at fair value through other comprehensive income                                    | 10,886,498          | 436,745             |
| Debt instruments at fair value through other comprehensive income                                      | 5,457,106           | 7,276,001           |
| Debt instruments measured at amortised cost  | 1,836,516           | 1,344,582           |
| Financial assets at fair value through profit or loss  | 2,348,936           | 1,616,522           |
| <b>Net cash outflow from investing activities</b>  | <b>(20,936,831)</b> | <b>(16,455,790)</b> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

|   | 2021<br>RMB'000     | 2020<br>RMB'000    |
|---|---------------------|--------------------|
| <b>FINANCING ACTIVITIES</b>   |                     |                    |
| Dividends paid  | (3,931,210)         | (4,057,229)        |
| Proceeds from issuance of ordinary shares                                   | –                   | 20,000,000         |
| Proceeds from issuance of subsidiaries' shares                              | 31,298              | 37,794             |
| Payments on capital returned to non-controlling shareholders                | –                   | (88,370)           |
| Borrowings raised   | 53,066,260          | 66,600,567         |
| Interest paid for borrowings and bonds                                      | (8,360,887)         | (9,940,371)        |
| Interest paid for perpetual notes   | (64,736)            | (50,211)           |
| Issuance cost paid for short-term bonds, non-convertible bonds and others   | (268,863)           | (228,716)          |
| Repayment of lease liabilities  | (506,791)           | (518,802)          |
| Repayment of borrowings, short-term bonds, non-convertible bonds and others | (177,742,005)       | (214,257,670)      |
| Proceeds from share issued upon exercise of share options of a subsidiary   | 2,506               | –                  |
| Proceeds from non-convertible bonds and short-term financing bills payables | 126,612,630         | 161,612,817        |
| Issuance cost paid  | –                   | (159,830)          |
| Purchase of shares held under the share award scheme                        | –                   | (210,361)          |
| <b>Net cash (outflow)/inflow from financing activities</b>                  | <b>(11,161,798)</b> | <b>18,739,618</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                 | <b>20,648,780</b>   | <b>(3,967,474)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>         | <b>(250,989)</b>    | <b>227,865</b>     |
| <b>Cash and cash equivalents at the beginning of period</b>                 | <b>37,307,276</b>   | <b>41,046,885</b>  |
| <b>Cash and cash equivalents at the end of period (Note 38)</b>             | <b>57,705,067</b>   | <b>37,307,276</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL INFORMATION OF THE GROUP

Haitong Securities Co., Ltd. (the “Company”) was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People’s Bank of China in September 1994 and changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the “CSRC”). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company’s merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year. After its listing, its name was changed to “Haitong Securities”. On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The address of the Company’s registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in securities brokerage; proprietary securities activities; securities underwriting and sponsorship; securities investment advisory; financial consultancy related to securities trading and investment activities; direct equity investments; securities investment fund distribution; introducing brokerage business for futures companies; margin financing and securities lending; agency sale of financial products; stock option market-making, the consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) which are relevant to the Group for the first time in the current year:

### 2.1. New and amended standards adopted by the Group

The Group has adopted the new and amended standards from 1 January 2021 in their first interim financial statements:

- (a) Amendments to IFRS 16: COVID 19 – Related Rent Concessions (March 2021)
- (b) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark (IBOR) Reform-Phase 2



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### 2.1. New and amended standards adopted by the Group (Continued)

#### (a) *Amendments to IFRS 16: COVID 19 – Related Rent Concessions (March 2021)*

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees (but not lessors) with relief in the form of an optional practical expedient from assessing whether a rent concession related to COVID-19 is a lease modification (the 'May 2020 amendment'). Lessees could elect to account for rent concessions in the same way as if they were not lease modifications. In many cases, the practical expedient resulted in accounting for the concession as a variable lease payment.

The practical expedient in the May 2020 amendment applied only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions were met:

- a. the change in lease payments resulted in revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affected only payments due on or before 30 June 2021; and
- c. there was no substantive change to other terms and conditions of the lease.

On 31 March 2021, in light of the ongoing pandemic, the IASB published an additional amendment to extend the date from 30 June 2021 to 30 June 2022 (the 'March 2021 amendment').

#### (b) *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark (IBOR) Reform-Phase 2*

Amendments to IFRSs issued (Interest Rate Benchmark Reform Phase 2) represents the second phase of the project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform.

Under these amendments, changes made to financial instruments measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### 2.1. New and amended standards adopted by the Group (Continued)

The following table shows the outstanding carrying amount of financial instruments subject to interest rate benchmark reform, by main benchmark, as at 31 December 2021:

|  | Hong Kong<br>Interbank<br>Offered Rate<br>("HIBOR")<br>RMB('000) | London<br>Interbank<br>Offered Rate<br>("LIBOR")<br>RMB('000) |
|--|--|---|
| <b>Financial assets</b>                                    |  |   |
| Financial assets at fair value through profit or loss      | 722,170  | —   |
| Financial assets held under resale agreement               | 6,189  | —   |
| Other loans and receivables                                | 1,141,306  | 317,339   |
| Loans and advances   | —  | —   |
| Accounts receivable  | —  | 258,349   |
| Derivative financial assets                                | —  | 12,417  |
| <b>Financial liabilities</b>                               |  |   |
| Borrowings and bonds payable                               | 20,252,098   | 10,467,209  |
| Financial liabilities at fair value through profit or loss | —  | —   |
| Derivative financial liabilities                           | —  | 139,566   |

None of the above contracts has been transitioned to the relevant reform rates as at 31 December 2021.

There were no significant impacts from amendments above on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### 2.2. Impact of standards issued but not yet applied by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

|     |                                  |   | Effective for annual periods<br>beginning on or after  |
|-----|----------------------------------|---|--|
| (a) | IFRS 17                          | Insurance Contracts   | 1 January 2023   |
| (b) | Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture | The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early adoption of the amendments continue to be permitted |
| (c) | Amendments to IAS 1              | Classification of liabilities   | 1 January 2023   |
| (d) | Amendments to IFRS 3             | Business Combinations   | 1 January 2022   |
| (e) | Amendments to IAS 16             | Property, Plant and Equipment   | 1 January 2022   |
| (f) | Amendments to IAS 37             | Provisions, Contingent Liabilities and Contingent Assets                              | 1 January 2022   |

#### (a) *IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of this standard will not have any impact on the Group's consolidated financial statements.

#### (b) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

### 2.2. Impact of standards issued but not yet applied by the Group (Continued)

#### (c) *Amendments to IAS 1: Classification of liabilities*

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (d) *Amendments to IFRS 3: Business Combinations*

Amendments to IFRS 3: 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (e) *Amendments to IAS 16: Property, Plant and Equipment*

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (f) *Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets*

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### **Basis of consolidation (Continued)**

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

#### *Changes in the Group's ownership interests in existing subsidiaries (Continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholder of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

#### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

### *Contract with multiple performance obligations (including allocation of transaction pricing)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Revenue from contracts with customers (Continued)

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

##### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

##### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Revenue from contracts with customers (Continued)

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)*

##### *Costs to fulfil a contract*

The Group incurs costs to fulfil a contract in its business activities, e.g. sponsorship services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

### Leases

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Leases (Continued)

#### *The Group as a lessor (Continued)*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### *Sale and leaseback transactions*

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

#### **Leasehold land and building**

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Employee benefits

#### *Social welfare*

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

#### *Contributions to pension schemes and annuity plans*

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions. The employees of the Group participate in various defined contribution pension schemes principally organised by municipal and provincial governments (the "Social Security Plans"). The Group contributes for employees based on a certain percentage of their salary and within the limit prescribed by the government to the pension scheme on a monthly basis. The contribution shall be managed and paid to retired employees through labor and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the Social Security Plans. In addition to the above-mentioned Social Security Plans, certain employees participate in the employer-sponsored enterprise annuity plans (the "annuity plans") as well. The Group shall contribute to the annuity plans in accordance with agreed bases and percentages. Forfeited contributions by those employees who leave the annuity plans prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the annuity plans to be attributed to the members of the annuity plans after fulfilling the approval procedures.

#### *Retirement benefit costs and termination benefits*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Employee benefits (Continued)

##### *Retirement benefit costs and termination benefits (Continued)*

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Employee benefits (Continued)

#### *Retirement benefit costs and termination benefits (Continued)*

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits.

#### *Short-term and other long-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

### Share-based payment transactions

#### *Share options granted to employees*

The Company's subsidiary Haitong International Securities Group Limited ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Share-based payment transactions (Continued)

##### *Share options granted to employees (Continued)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to capital reserve. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to capital reserve.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Property and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

| Classes                                    | Estimated residual value rates | Useful lives        |
|--|--------------------------------|---------------------|
| Land and buildings                         | 3 – 5%                         | 30 – 40 years       |
| Furniture, fixtures and equipment          | 3 – 10%                        | 5 – 11 years        |
| Transportation equipment                   | 3 – 10%                        | 5 – 8 years         |
| Electronic equipment                       | 3 – 10%                        | 3 – 5 years         |
| Assets held for operating lease businesses | 15%                            | 18 – 25 years       |
| Leasehold improvements                     | nil                            | Over the lease term |

#### Buildings under development for future shareholder-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### **Investment properties (Continued)**

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### **Intangible assets**

#### ***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### ***Derecognition of Intangible assets***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

#### ***Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Intangible assets (Continued)

##### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)*

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Intangible assets (Continued)

#### *Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Classification and subsequent measurement of financial assets (Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

#### (ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at FVTOCI. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Classification and subsequent measurement of financial assets (Continued)*

#### (iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

#### (iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

The Group always recognises lifetime ECL for accounts receivable recognised in accordance with IFRS 15. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt.
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### (i) Significant increase in credit risk (Continued)

- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;
- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority.
- Actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitization, which may result in ability decrease of relevant subordinated interest to absorb ECL.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### (i) Significant increase in credit risk (Continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due.

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### (iii) Credit-impaired financial assets (Continued)

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### (v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### (v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions, and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Derecognition of financial assets (Continued)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### Financial liabilities and equity instruments

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

#### *Financial liabilities at FVTPL (Continued)*

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

#### *Financial liabilities at amortised cost*

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### *Derecognition/non-substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### *Compound financial instruments*

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### **Financial instruments (Continued)**

##### ***Derivative financial instruments***

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

##### ***Embedded Derivative***

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

##### ***Offsetting a financial asset and a financial liability***

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### ***Financial assets sold under repurchase agreements and financial assets held under resale agreements***

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements (Continued)*

##### *(a) Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statement of financial position.

##### *(b) Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statement of financial position.

### *Hedge accounting*

The Group designates certain derivatives and bank loans for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Financial instruments (Continued)

#### *Hedge accounting (Continued)*

#### *Assessment of hedging relationship and effectiveness (Continued)*

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### *Cash flow hedges*

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other income and gains line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

#### *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

#### *Discontinuation of hedge accounting*

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Financial instruments (Continued)

#### *Hedge accounting (Continued)*

##### *Discontinuation of hedge accounting (Continued)*

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### *Securities lending*

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as “accounts payable to brokerage clients”. For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

#### *Financial guarantee contracts*

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Measurement of ECL

The Group regularly reviews its finance leases receivable, financial assets measurement at amortised cost and debt instruments at fair value through other comprehensive income to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

### Measurement of ECL (Continued)

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

#### *Significant increase of credit risk*

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information, which are detailed in note 76.

#### *Models and assumptions used*

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Details are set out in note 76.

#### *Forward-looking information*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details are set out in note 76.

#### *Probability of default (PD)*

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details are set out in note 76.

#### *Loss given default (LGD)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details are set out in note 76.

### Fair value measurement of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 24.

### Principal versus agent consideration (principal)

The Group engages in commodity trading. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk.

### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

### Determination on classification of financial assets

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test.

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayments); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

### Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities where the Group acts as manager or invests in, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the structured entities that is of such significance that it indicates that the Group is a principal. The structured entities are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 69 and 70 to the consolidated financial statements respectively.

## 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group's strategic planning and satisfy internal management in the meantime. The Group's business segments are classified in accordance with the requirements of IFRSs, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component's accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, asset management, trading and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 5. SEGMENT REPORTING (CONTINUED)

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

- (1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;
- (2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;
- (3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;
- (4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market-making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;
- (5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;
- (6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, etc.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2021 and 2020 is as follows:

### Operating and Reportable segment

For the year ended 31 December 2021

|   | Wealth<br>management<br><i>RMB'000</i> | Investment<br>banking<br><i>RMB'000</i> | Asset<br>management<br><i>RMB'000</i> | Trading and<br>institution<br><i>RMB'000</i> | Finance lease<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Consolidated<br>total<br><i>RMB'000</i> |
|---|--|---|---------------------------------------|--|---------------------------------|--------------------------|---|
| <b>Segment revenue and results</b>  |  |   |                                       |  |                                 |                          |   |
| Revenue   | 17,143,395                             | 5,439,731                               | 3,997,179                             | 15,313,123                                   | 6,501,470                       | 9,074                    | 48,403,972                              |
| Other income and gains  | 348,122                                | 276,163                                 | 151,681                               | 354,141                                      | 2,376,176                       | 5,899,306                | 9,405,589                               |
| Segment revenue   | 17,491,517                             | 5,715,894                               | 4,148,860                             | 15,667,264                                   | 8,877,646                       | 5,908,380                | 57,809,561                              |
| Segment expenses  | 12,556,507                             | 2,721,431                               | 2,372,493                             | 10,008,524                                   | 7,284,804                       | 5,971,892                | 40,915,651                              |
| Segment results   | 4,935,010                              | 2,994,463                               | 1,776,367                             | 5,658,740                                    | 1,592,842                       | (63,512)                 | 16,893,910                              |
| Share of results of associates and<br>joint ventures  | -                                      | -                                       | 712,172                               | 937,717                                      | -                               | -                        | 1,649,889                               |
| Segment profit before income tax  | 4,935,010                              | 2,994,463                               | 2,488,539                             | 6,596,457                                    | 1,592,842                       | (63,512)                 | 18,543,799                              |
| <b>Segment assets and liabilities</b>   |  |   |                                       |  |                                 |                          |   |
| Segment assets  | 241,389,287                            | 10,094,708                              | 13,824,798                            | 350,203,976                                  | 114,017,446                     | 3,768,589                | 733,298,804                             |
| Investments accounted for using<br>equity method  | -                                      | -                                       | 1,957,895                             | 4,496,525                                    | -                               | -                        | 6,454,420                               |
| Deferred tax assets   |  |   |                                       |  |                                 |                          | 5,171,925                               |
| Group's total assets  |  |   |                                       |  |                                 |                          | 744,925,149                             |
| Segment liabilities   | 192,472,695                            | 9,040,397                               | 7,705,572                             | 250,499,642                                  | 106,049,411                     | 81,995                   | 565,849,712                             |
| Deferred tax liabilities  |  |   |                                       |  |                                 |                          | 1,320,651                               |
| Group's total liabilities   |  |   |                                       |  |                                 |                          | 567,170,363                             |
| Other segment information (Amounts<br>included in the measure of segment<br>profit or loss) |  |   |                                       |  |                                 |                          |   |
| Depreciation and amortization   | 388,042                                | 155,892                                 | 174,906                               | 357,780                                      | 416,472                         | 76,249                   | 1,569,341                               |
| Capital expenditure   | 507,641                                | 193,071                                 | 29,973                                | 336,422                                      | 654,185                         | 77,955                   | 1,799,247                               |
| Impairment losses under expected<br>credit loss model                                       | 1,125,388                              | 121,804                                 | 177,095                               | 210,187                                      | 1,717,445                       | (245)                    | 3,351,674                               |
| Impairment losses on other assets   | -                                      | -                                       | -                                     | 414,645                                      | 85,566                          | (1,043)                  | 499,168                                 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 5. SEGMENT REPORTING (CONTINUED)

### Operating and Reportable segment (Continued)

For the year ended 31 December 2020

|  | Wealth<br>management<br><i>RMB'000</i> | Investment<br>banking<br><i>RMB'000</i> | Asset<br>management<br><i>RMB'000</i> | Trading and<br>institution<br><i>RMB'000</i> | Finance lease<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Consolidated<br>total<br><i>RMB'000</i> |
|--|--|---|---------------------------------------|--|---------------------------------|--------------------------|---|
| <b>Segment revenue and results</b>   |  |   |                                       |  |                                 |                          |   |
| Revenue  | 15,752,048                             | 6,027,749                               | 4,099,914                             | 14,151,968                                   | 6,273,204                       | 68,332                   | 46,373,215                              |
| Other income and gains   | 243,686                                | 52,435                                  | 101,099                               | 297,123                                      | 2,088,463                       | 5,121,179                | 7,903,985                               |
| Segment revenue  | 15,995,734                             | 6,080,184                               | 4,201,013                             | 14,449,091                                   | 8,361,667                       | 5,189,511                | 54,277,200                              |
| Segment expenses   | 11,623,707                             | 3,101,376                               | 2,455,314                             | 9,510,324                                    | 7,142,478                       | 5,229,708                | 39,062,907                              |
| Segment results  | 4,372,027                              | 2,978,808                               | 1,745,699                             | 4,938,767                                    | 1,219,189                       | (40,197)                 | 15,214,293                              |
| Share of results of associates and<br>joint ventures   | –                                      | –                                       | 464,398                               | 117,035                                      | (38,416)                        | –                        | 543,017                                 |
| Segment profit before income tax   | 4,372,027                              | 2,978,808                               | 2,210,097                             | 5,055,802                                    | 1,180,773                       | (40,197)                 | 15,757,310                              |
| <b>Segment assets and liabilities</b>  |  |   |                                       |  |                                 |                          |   |
| Segment assets   | 231,235,482                            | 22,255,417                              | 16,646,942                            | 304,943,619                                  | 107,122,490                     | 3,158,934                | 685,362,884                             |
| Investments accounted for using<br>equity method   | –                                      | –                                       | 1,448,469                             | 2,979,838                                    | –                               | –                        | 4,428,307                               |
| Deferred tax assets  |  |   |                                       |  |                                 |                          | 4,282,160                               |
| Group's total assets   |  |   |                                       |  |                                 |                          | 694,073,351                             |
| Segment liabilities  | 177,785,461                            | 21,494,501                              | 10,855,873                            | 212,465,257                                  | 101,198,687                     | 1,449,126                | 525,248,905                             |
| Deferred tax liabilities   |  |   |                                       |  |                                 |                          | 698,134                                 |
| Group's total liabilities  |  |   |                                       |  |                                 |                          | 525,947,039                             |
| <b>Other segment information (Amounts<br/>included in the measure of segment<br/>profit or loss)</b> |  |   |                                       |  |                                 |                          |   |
| Depreciation and amortization  | 307,638                                | 191,568                                 | 164,673                               | 244,918                                      | 422,911                         | 32,174                   | 1,363,882                               |
| Capital expenditure  | 2,371,770                              | 1,489,630                               | 57,821                                | 1,400,028                                    | 2,765,741                       | 9,175                    | 8,094,165                               |
| Impairment losses under expected<br>credit loss model  | 1,844,320                              | 210,767                                 | 79,764                                | 629,161                                      | 1,821,454                       | 759                      | 4,586,225                               |
| Impairment losses on other assets  | –                                      | –                                       | –                                     | –  | 10,050                          | 873                      | 10,923                                  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 5. SEGMENT REPORTING (CONTINUED)

### Operating and Reportable segment (Continued)

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2021 and 2020.

## 6. COMMISSION AND FEE INCOME

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Securities, futures and options dealing and broking fee income     | <b>9,668,840</b>       | 8,549,407              |
| Underwriting and sponsors fee                                      | <b>4,578,454</b>       | 4,548,113              |
| Asset management fee income (including fund management fee income) | <b>3,691,479</b>       | 3,403,089              |
| Financial advisory and consultancy fee income                      | <b>651,515</b>         | 738,003                |
| Others   | <b>172,446</b>         | 148,802                |
|  | <b>18,762,734</b>      | 17,387,414             |

The major business types of commission and fee income from customers are as follows:

### (1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

### (2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6. COMMISSION AND FEE INCOME (CONTINUED)

### (3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2021, the Group's most contracts with customers have original expected duration of less than one year.

## 7. INTEREST INCOME

|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
|---|-------------------|-----------------|
| Bank interest income  | 3,212,034         | 2,805,067       |
| Interest income from advances to customers on margin financing  | 5,325,547         | 4,405,044       |
| Interest income from loans and receivable   | 1,241,489         | 1,311,985       |
| Interest income from financial assets held under resale agreements  | 2,203,203         | 2,922,487       |
| Interest income from debt instruments at fair value through other comprehensive income and amortised cost | 903,940           | 503,724         |
| Interest income from receivables arising from sale and leaseback arrangements                             | 2,730,138         | 2,017,118       |
| Other interest income   | 9,625             | 10,527          |
|   | <b>15,625,976</b> | 13,975,952      |
| Finance lease income  | <b>3,336,406</b>  | 3,932,863       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 8. INVESTMENT INCOME AND GAINS (NET)

|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|-----------------|-----------------|
| Net realised gains arising from financial assets/liabilities at fair value through profit or loss | 10,308,037      | 9,745,821       |
| Fair value change of financial instruments at fair value through profit or loss                   | 290,515         | 1,270,742       |
| Dividend income from equity instruments at fair value through other comprehensive income          | 1,195,069       | 42,927          |
| Net (losses)/gains arising from debt instruments at fair value through other comprehensive income | (620,788)       | 14,485          |
| Others  | (493,977)       | 3,011           |
|   | 10,678,856      | 11,076,986      |

## 9. OTHER INCOME AND GAINS

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Income from commodity trading            | 5,865,706       | 5,081,587       |
| Service fee income from finance lease    | 1,281,696       | 1,148,831       |
| Government grants                        | 725,782         | 568,185         |
| Rental income from operating lease       | 451,145         | 464,432         |
| Foreign exchange gains                   | 279,938         | 211,406         |
| Rental income from investment properties | 12,583          | 13,355          |
| Others                                   | 788,739         | 416,189         |
|  | 9,405,589       | 7,903,985       |

## 10. COMMISSION AND FEE EXPENSES

|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|-----------------|-----------------|
| Securities and futures dealing and broking expenses               | 3,230,145       | 2,756,572       |
| Commission expenses   | 414,479         | 584,737         |
| Services expenses for underwriting, financial advisory and others | 126,013         | 193,957         |
|   | 3,770,637       | 3,535,266       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 11. INTEREST EXPENSES

|  | 2021<br>RMB'000   | 2020<br>RMB'000   |
|--|-------------------|-------------------|
| Interest expenses for:   |                   |                   |
| – Borrowings and overdrafts  | 2,523,845         | 3,300,189         |
| – Deposit taken from banks and other financial institutes          | 139,355           | 260,525           |
| – Financial assets sold under repurchase agreements                | 1,666,352         | 1,762,502         |
| – Accounts payable to brokerage clients                            | 650,961           | 422,174           |
| – Advances from China Securities Finance Corporation Ltd. (“CSFC”) | 352,369           | 244,409           |
| – Bonds payables and short-term financing bills payable            | 6,344,323         | 6,337,819         |
| – Lease liabilities  | 41,531            | 40,512            |
| – Others   | 622,883           | 650,141           |
|  | <b>12,341,619</b> | <b>13,018,271</b> |

## 12. DEPRECIATION AND AMORTISATION

|   | 2021<br>RMB'000  | 2020<br>RMB'000  |
|---|------------------|------------------|
| Depreciation of property and equipment  | 892,585          | 669,597          |
| Depreciation for right-of-use assets    | 482,321          | 502,920          |
| Depreciation of investment properties   | 3,348            | 5,806            |
| Amortisation of other intangible assets | 191,087          | 185,559          |
|   | <b>1,569,341</b> | <b>1,363,882</b> |

## 13. STAFF COSTS

|   | 2021<br>RMB'000  | 2020<br>RMB'000  |
|---|------------------|------------------|
| Staff costs (including directors' remuneration (Note 71)) |                  |                  |
| Salaries, bonus and allowances                            | 7,629,206        | 6,660,335        |
| Contributions to annuity plans and retirement schemes (i) | 966,816          | 681,175          |
| Other social welfare                                      | 429,228          | 315,172          |
|   | <b>9,025,250</b> | <b>7,656,682</b> |

- (i) The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirement plans are charged to profit or loss in the period to which they relate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13. STAFF COSTS (CONTINUED)

The Group's subsidiary in Portugal operated a defined benefit scheme. The retirement pension liabilities are calculated semi-annually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries of Mercer (Portugal) Lda. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities. As at 31 December 2021, the actuarial valuations indicate that the fair value of plan assets of the Group's subsidiary in Portugal represents a liability financing level of 112.37 per cent (31 December 2020: 100.60 per cent). As at 31 December 2021, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR 50,066 thousand equivalent to RMB361,462 thousand (31 December 2020: EUR 52,754 thousand equivalent to RMB423,351 thousand) and EUR 56,260 thousand equivalent to RMB406,180 thousand (31 December 2020: EUR 53,072 thousand equivalent to RMB425,903 thousand) respectively.

Share option award of subsidiaries is disclosed in Note 73.

## 14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

|   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| ECL in respect of:  |                        |                        |
| – Finance lease receivables   | <b>1,062,882</b>       | 1,266,219              |
| – Receivables arising from sale and leaseback arrangements          | <b>315,609</b>         | 231,697                |
| – Advances to customers on margin financing                         | <b>485,262</b>         | 1,024,424              |
| – Financial assets held under resale agreements                     | <b>781,956</b>         | 851,067                |
| – Other loans and receivables                                       | <b>512,580</b>         | 846,237                |
| – Debt instruments at amortised cost                                | <b>10,462</b>          | 18,732                 |
| – Debt instruments at fair value through other comprehensive income | <b>83,512</b>          | 259,494                |
| – Loans and advances  | <b>1,124</b>           | 16,410                 |
| – Other financial assets and other items                            | <b>98,287</b>          | 71,945                 |
|   | <b>3,351,674</b>       | 4,586,225              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 15. IMPAIRMENT LOSSES ON OTHER ASSETS

|                        | 2021<br>RMB'000 | 2020<br>RMB'000 |
|------------------------|-----------------|-----------------|
| Property and equipment | 46,616          | –               |
| Goodwill               | 414,645         | –               |
| Other assets           | 37,907          | 10,923          |
|                        | <b>499,168</b>  | <b>10,923</b>   |

### 16. OTHER EXPENSES

|                           | 2021<br>RMB'000   | 2020<br>RMB'000  |
|---------------------------|-------------------|------------------|
| Cost of commodity trading | 5,769,173         | 5,040,194        |
| Administrative expenses   | 3,864,814         | 3,175,602        |
| Taxes and surcharges      | 284,499           | 181,777          |
| Others                    | 439,476           | 494,085          |
|                           | <b>10,357,962</b> | <b>8,891,658</b> |

### 17. INCOME TAX EXPENSE

|              | 2021<br>RMB'000  | 2020<br>RMB'000  |
|--------------|------------------|------------------|
| Current tax  | 5,003,791        | 4,511,434        |
| Deferred tax | (207,854)        | (791,353)        |
|              | <b>4,795,937</b> | <b>3,720,081</b> |

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

The subsidiaries of the Group operated in Hong Kong are subject to Hong Kong Profits Tax, which is calculated at 16.5% on the estimated assessable profits arising in Hong Kong.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 17. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Profit before income tax   | 18,543,799      | 15,757,310      |
| Tax at the statutory tax rate of 25%   | 4,635,950       | 3,939,327       |
| Effect of share of results of associates and joint ventures                    | (121,984)       | (106,658)       |
| Tax effect of expenses not deductible for tax purpose                          | 562,203         | 915,173         |
| Tax effect of income not taxable for tax purpose                               | (643,617)       | (658,647)       |
| Over provision in prior years  | (19,536)        | (49,169)        |
| Utilisation of tax losses previously not recognised                            | (93,238)        | (565,362)       |
| Tax effect of tax losses and deductible temporary differences not recognised   | 482,810         | 463,472         |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (6,651)         | (218,055)       |
| Tax charge   | 4,795,937       | 3,720,081       |

## 18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is as follows:

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Earnings for the purpose of basic earnings per share:  |                 |                 |
| Profit for the year attributable to shareholders of the Company  | 12,826,517      | 10,875,396      |
| Effect of dilutive potential ordinary shares:  |                 |                 |
| Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share (Note) | (151)           | (3,975)         |
| Earnings for the purpose of diluted earnings per share   | 12,826,366      | 10,871,421      |
| Number of shares for basic and diluted earnings per share:   |                 |                 |
| Number of shares in issue (in thousand)  | 13,064,200      | 12,022,533      |
| Basic earnings per share (expressed in RMB per share)  | 0.98            | 0.90            |
| Diluted earnings per share (expressed in RMB per share)  | 0.98            | 0.90            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 18. EARNINGS PER SHARE (CONTINUED)

*Note:* The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The diluted profits of the Group takes into account the potential impact of both convertible bonds issued by a subsidiary of the Company and various share option or share awards schemes operated by a subsidiary of the Company, assuming outstanding convertible bonds were fully converted to ordinary shares and additional shares were issued to relevant employees of each subsidiary on the first day of the year.

## 19. PROPERTY AND EQUIPMENT

|  | Land and<br>buildings<br><i>RMB'000</i> | Leasehold<br>improvements<br><i>RMB'000</i> | Electronic<br>equipment<br><i>RMB'000</i> | Transportation<br>equipment<br><i>RMB'000</i> | Furniture,<br>fixtures and<br>equipment<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|---|---|---|---|---|---|-------------------------|
| <b>Cost</b>                            |   |   |   |   |   |   |                         |
| As at 1 January 2021                   | 9,070,468                               | 818,821                                     | 1,474,675                                 | 6,371,799                                     | 269,662   | 357,580                                       | 18,363,005              |
| Additions during the year              | 129,991                                 | 113,507                                     | 345,232                                   | 552,341                                       | 31,533  | 339,341                                       | 1,511,945               |
| Disposals during the year              | (5,138)                                 | (84,265)                                    | (64,802)                                  | (563,167)                                     | (21,975)  | –   | (739,347)               |
| Transfer in from investment properties | 60,631                                  | –   | –   | –   | –   | –   | 60,631                  |
| Transfer during the year               | 273,316                                 | 49,393                                      | 16,404                                    | 314   | 26,144  | (365,571)                                     | –                       |
| Exchange difference                    | (10,518)                                | (9,165)                                     | (14,899)                                  | (148,823)                                     | (7,282)   | (1,227)                                       | (191,914)               |
| As at 31 December 2021                 | 9,518,750                               | 888,291                                     | 1,756,610                                 | 6,212,464                                     | 298,082   | 330,123                                       | 19,004,320              |
| <b>Accumulated depreciation</b>        |   |   |   |   |   |   |                         |
| As at 1 January 2021                   | 689,638                                 | 587,565                                     | 1,081,584                                 | 658,976                                       | 205,571   | –   | 3,223,334               |
| Provided for the year                  | 257,021                                 | 112,673                                     | 186,188                                   | 313,889                                       | 22,814  | –   | 892,585                 |
| Eliminated on disposals                | (2,486)                                 | (56,833)                                    | (61,889)                                  | (98,158)                                      | (20,887)  | –   | (240,253)               |
| Transfer in from investment properties | 9,016                                   | –   | –   | –   | –   | –   | 9,016                   |
| Exchange difference                    | (958)                                   | (9,637)                                     | (13,666)                                  | (15,440)                                      | (6,180)   | –   | (45,881)                |
| As at 31 December 2021                 | 952,231                                 | 633,768                                     | 1,192,217                                 | 859,267                                       | 201,318   | –   | 3,838,801               |
| <b>Allowance for impairment losses</b> |   |   |   |   |   |   |                         |
| As at 1 January 2021                   | 30,382                                  | –   | –   | –   | –   | –   | 30,382                  |
| Provided for the period                | –                                       | –   | –   | 46,616  | –   | –   | 46,616                  |
| Exchange differences                   | –                                       | –   | –   | (355)   | –   | –   | (355)                   |
| As at 31 December 2021                 | 30,382                                  | –   | –   | 46,261  | –   | –   | 76,643                  |
| <b>Carrying amount</b>                 |   |   |   |   |   |   |                         |
| As at 31 December 2021                 | 8,536,137                               | 254,523                                     | 564,393                                   | 5,306,936                                     | 96,764  | 330,123                                       | 15,088,876              |
| As at 31 December 2020                 | 8,350,448                               | 231,256                                     | 393,091                                   | 5,712,823                                     | 64,091  | 357,580                                       | 15,109,289              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 19. PROPERTY AND EQUIPMENT (CONTINUED)

Transportation equipment of the Group includes aircraft held for operating lease businesses, as at 31 December 2021, the cost of aircraft amounts to RMB6,053,876 thousand (2020: RMB6,209,362 thousand), accumulated depreciation amounts to RMB726,263 thousand (2020: RMB525,016 thousand), allowance for impairment losses amounts to RMB46,261 thousand (2020: RMB0 thousand), and the carrying amounts of aircraft amounts to RMB5,281,352 thousand (2020: RMB5,684,346 thousand).

As at 31 December 2021 and 31 December 2020, were yet to be obtained for the buildings amounted to RMB29,460 thousand and RMB30,661 thousand respectively for the relevant land and building certificates.

## 20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

|                                 | Leasehold<br>land and<br>buildings<br><i>RMB'000</i> | Electronic<br>equipment<br><i>RMB'000</i> | Transportation<br>equipment<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---------------------------------|--|---|---|--------------------------|-------------------------|
| <b>Cost</b>                     |  |   |   |                          |                         |
| As at 1 January 2021            | 2,927,671  | 759                                       | 5,303   | 2,308                    | 2,936,041               |
| Additions during the year       | 467,409  | 664                                       | 1,457   | 304                      | 469,834                 |
| Decreases during the year       | (381,144)  | (544)                                     | (2,073)                                       | (511)                    | (384,272)               |
| Exchange difference             | (21,683)   | (76)                                      | (527)   | 7                        | (22,279)                |
| As at 31 December 2021          | 2,992,253  | 803                                       | 4,160   | 2,108                    | 2,999,324               |
| <b>Accumulated amortisation</b> |  |   |   |                          |                         |
| As at 1 January 2021            | 1,119,942  | 568                                       | 3,039   | 1,164                    | 1,124,713               |
| Provided for the year           | 480,419  | 222                                       | 1,298   | 382                      | 482,321                 |
| Decreases during the year       | (371,500)  | (514)                                     | (2,046)                                       | (403)                    | (374,463)               |
| Exchange difference             | (11,499)   | (61)                                      | (326)   | –                        | (11,886)                |
| As at 31 December 2021          | 1,217,362  | 215                                       | 1,965   | 1,143                    | 1,220,685               |
| <b>Carrying amount</b>          |  |   |   |                          |                         |
| As at 31 December 2021          | 1,774,891  | 588                                       | 2,195   | 965                      | 1,778,639               |
| As at 31 December 2020          | 1,807,729  | 191                                       | 2,264   | 1,144                    | 1,811,328               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

#### Lease liabilities

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| Within 1 year   | 307,759               | 352,544               |
| 1 to 2 years  | 238,764               | 254,445               |
| 2 to 5 years  | 249,731               | 223,004               |
| More than 5 years   | 250,925               | 222,420               |
|   | 1,047,179             | 1,052,413             |
| Amount due for settlement with 12 months shown under current liabilities      | 307,759               | 352,544               |
| Amount due for settlement after 12 months shown under non-current liabilities | 739,420               | 699,869               |

The Group leases various land and buildings, electronic equipment, transportation equipment and others for its operations. Most lease contracts are entered into for terms from 1 year to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2021, total cash outflow for leases amounts to RMB568,569 thousand (2020: RMB578,361 thousand).

For the year ended 31 December 2021, interest expenses for lease liabilities amounts to RMB41,532 thousand (2020: RMB40,512 thousand).

As at 31 December 2021, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2021, the Group did not enter into any significant lease that is not yet commenced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 21. INVESTMENT PROPERTIES

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| <b>Cost</b>                        |                       |                       |
| At beginning of the year           | 143,241               | 210,023               |
| Transfer in during the period      | 5,138                 | –                     |
| Addition during the year           | –                     | 46,649                |
| Transfer to property and equipment | (60,631)              | (103,011)             |
| Exchange difference                | (1,686)               | (10,420)              |
| At end of the year                 | 86,062                | 143,241               |
| <b>Accumulated depreciation</b>    |                       |                       |
| At beginning of the year           | 31,649                | 33,184                |
| Transfer in during the period      | 2,486                 | –                     |
| Provided for the year              | 3,348                 | 5,806                 |
| Transfer to property and equipment | (9,016)               | (6,925)               |
| Exchange difference                | –                     | (416)                 |
| At end of the year                 | 28,467                | 31,649                |
| <b>Carrying amount</b>             |                       |                       |
| At end of the year                 | 57,595                | 111,592               |

The fair values of the Group's investment properties as at 31 December 2021 and 31 December 2020, were RMB308,710 thousand and RMB254,884 thousand respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 22. GOODWILL

#### Cost and carrying values

|                          | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--------------------------|-----------------------|-----------------------|
| At beginning of the year | 3,884,910             | 4,134,434             |
| Impairment charge        | (414,645)             | –                     |
| Exchange adjustments     | (104,952)             | (249,524)             |
| At end of the year       | 3,365,313             | 3,884,910             |

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

### 23. OTHER INTANGIBLE ASSETS

|                                 | Trading<br>rights<br>RMB'000 | Computer<br>software<br>RMB'000 | Others<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|------------------------------|---------------------------------|-------------------|--|------------------|
| <b>Cost</b>                     |                              |                                 |                   |  |                  |
| As at 1 January 2021            | 224,226                      | 1,614,796                       | 108,927           | 27,154                                 | 1,975,103        |
| Additions during the year       | –                            | 170,478                         | –                 | 5,914                                  | 176,392          |
| Disposals during the year       | –                            | (3,045)                         | (10)              | (566)                                  | (3,621)          |
| Transfer during the year        | –                            | 2,140                           | –                 | (2,140)                                | –                |
| Exchange difference             | (183)                        | (39,365)                        | (1,894)           | (959)                                  | (42,401)         |
| As at 31 December 2021          | 224,043                      | 1,745,004                       | 107,023           | 29,403                                 | 2,105,473        |
| <b>Accumulated amortisation</b> |                              |                                 |                   |  |                  |
| As at 1 January 2021            | 116,601                      | 1,231,502                       | 75,036            | –                                      | 1,423,139        |
| Provided for the year           | –                            | 184,896                         | 6,191             | –                                      | 191,087          |
| Eliminated on disposals         | –                            | (3,045)                         | (10)              | –                                      | (3,055)          |
| Exchange difference             | –                            | (35,551)                        | (1,538)           | –                                      | (37,089)         |
| As at 31 December 2021          | 116,601                      | 1,377,802                       | 79,679            | –                                      | 1,574,082        |
| <b>Carrying amount</b>          |                              |                                 |                   |  |                  |
| As at 31 December 2021          | 107,442                      | 367,202                         | 27,344            | 29,403                                 | 531,391          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 23. OTHER INTANGIBLE ASSETS (CONTINUED)

|                                 | Trading<br>rights<br><i>RMB'000</i> | Computer<br>software<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---------------------------------|-------------------------------------|--|--------------------------|---|-------------------------|
| <b>Cost</b>                     |                                     |  |                          |   |                         |
| As at 1 January 2020            | 223,740                             | 1,442,703                              | 114,583                  | 22,635  | 1,803,661               |
| Additions during the year       | 843                                 | 196,217                                | 1,525                    | 6,685   | 205,270                 |
| Disposals during the year       | –                                   | (2,896)                                | (4,681)                  | –   | (7,577)                 |
| Transfer during the year        | –                                   | 2,165                                  | 75                       | (2,240)                                       | –                       |
| Exchange difference             | (357)                               | (23,393)                               | (2,575)                  | 74  | (26,251)                |
| As at 31 December 2020          | 224,226                             | 1,614,796                              | 108,927                  | 27,154  | 1,975,103               |
| <b>Accumulated amortisation</b> |                                     |  |                          |   |                         |
| As at 1 January 2020            | 116,601                             | 1,071,634                              | 69,367                   | –   | 1,257,602               |
| Provided for the year           | –                                   | 178,561                                | 6,998                    | –   | 185,559                 |
| Eliminated on disposals         | –                                   | (2,681)                                | (181)                    | –   | (2,862)                 |
| Exchange difference             | –                                   | (16,012)                               | (1,148)                  | –   | (17,160)                |
| As at 31 December 2020          | 116,601                             | 1,231,502                              | 75,036                   | –   | 1,423,139               |
| <b>Carrying amount</b>          |                                     |  |                          |   |                         |
| As at 31 December 2020          | 107,625                             | 383,294                                | 33,891                   | 27,154  | 551,964                 |

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

#### Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 22 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A"), one subsidiary in Hong Kong ("Unit B"), one subsidiary with headquarters in Hong Kong and operation mainly in Shanghai ("Unit C"), one subsidiary with headquarters in Portugal ("Unit D"), one subsidiary with headquarters in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2021 and 31 December 2020 allocated to these units are as follows:

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Unit A – Haitong Futures Co., Ltd.   | 5,896                 | 5,896                 |
| Unit B – Haitong International Securities Group Limited                                    | 641,800               | 660,671               |
| Unit C – Haitong UT Capital Group Co., Limited   | 2,047,416             | 2,107,617             |
| Unit D – Haitong Bank S.A.   | 544,806               | 981,646               |
| Unit E – Haitong International Holdings (UK) Limited<br>(formerly "Japaninvest Group plc") | 120,877               | 124,431               |
| Unit F – Haitong International Financial Services (Singapore) Pte. Ltd.                    | 4,518                 | 4,649                 |
|  | <b>3,365,313</b>      | <b>3,884,910</b>      |

During the year ended 31 December 2021, management of the Group determined that there were no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit E and Unit F exceed their respective carrying amounts.

During the year, in view of the underperformance of Unit D, the Group recognised an impairment provision of approximately RMB414,645 thousand against the carrying amount of goodwill in relation to Unit D for the year of 2021(2020: no impairment loss on the goodwill).

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 4.30% to 18.00% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2021. The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development. The growth rates for the forecast period ranged from -3.18% to 41.58%. The terminal growth rates ranged from 2.00% to 3.20%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (CONTINUED)

### Impairment testing on goodwill (Continued)

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2021 and 2020.

## 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Cost of unlisted investments in associates and joint ventures                                  | 4,082,549             | 3,384,351             |
| Share of post-acquisition profits and other comprehensive income,<br>net of dividends received | 2,371,871             | 1,043,956             |
| Total  | 6,454,420             | 4,428,307             |

Details of investments accounted for using equity method:

| Name of entity  | Place of establishment | Principal activities                                       | Proportion of ownership interest |            |
|---|------------------------|--|----------------------------------|------------|
|   |                        |  | 2021/12/31                       | 2020/12/31 |
| 上海彤關投資管理合夥企業<br>(有限合夥)<br>Shanghai Tong Guan Investment<br>Management Limited<br>Partnership*                       | PRC                    | Equity investment;<br>Investment<br>management<br>services | 50.00%                           | 50.00%     |
| 遼寧中德產業股權投資基金合夥<br>企業 (有限合夥)<br>Liaoning China-Germany Industrial<br>Equity Investment Fund (Limited<br>Partnership) | PRC                    | Equity investment  | 20.00%                           | 20.00%     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

| Name of entity  | Place of establishment | Principal activities                                   | Proportion of ownership interest |            |
|---|------------------------|--|----------------------------------|------------|
|   |                        |  | 2021/12/31                       | 2020/12/31 |
| 富國基金管理有限公司<br>Fullgoal Fund Management Co. Ltd.*  | PRC                    | Fund management and fund trading distribution services | <b>27.78%</b>                    | 27.78%     |
| 吉林省現代農業和新興產業投資基金有限公司<br>Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*             | PRC                    | Equity investment                                      | <b>35.71%</b>                    | 35.71%     |
| 西安航天新能源產業基金投資有限公司<br>Xi'an Aerospace and New Energy Industry Fund*  | PRC                    | Equity investment                                      | <b>37.06%</b>                    | 37.06%     |
| 上海文化產業股權投資基金合夥企業（有限合夥）<br>Shanghai Cultural Industries Investment Fund (Limited Partnership)*               | PRC                    | Equity investment                                      | <b>45.45%</b>                    | 45.49%     |
| 上海並購股權投資基金合夥企業（有限合夥）<br>Shanghai Equity Investment Fund Limited Partnership*                                | PRC                    | Equity investment                                      | <b>35.33%</b>                    | 35.33%     |
| 海通（吉林）現代服務業創業投資基金合夥企業（有限合夥）<br>Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership* | PRC                    | Equity investment                                      | <b>35.37%</b>                    | 35.37%     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

| Name of entity   | Place of establishment | Principal activities                              | Proportion of ownership interest |            |
|--|------------------------|---|----------------------------------|------------|
|  |                        |   | 2021/12/31                       | 2020/12/31 |
| 海通興泰（安徽）新興產業投資基金（有限合夥）<br>Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership* | PRC                    | Equity investment                                 | <b>28.63%</b>                    | 28.63%     |
| 海通齊東（威海）股權投資基金合夥企業（有限合夥）<br>Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership*          | PRC                    | Equity investment                                 | <b>34.95%</b>                    | 34.95%     |
| 廣東南方媒體融合發展投資基金（有限合夥）<br>Guangdong South Media Integration Fund Limited Partnership*                      | PRC                    | Equity investment                                 | <b>28.18%</b>                    | 28.18%     |
| 海通（吉林）股權投資基金合夥企業（有限合夥）<br>Haitong (Jilin) Equity Investment Fund Limited Partnership*                    | PRC                    | Private equity funds investment                   | <b>22.46%</b>                    | 22.46%     |
| 西安軍融電子衛星基金投資有限公司<br>Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd*                 | PRC                    | Investment management                             | <b>24.24%</b>                    | 24.24%     |
| 嘉興海通旭初股權投資基金合夥企業（有限合夥）<br>Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership*              | PRC                    | Equity investment; Investment management services | <b>19.39%</b>                    | 19.39%     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

| Name of entity  | Place of establishment | Principal activities | Proportion of ownership interest |            |
|---|------------------------|----------------------|----------------------------------|------------|
|   |                        |                      | 2021/12/31                       | 2020/12/31 |
| 上海並購股權投資基金二期合夥企業（有限合夥）<br>Shanghai Equity Investment Fund II Limited Partnership*                     | PRC                    | Equity investment    | 20.00%                           | 20.00%     |
| 遼寧海通新動能股權投資基金合夥企業（有限合夥）<br>Liaoning Haitong New Drivers Equity Investment Fund (Limited Partnership)* | PRC                    | Equity investment    | 20.00%                           | 20.00%     |
| 許昌海通創新股權投資基金合夥企業（有限合夥）<br>Xuchang Haitong Innovation Equity Investment Fund (Limited Partnership)*    | PRC                    | Equity investment    | 20.00%                           | 20.00%     |
| 湖州贊通股權投資合夥企業（有限合夥）<br>Huzhou Yuntong Equity Investment Fund (Limited Partnership)*                    | PRC                    | Equity investment    | 21.34%                           | 21.34%     |
| 吉林海通創新衛星投資中心（有限合夥）<br>Jilin Haitong Innovation Satellite Investment Center (Limited Partnership)*     | PRC                    | Equity investment    | 20.00%                           | 20.00%     |
| 合肥市海通徽銀股權投資合夥企業（有限合夥）<br>Hefei Haitong Huiyin Equity Investment Partnership (Limited Partnership)*    | PRC                    | Equity investment    | 20.00%                           | 20.00%     |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

| Name of entity  | Place of establishment | Principal activities    | Proportion of ownership interest |            |
|---|------------------------|-------------------------|----------------------------------|------------|
|   |                        |                         | 2021/12/31                       | 2020/12/31 |
| 中小企業發展基金海通（合肥）<br>合夥企業（有限合夥）<br>SME Development Fund Haitong<br>(Hefei) Partnership (Limited<br>Partnership)*                                   | PRC                    | Equity Investment       | <b>40.00%</b>                    | 0.00%      |
| Fundo Espírito Santo IBERIA<br>(Note iv)  | Portugal               | Venture capital<br>fund | <b>0.00%</b>                     | 45.93%     |
| 西安航天海通創新新材料股權投資<br>合夥企業（有限合夥）<br>Xi'an Aerospace Haitong<br>Innovative New Materials Equity<br>Investment Partnership (Limited<br>Partnership)* | PRC                    | Equity investment       | <b>19.61%</b>                    | 0.00%      |
| 央視融媒體產業投資基金<br>（有限合夥）<br>CCTV Financial Media Industry<br>Investment Fund (Limited<br>Partnership)*   | PRC                    | Equity investment       | <b>20.00%</b>                    | 0.00%      |
| 遼寧海通新能源低碳產業股權投資<br>基金有限公司<br>Liaoning Haitong New Energy<br>Low-carbon Industry Equity<br>Investment Co., Ltd.*                                 | PRC                    | Equity investment       | <b>49.90%</b>                    | 51.00%     |

Notes:

- (i) \*The English translated name are for identification only.
- (ii) All of these associates and joint ventures are unlisted entities without quoted market price available.
- (iii) All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.
- (iv) Fundo Espírito Santo IBERIA I was registered in Portugal and discontinued operation in May 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Fullgoal Fund Management Co. Ltd., as a major associate of the Group, is primarily engaged in provision of fund management and fund trading distribution services, and is accounted for using the equity method. The Group holds 27.775% of the shares in Fullgoal Fund Management Co. Ltd. The financial information for the year ended 31 December 2021 is as follows:

#### Fullgoal Fund Management Co., Ltd.

|                            | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|----------------------------|-----------------------|-----------------------|
| Total assets               | 12,646,262            | 8,745,650             |
| Total liabilities          | 5,597,222             | 3,530,641             |
| Net assets                 | 7,049,040             | 5,215,009             |
| Revenue for the year       | 8,306,072             | 5,317,245             |
| Profit for the year        | 2,564,075             | 1,651,623             |
| Total comprehensive income | 2,556,119             | 1,639,184             |

Aggregate information of associates and joint ventures that are not individually material:

|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|-----------------|-----------------|
| The Group's share of gain   | 937,718         | 79,008          |
| The Group's share of other comprehensive income/(expense)                                 | 17              | (23,353)        |
| The Group's share of total comprehensive income   | 937,735         | 55,655          |
| Aggregate carrying amount of the Group's interests in these associates and joint ventures | 4,496,525       | 2,979,838       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 26. FINANCE LEASE RECEIVABLES

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Minimum finance lease receivables                  |                       |                       |
| – Within one year                                  | 25,533,151            | 31,181,156            |
| – In the second year                               | 9,925,219             | 16,998,643            |
| – In the third year                                | 1,871,410             | 5,451,619             |
| – In the fourth year                               | 396,805               | 480,912               |
| – In the fifth year                                | 296,806               | 295,766               |
| – After five years                                 | 597,410               | 501,855               |
| Gross amount of finance lease receivables          | 38,620,801            | 54,909,951            |
| Less: Unearned finance lease income                | (3,584,005)           | (4,980,779)           |
| Present value of minimum finance lease receivables | 35,036,796            | 49,929,172            |
| Less: Allowance for ECL                            | (1,564,209)           | (1,517,769)           |
| Carrying amount of finance lease receivables       | 33,472,587            | 48,411,403            |
| Present value of minimum finance lease receivables |                       |                       |
| – Within one year                                  | 23,211,519            | 28,544,638            |
| – In the second year                               | 9,021,983             | 15,457,681            |
| – In the third year                                | 1,697,408             | 4,861,631             |
| – In the fourth year                               | 352,818               | 397,837               |
| – In the fifth year                                | 256,240               | 249,560               |
| – After five years                                 | 496,828               | 417,825               |
| Total  | 35,036,796            | 49,929,172            |
| Analysed as:                                       |                       |                       |
| Current assets                                     | 22,202,398            | 27,660,127            |
| Non-current assets                                 | 11,270,189            | 20,751,276            |
| Total  | 33,472,587            | 48,411,403            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 26. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets being machinery equipment for infrastructure, transportation and logistics, etc. Substantially all finance leases of the Group are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at 31 December 2021, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB1,137,119 thousand (as at 31 December 2020: RMB3,588,312 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the market. The floating interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rate of the market.

#### Movement of allowance for ECL

|   | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|---|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>                                       | <b>707,113</b>                | <b>429,307</b>  | <b>381,349</b>  | <b>1,517,769</b> |
| Changes in the loss allowance:                                    |                               |   |   |                  |
| – ECL (reversed)/recognised                                       | (127,072)                     | 274,539   | 915,415   | 1,062,882        |
| – Write-offs  | –                             | –   | (643,965)   | (643,965)        |
| – Transfer between stages   | (56,189)                      | (206,920)   | 263,109   | –                |
| – Recovery of finance lease receivables<br>previously written off | –                             | –   | 72,589  | 72,589           |
| – Other derecognition   | –                             | –   | (445,066)   | (445,066)        |
| <b>As at 31 December 2021</b>                                     | <b>523,852</b>                | <b>496,926</b>  | <b>543,431</b>  | <b>1,564,209</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 26. FINANCE LEASE RECEIVABLES (CONTINUED)

### Movement of allowance for ECL (Continued)

|   | 12m ECL<br>Stage 1<br><i>RMB'000</i> | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br><i>RMB'000</i> | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--------------------------------------|--|--|-------------------------|
| <b>As at 1 January 2020</b>                                       | 809,239                              | 427,389  | 186,089  | 1,422,717               |
| Changes in the loss allowance:                                    |                                      |  |  |                         |
| – ECL (reversed)/recognised                                       | (22,429)                             | 220,206  | 1,068,442  | 1,266,219               |
| – Write-offs  | –                                    | –  | (499,948)  | (499,948)               |
| – Transfer between stages   | (79,697)                             | (218,288)  | 297,985  | –                       |
| – Recovery of finance lease receivables<br>previously written off | –                                    | –  | 72,971   | 72,971                  |
| – Other derecognition   | –                                    | –  | (744,190)  | (744,190)               |
| <b>As at 31 December 2020</b>                                     | 707,113                              | 429,307  | 381,349  | 1,517,769               |

### Analysis of present value of minimum finance lease receivables

|                        | 12m ECL<br>Stage 1<br><i>RMB'000</i> | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br><i>RMB'000</i> | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|------------------------|--------------------------------------|--|--|-------------------------|
| As at 31 December 2021 | <b>32,415,838</b>                    | <b>1,647,131</b>   | <b>973,827</b>   | <b>35,036,796</b>       |
| As at 31 December 2020 | 46,916,654                           | 2,177,676  | 834,842  | 49,929,172              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| – Within one year   | 26,278,930            | 16,834,046            |
| – In the second year  | 18,371,251            | 11,662,335            |
| – In the third year   | 10,718,660            | 6,632,982             |
| – In the fourth year  | 3,873,796             | 3,127,211             |
| – In the fifth year   | 1,991,889             | 1,009,281             |
| – Over fifth year   | 158,862               | 43,031                |
| Gross amount of receivables arising from sale and leaseback arrangements    | 61,393,388            | 39,308,886            |
| Less: Interest adjustment   | (5,535,329)           | (3,617,226)           |
| Present value of receivables arising from sale and leaseback arrangements   | 55,858,059            | 35,691,660            |
| Less: Allowance for ECL   | (770,036)             | (477,184)             |
| Carrying amount of receivables arising from sale and leaseback arrangements | 55,088,023            | 35,214,476            |
| Present value of receivables arising from sale and leaseback arrangements:  |                       |                       |
| – Within one year   | 23,910,557            | 15,285,831            |
| – In the second year  | 16,714,899            | 10,589,223            |
| – In the third year   | 9,751,609             | 6,022,041             |
| – In the fourth year  | 3,524,290             | 2,839,184             |
| – In the fifth year   | 1,812,175             | 916,313               |
| – Over fifth year   | 144,529               | 39,068                |
| Total   | 55,858,059            | 35,691,660            |
| Analysed as:  |                       |                       |
| Current assets  | 23,566,177            | 15,082,174            |
| Non-current assets  | 31,521,846            | 20,132,302            |
| Total   | 55,088,023            | 35,214,476            |

As at 31 December 2021, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB8,024,083 thousand (31 December 2020: RMB9,757,835 thousand).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

### Movement of allowance for ECL

|  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|--|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>  | <b>455,567</b>                | <b>11,128</b>   | <b>10,489</b>   | <b>477,184</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised   | 251,389                       | 31,196  | 33,024  | 315,609          |
| – Write-offs   | –                             | –   | (17,311)  | (17,311)         |
| – Transfer between stages  | (7,239)                       | (350)   | 7,589   | –                |
| – Recovery of receivable arising from<br>sale and leaseback arrangements<br>previously written off | –                             | –   | 2,543   | 2,543            |
| – Other derecognition  | –                             | –   | (7,989)   | (7,989)          |
| <b>As at 31 December 2021</b>  | <b>699,717</b>                | <b>41,974</b>   | <b>28,345</b>   | <b>770,036</b>   |

|                                | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>    | <b>240,109</b>                | <b>8,252</b>  | <b>1,050</b>  | <b>249,411</b>   |
| Changes in the loss allowance: |                               |   |   |                  |
| – ECL recognised               | 217,916                       | 2,193   | 11,588  | 231,697          |
| – Write-offs                   | –                             | –   | (3,924)   | (3,924)          |
| – Transfer between stages      | (2,458)                       | 683   | 1,775   | –                |
| <b>As at 31 December 2020</b>  | <b>455,567</b>                | <b>11,128</b>   | <b>10,489</b>   | <b>477,184</b>   |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

Analysis of present value of receivables arising from sale and leaseback arrangements

|                               | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000  |
|-------------------------------|-------------------------------|---|---|-------------------|
| <b>As at 31 December 2021</b> | <b>55,618,393</b>             | <b>179,113</b>  | <b>60,553</b>   | <b>55,858,059</b> |
| <b>As at 31 December 2020</b> | 35,612,607                    | 57,604  | 21,449  | 35,691,660        |

### 28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|                                   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|-----------------------------------|-----------------------|-----------------------|
| Managed Account                   | –                     | 15,732,412            |
| Other equity investments (Note i) | 10,246,871            | 506,775               |
|                                   | <b>10,246,871</b>     | <b>16,239,187</b>     |
| Analysed as:                      |                       |                       |
| – Listed                          | 434,489               | 239,733               |
| – Unlisted                        | 9,812,382             | 15,999,454            |
|                                   | <b>10,246,871</b>     | <b>16,239,187</b>     |

Notes:

- (i) As at 31 December 2021, equity instruments at fair value through other comprehensive income ("FVTOCI") include non-traded shares and shares held by the Group. As the equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at FVTOCI.

As a result of the change of investment strategies, the Group disposed certain equity instrument at FVTOCI, and the corresponding profits of RMB113,094 thousand was reclassified from revaluation reserve to retained earnings.

- (ii) As at 31 December 2021, equity instruments at FVTOCI of RMB2,569,298 thousand (31 December 2020: Nil) were collateralized for securities lending.

The dividend income from equity instrument at FVTOCI was disclosed in Note 8.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Unlisted debt securities           | 10,531,176            | 7,903,687             |
| Listed debt securities             | 26,521,769            | 5,204,476             |
|                                    | 37,052,945            | 13,108,163            |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | 4,002,056             | 1,234,515             |
| Non-current assets                 | 33,050,889            | 11,873,648            |
|                                    | 37,052,945            | 13,108,163            |
| ECL                                | 259,658               | 747,756               |

As at 31 December 2021, debt instruments at fair value through other comprehensive income of RMB27,051 million (31 December 2020: RMB5,670 million) were collateralized for repurchase agreements and securities lending.

### Movement of allowance for ECL

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>      | 45,423                        | 99,441  | 602,892   | 747,756          |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised/(reversed)      | 66,641                        | 48,462  | (31,591)  | 83,512           |
| – Transfer between stages        | (11,100)                      | 11,100  | –   | –                |
| – Other derecognition            | –                             | –   | (600,550)   | (600,550)        |
| – Exchange difference and others | (575)                         | –   | 29,515  | 28,940           |
| <b>As at 31 December 2021</b>    | 100,389                       | 159,003   | 266   | 259,658          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

#### Movement of allowance for ECL (Continued)

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | 9,053                         | 444   | 477,389   | 486,886          |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised                 | 40,830                        | 99,404  | 119,260   | 259,494          |
| – Transfer between stages        | 407                           | (407)   | –   | –                |
| – Exchange difference and others | (4,867)                       | –   | 6,243   | 1,376            |
| <b>As at 31 December 2020</b>    | 45,423                        | 99,441  | 602,892   | 747,756          |

#### Gross carrying amount

|                               | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime ECL<br>(credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000  |
|-------------------------------|-------------------------------|---|---|-------------------|
| <b>As at 31 December 2021</b> | <b>33,469,181</b>             | <b>3,436,585</b>  | <b>38,434</b>   | <b>36,944,200</b> |
| <b>As at 31 December 2020</b> | 10,194,330                    | 2,048,499   | 1,713,812   | 13,956,641        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Analysed by type:                  |                       |                       |
| Debt instruments                   | 4,745,698             | 3,852,566             |
| Less: Allowance for ECL            | (20,489)              | (89,067)              |
|                                    | <b>4,725,209</b>      | <b>3,763,499</b>      |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | 1,099,101             | 1,521,668             |
| Non-current assets                 | 3,626,108             | 2,241,831             |
|                                    | <b>4,725,209</b>      | <b>3,763,499</b>      |

### Movement of allowance for ECL

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>      | <b>11,014</b>                 | <b>–</b>  | <b>78,053</b>   | <b>89,067</b>    |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL (reversed)/recognised      | 10,462                        | –   | –   | 10,462           |
| – Other derecognition            | –                             | –   | (74,070)  | (74,070)         |
| – Exchange difference and others | (987)                         | –   | (3,983)   | (4,970)          |
| <b>As at 31 December 2021</b>    | <b>20,489</b>                 | <b>–</b>  | <b>–</b>  | <b>20,489</b>    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

#### Movement of allowance for ECL (Continued)

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | 4,536                         | –   | 63,446  | 67,982           |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised                 | 6,445                         | –   | 12,287  | 18,732           |
| – Exchange difference and others | 33                            | –   | 2,320   | 2,353            |
| <b>As at 31 December 2020</b>    | 11,014                        | –   | 78,053  | 89,067           |

#### Gross carrying amount:

|                               | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------|-------------------------------|---|---|------------------|
| <b>As at 31 December 2021</b> | <b>4,745,698</b>              | –   | –   | <b>4,745,698</b> |
| <b>As at 31 December 2020</b> | 3,633,747                     | –   | 218,819   | 3,852,566        |

As at 31 December 2021, debt instruments measured at amortised cost of RMB2,565 million were collateralized for repurchase arrangements and refinancing with Bank of Portugal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Debt securities                    | 117,085,317           | 110,363,693           |
| Equity securities                  | 34,954,924            | 31,241,195            |
| Funds                              | 48,625,818            | 53,200,173            |
| Others                             | 19,743,690            | 25,591,443            |
|                                    | <b>220,409,749</b>    | 220,396,504           |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | 195,277,554           | 194,251,416           |
| Non-current assets                 | 25,132,195            | 26,145,088            |
|                                    | <b>220,409,749</b>    | 220,396,504           |

*Notes:*

- (i) As at 31 December 2021, financial assets at fair value through profit or loss of RMB62,710 million (31 December 2020: RMB58,298 million) were collateralized for repurchase arrangements, refinancing, securities lending and derivatives compensation contracts, including restricted securities amounted to RMB1,729 million (31 December 2020: RMB1,704 million).
- (ii) The restricted financial assets at fair value through profit or loss with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately RMB9,045 million as at 31 December 2021 (31 December 2020: RMB4,453 million). The fair value of these financial assets has considered the relevant features such including selling restrictions.
- (iii) For financial assets in connection with structured products with remaining maturities over one year, they are classified as non-current assets as they are not expected to be settled within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Analysed by collateral type:       |                       |                       |
| Stock ( <i>Note</i> )              | 31,968,603            | 34,486,174            |
| Bonds                              | 9,584,043             | 25,274,706            |
| Less: Allowance for ECL            | (1,791,629)           | (1,795,486)           |
|                                    | <b>39,761,017</b>     | 57,965,394            |
| Analysed by market:                |                       |                       |
| Stock Exchange                     | 37,044,102            | 42,053,943            |
| Inter-bank market                  | 4,508,544             | 17,706,937            |
| Less: Allowance for ECL            | (1,791,629)           | (1,795,486)           |
|                                    | <b>39,761,017</b>     | 57,965,394            |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | 39,185,614            | 55,769,601            |
| Non-current assets                 | 575,403               | 2,195,793             |
|                                    | <b>39,761,017</b>     | 57,965,394            |

*Note:* The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at 31 December 2021, for the Group, the gross carrying amount of these agreements within one year was RMB31,392,851 thousand (31 December 2020: RMB32,287,677 thousand), the gross carrying amount of these agreements over one year was RMB575,752 thousand (31 December 2020: RMB2,198,497 thousand);

As at 31 December 2021, the fair value of the collateral was RMB121,478,644 thousand (31 December 2020: RMB132,197,247 thousand).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

### Movement of allowance for ECL

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>      | <b>9,693</b>                  | <b>7,881</b>  | <b>1,777,912</b>  | <b>1,795,486</b> |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL(reversed)/recognised       | (48)                          | (3,072)   | 785,076   | 781,956          |
| – Write-offs                     | –                             | –   | (646,387)   | (646,387)        |
| – Transfer between stages        | 4,266                         | (3,629)   | (637)   | –                |
| – Other derecognition            | –                             | –   | (139,420)   | (139,420)        |
| – Exchange difference and others | (6)                           | –   | –   | (6)              |
| <b>As at 31 December 2021</b>    | <b>13,905</b>                 | <b>1,180</b>  | <b>1,776,544</b>  | <b>1,791,629</b> |

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | <b>36,085</b>                 | <b>50,526</b>   | <b>844,517</b>  | <b>931,128</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL(reversed)/recognised       | (44,894)                      | (6,549)   | 902,510   | 851,067          |
| – Transfer between stages        | 18,689                        | (36,096)  | 17,407  | –                |
| – Exchange difference and others | (187)                         | –   | 13,478  | 13,291           |
| <b>As at 31 December 2020</b>    | <b>9,693</b>                  | <b>7,881</b>  | <b>1,777,912</b>  | <b>1,795,486</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

#### Gross carrying amount

|                               | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000  |
|-------------------------------|-------------------------------|---|---|-------------------|
| <b>As at 31 December 2021</b> | <b>37,068,437</b>             | <b>214,814</b>  | <b>4,269,395</b>  | <b>41,552,646</b> |
| <b>As at 31 December 2020</b> | 51,446,027                    | 1,801,368   | 6,513,485   | 59,760,880        |

### 33. OTHER LOANS AND RECEIVABLES

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Factoring receivable               | 6,030,532             | 7,480,392             |
| Entrusted loans and others         | 720,224               | 798,422               |
| Other loans and receivables        | 8,926,484             | 12,720,031            |
| Gross carrying amount              | 15,677,240            | 20,998,845            |
| Less: Allowance for ECL            | (738,575)             | (878,838)             |
|                                    | <b>14,938,665</b>     | 20,120,007            |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | 12,544,269            | 16,884,562            |
| Non-current assets                 | 2,394,396             | 3,235,445             |
|                                    | <b>14,938,665</b>     | 20,120,007            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 33. OTHER LOANS AND RECEIVABLES (CONTINUED)

### Movement of allowance for ECL

|  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|--|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>  | <b>161,119</b>                | <b>394,663</b>  | <b>323,056</b>  | <b>878,838</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL (reversed)/recognised  | (4,691)                       | 65,930  | 451,341   | 512,580          |
| – Write-offs   | –                             | –   | (52,703)  | (52,703)         |
| – Transfer between stages  | (24,813)                      | (210,885)   | 235,698   | –                |
| – Recovery of other loans and<br>receivables previously<br>written off | –                             | –   | 1,344   | 1,344            |
| – Other derecognition  | –                             | –   | (592,429)   | (592,429)        |
| – Exchange difference and others                                       | (976)                         | (119)   | (7,960)   | (9,055)          |
| <b>As at 31 December 2021</b>  | <b>130,639</b>                | <b>249,589</b>  | <b>358,347</b>  | <b>738,575</b>   |

### Movement of allowance for ECL (Continued)

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | <b>207,531</b>                | <b>423,588</b>  | <b>213,576</b>  | <b>844,695</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised                 | 23,823                        | 100,462   | 721,952   | 846,237          |
| – Write-offs                     | –                             | –   | (375,192)   | (375,192)        |
| – Transfer between stages        | (32,535)                      | (129,387)   | 161,922   | –                |
| – Other derecognition            | –                             | –   | (527,489)   | (527,489)        |
| – Exchange difference and others | (37,700)                      | –   | 128,287   | 90,587           |
| <b>As at 31 December 2020</b>    | <b>161,119</b>                | <b>394,663</b>  | <b>323,056</b>  | <b>878,838</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 33. OTHER LOANS AND RECEIVABLES (CONTINUED)

Gross carrying amount:

|                               | 12m ECL<br>Stage 1<br><i>RMB'000</i> | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br><i>RMB'000</i> | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-------------------------------|--------------------------------------|--|--|-------------------------|
| <b>As at 31 December 2021</b> | <b>10,575,552</b>                    | <b>935,291</b>   | <b>4,166,397</b>   | <b>15,677,240</b>       |
| <b>As at 31 December 2020</b> | 17,566,347                           | 1,724,497  | 1,708,001  | 20,998,845              |

### 34. LOANS AND ADVANCES

|                                    | 2021/12/31<br><i>RMB'000</i> | 2020/12/31<br><i>RMB'000</i> |
|------------------------------------|------------------------------|------------------------------|
| Loans and advances                 | 4,808,748                    | 3,927,571                    |
| Less: Allowance for ECL            | (96,097)                     | (107,444)                    |
|                                    | <b>4,712,651</b>             | 3,820,127                    |
| Analysed for reporting purpose as: |                              |                              |
| Current assets                     | 593,565                      | 1,044,635                    |
| Non-current assets                 | 4,119,086                    | 2,775,492                    |
|                                    | <b>4,712,651</b>             | 3,820,127                    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 34. LOANS AND ADVANCES (CONTINUED)

### Movement of ECL for loans and advances:

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>      | <b>14,888</b>                 | <b>59,467</b>   | <b>33,089</b>   | <b>107,444</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised/(reversed)      | 7,308                         | (18,205)  | 12,021  | 1,124            |
| – Write-offs                     | –                             | –   | (2,888)   | (2,888)          |
| – Transfer between stages        | (2,029)                       | 508   | 1,521   | –                |
| – Exchange difference and others | (1,638)                       | (4,033)   | (3,912)   | (9,583)          |
| <b>As at 31 December 2021</b>    | <b>18,529</b>                 | <b>37,737</b>   | <b>39,831</b>   | <b>96,097</b>    |

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | <b>21,748</b>                 | <b>46,258</b>   | <b>36,768</b>   | <b>104,774</b>   |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised/(reversed)      | 4,967                         | 12,348  | (905)   | 16,410           |
| – Written-off                    | –                             | –   | (1,795)   | (1,795)          |
| – Transfer between stages        | (10,687)                      | 10,687  | –   | –                |
| – Exchange difference and others | (1,140)                       | (9,826)   | (979)   | (11,945)         |
| <b>As at 31 December 2020</b>    | <b>14,888</b>                 | <b>59,467</b>   | <b>33,089</b>   | <b>107,444</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 34. LOANS AND ADVANCES (CONTINUED)

Gross carrying amount:

|                        | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|------------------------|-------------------------------|---|---|------------------|
| As at 31 December 2021 | <b>4,116,862</b>              | <b>596,883</b>  | <b>95,003</b>   | <b>4,808,748</b> |
| As at 31 December 2020 | 2,599,476                     | 1,164,584   | 163,511   | 3,927,571        |

### 35. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

|                          | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--------------------------|-----------------------|-----------------------|
| Deferred tax assets      | <b>5,171,925</b>      | 4,282,160             |
| Deferred tax liabilities | <b>(1,320,651)</b>    | (698,134)             |
|                          | <b>3,851,274</b>      | 3,584,026             |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

|   | Financial assets/<br>liabilities at fair<br>value through<br>profit or loss | Accelerated<br>depreciation | Derivative<br>financial<br>instruments | Accrued<br>but not paid<br>expenses | Debt instrument<br>at fair value<br>through other<br>comprehensive<br>income | Equity instrument<br>at fair value<br>through other<br>comprehensive<br>income | Impairment<br>losses | Tax losses<br>and others | Total     |
|---|---|-----------------------------|--|-------------------------------------|--|--|----------------------|--------------------------|-----------|
|   | RMB'000   | RMB'000                     | RMB'000                                | RMB'000                             | RMB'000  | RMB'000  | RMB'000              | RMB'000                  | RMB'000   |
| <b>As at 1 January 2020</b>                   | (564,162)   | (63,861)                    | 26,318                                 | 1,134,419                           | 132,168  | (89,335)   | 1,706,871            | 609,589                  | 2,892,007 |
| (Charge)/credit to profit or loss             | (295,298)   | (16,171)                    | 27,664                                 | 193,107                             | -  | -  | 838,117              | (21,104)                 | 726,315   |
| (Charge)/credit to other comprehensive income | -   | -                           | (198)                                  | -                                   | 60,646   | (71,531)   | -                    | -                        | (11,083)  |
| Effects of exchange rate and other change     | -   | (1,576)                     | 447                                    | (2,588)                             | (5,788)  | (19,840)   | 58,880               | (52,748)                 | (23,213)  |
| <b>As at 31 December 2020</b>                 | (859,460)   | (81,608)                    | 54,231                                 | 1,324,938                           | 187,026  | (180,706)  | 2,603,868            | 535,737                  | 3,584,026 |
| (Charge)/credit to profit or loss             | (346,392)   | 11,774                      | 32,971                                 | 33,044                              | (135,131)  | -  | 619,840              | (8,253)                  | 207,853   |
| (Charge)/credit to other comprehensive income | -   | -                           | (4,053)                                | -                                   | (86,644)   | 108,150  | -                    | -                        | 17,453    |
| Effects of exchange rate and other change     | -   | 1,744                       | (930)                                  | 15,631                              | 6,252  | 39,969   | (7,001)              | (13,723)                 | 41,942    |
| <b>As at 31 December 2021</b>                 | (1,205,852)   | (68,090)                    | 82,219                                 | 1,373,613                           | (28,497)   | (32,587)   | 3,216,707            | 513,761                  | 3,851,274 |

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 36. DEPOSITS WITH EXCHANGES

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Deposits with stock exchanges  |                       |                       |
| – Shanghai Stock Exchange  | 1,083,784             | 917,712               |
| – Shenzhen Stock Exchange  | 196,785               | 233,073               |
| – National Equities Exchange and Quotations  | 3,183                 | 2,371                 |
| – Stock Exchange of Hong Kong Limited  | 1,788                 | 1,840                 |
| Subtotal   | 1,285,540             | 1,154,996             |
| Deposits with futures and commodity exchanges  |                       |                       |
| – Shanghai Futures Exchange  | 2,909,388             | 2,609,817             |
| – Dalian Commodity Exchange  | 2,241,738             | 1,664,494             |
| – Zhengzhou Commodity Exchange   | 1,083,011             | 639,046               |
| – China Financial Futures Exchange   | 8,715,967             | 8,744,857             |
| – Shanghai Gold Exchange   | 15,694                | 11,968                |
| – HKFE Clearing Corporation Limited  | 5,430                 | 25,186                |
| – The Chinese Gold & Silver Exchange Society   | –                     | 409                   |
| – Collateral deposits placed with overseas stock exchange and brokers                | 594,660               | 1,073,338             |
| Subtotal   | 15,565,888            | 14,769,115            |
| Trading rights and other deposits  |                       |                       |
| – Guarantee fund paid to Shanghai Stock Exchange                                     | 40,792                | 29,497                |
| – Guarantee fund paid to Shenzhen Stock Exchange                                     | 49,113                | 36,137                |
| – Deposit with CSFC  | 440,150               | 1,142,874             |
| – Deposit with Shanghai Clearing House   | 117,659               | 83,472                |
| – Guarantee fund paid to the Stock Exchange of Hong Kong Options Clearing House Ltd. | 4,241                 | 3,679                 |
| – Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.                  | 142,223               | 145,128               |
| – Guarantee fund paid to Securities and Futures Commission                           | –                     | 168                   |
| – Others   | 9,562                 | 9,785                 |
| Subtotal   | 803,740               | 1,450,740             |
| Total  | 17,655,168            | 17,374,851            |
| Analysed for reporting purpose as:   |                       |                       |
| Current assets   | 17,491,923            | 17,208,163            |
| Non-current assets   | 163,245               | 166,688               |
|  | 17,655,168            | 17,374,851            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 37. BANK BALANCES AND CASH

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| General accounts                                     | 51,045,568            | 32,182,212            |
| Cash held on behalf of clients (Note i)              | 106,920,251           | 91,691,751            |
| Less: allowance for impairment losses                | (14,202)              | (2,247)               |
|  | 157,951,617           | 123,871,716           |
| Less: non-current restricted bank deposits (Note ii) | (1,503,454)           | (1,288,296)           |
|  | 156,448,163           | 122,583,420           |

Bank balances and cash comprise of cash on hand and deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held cash deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 50). The Group did not have a legally enforceable right to offset these payables and clients' deposits.
- (ii) The non-current restricted bank deposits include risk reserves, pledge bank deposits and margin deposits over one year.

## 38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Bank balances and cash – general account<br>(excluding accrued interest) | 50,949,331            | 32,147,773            |
| Less: Restricted bank deposits (i)                                       | (2,534,750)           | (2,199,408)           |
| Deposits with other banks (excluding accrued interest)                   | 226,311               | 258,634               |
| Deposits with central banks other than legal reserve                     | 3,284,435             | 3,687,476             |
| Clearing settlement funds – House accounts                               | 5,779,740             | 3,412,801             |
|  | 57,705,067            | 37,307,276            |

- (i) The restrictive deposits are special account deposits for risk reserves, margin deposits of notes payable, aircraft maintenance funds and pledged bank deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 39. OTHER NON-CURRENT ASSETS

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Long-term receivables from government cooperation projects | 885,385               | 458,507               |
| Foreclosed assets  | 250,330               | 82,915                |
| Repossession of finance lease assets                       | 219,013               | 179,686               |
| Others   | 536,630               | 275,505               |
|  | <b>1,891,358</b>      | 996,613               |

### 40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Loans to margin clients (Note)     | 76,937,089            | 75,152,605            |
| Less: Allowance for ECL            | (1,713,685)           | (2,085,013)           |
|                                    | <b>75,223,404</b>     | 73,067,592            |
| Analysed for reporting purpose as: |                       |                       |
| Current assets                     | <b>75,223,404</b>     | 73,067,592            |

*Note:*

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2021 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB263,615,471 thousand (31 December 2020: RMB255,840,832 thousand).

As at 31 December 2021, cash collateral received from clients for securities lending and margin financing arrangement, included in the Group's accounts payable to brokerage clients amounted to approximately RMB8,073,655 thousand (31 December 2020: RMB8,634,304 thousand).

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

Movements of ECL for advances to customers on margin financing.

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2021</b>      | <b>32,760</b>                 | <b>5,838</b>  | <b>2,046,415</b>  | <b>2,085,013</b> |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL recognised                 | 26,787                        | 2,181   | 456,294   | 485,262          |
| – Write-offs                     | –                             | –   | (832,743)   | (832,743)        |
| – Transfer between stages        | (3,830)                       | 3,946   | (116)   | –                |
| – Exchange difference and others | (630)                         | (154)   | (23,063)  | (23,847)         |
| <b>As at 31 December 2021</b>    | <b>55,087</b>                 | <b>11,811</b>   | <b>1,646,787</b>  | <b>1,713,685</b> |

|                                  | 12m ECL<br>Stage 1<br>RMB'000 | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br>RMB'000 | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br>RMB'000 | Total<br>RMB'000 |
|----------------------------------|-------------------------------|---|---|------------------|
| <b>As at 1 January 2020</b>      | <b>35,652</b>                 | <b>45,852</b>   | <b>1,026,510</b>  | <b>1,108,014</b> |
| Changes in the loss allowance:   |                               |   |   |                  |
| – ECL (reversed)/recognised      | (25,909)                      | 6   | 1,050,327   | 1,024,424        |
| – Write-offs                     | –                             | –   | (49)  | (49)             |
| – Transfer between stages        | 24,670                        | (38,179)  | 13,509  | –                |
| – Exchange difference and others | (1,653)                       | (1,841)   | (43,882)  | (47,376)         |
| <b>As at 31 December 2020</b>    | <b>32,760</b>                 | <b>5,838</b>  | <b>2,046,415</b>  | <b>2,085,013</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

#### Gross carrying amount

|                               | 12m ECL<br>Stage 1<br><i>RMB'000</i> | Lifetime ECL<br>(not credit-<br>impaired)<br>Stage 2<br><i>RMB'000</i> | Lifetime<br>ECL (credit-<br>impaired)<br>Stage 3<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-------------------------------|--------------------------------------|--|--|-------------------------|
| <b>As at 31 December 2021</b> | <b>73,158,320</b>                    | <b>1,019,080</b>   | <b>2,759,689</b>   | <b>76,937,089</b>       |
| <b>As at 31 December 2020</b> | 69,521,902                           | 2,188,383  | 3,442,320  | 75,152,605              |

### 41. ACCOUNTS RECEIVABLE

|   | 2021/12/31<br><i>RMB'000</i> | 2020/12/31<br><i>RMB'000</i> |
|---|------------------------------|------------------------------|
| Accounts receivable from:                       |                              |                              |
| – Cash clients                                  | <b>1,503,403</b>             | 1,099,949                    |
| – Brokers, dealers and clearing house           | <b>7,007,206</b>             | 5,440,065                    |
| – Advisory and financial planning               | <b>28,354</b>                | 25,801                       |
| – Asset and fund management                     | <b>847,026</b>               | 781,110                      |
| – Clients for subscription of new shares in IPO | –                            | 473,605                      |
| – Others  | <b>2,189,133</b>             | 765,955                      |
|   | <b>11,575,122</b>            | 8,586,485                    |
| Less: Allowance for ECL                         | <b>(203,106)</b>             | (176,485)                    |
|   | <b>11,372,016</b>            | 8,410,000                    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 41. ACCOUNTS RECEIVABLE (CONTINUED)

Aging analysis of accounts receivable from the trade date is as follows:

|                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--------------------|-----------------------|-----------------------|
| Less than 3 months | 9,918,027             | 7,311,229             |
| 4 to 6 months      | 490,884               | 335,424               |
| 7 to 12 months     | 432,920               | 345,184               |
| More than 1 year   | 530,185               | 418,163               |
|                    | 11,372,016            | 8,410,000             |

## 42. DERIVATIVE INSTRUMENTS

|  | 2021/12/31                      |                   |                        |
|--|---------------------------------|-------------------|------------------------|
|  | Contractual<br>value<br>RMB'000 | Assets<br>RMB'000 | Liabilities<br>RMB'000 |
| <i>Derivatives designated in hedge accounting:</i> |                                 |                   |                        |
| Interest rate swaps                                | 2,594,286                       | 11,079            | 67,973                 |
| Foreign exchange swap                              | 2,080,552                       | –                 | 88,985                 |
| Forward contracts                                  | 820,273                         | –                 | 74,157                 |
| <i>Derivatives held for trading:</i>               |                                 |                   |                        |
| Stock index futures contracts (Note i)             | 15,488,680                      | –                 | –                      |
| Treasury futures contracts (Note ii)               | 22,279,016                      | –                 | –                      |
| Commodity futures contracts (Note iii)             | 11,394,851                      | –                 | –                      |
| Interest rate swap contracts (Note iv)             | 62,486,693                      | 453,337           | 382,558                |
| Equity swap  | 6,551,915                       | 208,790           | 292,057                |
| Forward contracts                                  | 18,835,143                      | 167,665           | 102,935                |
| Options (Note v)                                   | 127,949,347                     | 192,765           | 325,999                |
| Embedded equity instruments                        | 2,860,711                       | –                 | 186,354                |
| Foreign exchange swap                              | 2,137,298                       | 51,095            | 25,093                 |
| Credit default swap                                | 422,000                         | –                 | 2,205                  |
| Total  | 275,900,765                     | 1,084,731         | 1,548,316              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 42. DERIVATIVE INSTRUMENTS (CONTINUED)

|  | 2020/12/31                      |                   |                        |
|--|---------------------------------|-------------------|------------------------|
|  | Contractual<br>value<br>RMB'000 | Assets<br>RMB'000 | Liabilities<br>RMB'000 |
| <i>Derivatives designated in hedge accounting:</i> |                                 |                   |                        |
| Interest rate swaps                                | 3,625,570                       | –                 | 160,674                |
| Currency forwards                                  | 1,945,083                       | 1,209             | 85,526                 |
| Cross currency interest rate swaps                 | 1,335,021                       | –                 | 113,710                |
| <i>Derivatives held for trading:</i>               |                                 |                   |                        |
| Stock index futures contracts (Note i)             | 10,780,440                      | –                 | –                      |
| Treasury futures contracts (Note ii)               | 9,242,088                       | –                 | –                      |
| Commodity futures contracts (Note iii)             | 9,199,719                       | –                 | –                      |
| Interest rate swap contracts (Note iv)             | 42,049,068                      | 763,615           | 747,396                |
| Commodity swap                                     | 589,920                         | 269,595           | 275,920                |
| Equity swap  | 2,726,885                       | 45,153            | 65,740                 |
| Forward contracts                                  | 4,675,365                       | 122,212           | 170,320                |
| Options (Note v)                                   | 159,871,789                     | 381,718           | 859,541                |
| Embedded equity instruments                        | 2,433,998                       | 3,991             | 175,865                |
| Foreign exchange swap                              | 2,958,985                       | 240,930           | 13,364                 |
| Credit default swap                                | 459,935                         | –                 | 4,223                  |
| Foreign exchange futures                           | 943,686                         | 9,489             | –                      |
| <b>Total</b>                                       | <b>252,837,552</b>              | <b>1,837,912</b>  | <b>2,672,279</b>       |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes:

### (i) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2021, the contract value of the outstanding stock index futures contracts that the Group held for the market risk of the securities lent or to be lent to clients is RMB 15,488,680 thousand (31 December 2020: RMB10,780,440 thousand), recognising net derivative assets of RMB167,825 thousand (31 December 2020: net derivative assets of RMB109,789 thousand) before settlement.

### (ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period (31 December 2020: nil).

|                              | 2021/12/31                      |                       |
|------------------------------|---------------------------------|-----------------------|
|                              | Contractual<br>value<br>RMB'000 | Fair value<br>RMB'000 |
| T2203                        | 2,808,181                       | (30,324)              |
| TF2203                       | 8,386,402                       | (62,172)              |
| TS2203                       | 11,084,433                      | (23,127)              |
| Total                        | 22,279,016                      | (115,623)             |
| Plus: settlements            |                                 | 115,623               |
| Net position of TF contracts |                                 | —                     |

|                              | 2020/12/31                      |                       |
|------------------------------|---------------------------------|-----------------------|
|                              | Contractual<br>value<br>RMB'000 | Fair value<br>RMB'000 |
| T2103                        | 6,708,643                       | (48,860)              |
| TF2103                       | 2,487,265                       | (12,763)              |
| TS2103                       | 46,180                          | (1)                   |
| Total                        | 9,242,088                       | (61,624)              |
| Plus: settlements            |                                 | 61,624                |
| Net position of TF contracts |                                 | —                     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

#### (iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2021, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2020: nil).

|                  | 2021/12/31                      |                       | 2020/12/31                      |                       |
|------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
|                  | Contractual<br>value<br>RMB'000 | Fair value<br>RMB'000 | Contractual<br>value<br>RMB'000 | Fair value<br>RMB'000 |
| Total            | 11,394,851                      | (13,426)              | 9,199,719                       | 3,779                 |
| Plus: settlement |                                 | 13,426                |                                 | (3,779)               |
| Net position     |                                 | –                     |                                 | –                     |

#### (iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in interest rate swap ("IRS") contracts were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period.

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

|  | 2021/12/31                      |                   |                        |
|--|---------------------------------|-------------------|------------------------|
|  | Contractual<br>value<br>RMB'000 | Assets<br>RMB'000 | Liabilities<br>RMB'000 |
| IRS – settled in Shanghai Clearing House | 62,456,693                      | 73,513            | 382,558                |
| IRS – non-centralised settlement         | 30,000                          | 453,337           | –                      |
| Total                                    | 62,486,693                      | 526,850           | 382,558                |
| Plus: settlements                        |                                 | (73,513)          | –                      |
| Net position of IRS contracts            |                                 | 453,337           | 382,558                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

### (iv) Interest rate swap contracts (Continued)

|  | 2020/12/31                      |                   |                        |
|--|---------------------------------|-------------------|------------------------|
|  | Contractual<br>value<br>RMB'000 | Assets<br>RMB'000 | Liabilities<br>RMB'000 |
| IRS – settled in Shanghai Clearing House | 30,320,000                      | 38,863            | –                      |
| IRS – non-centralised settlement         | 11,729,068                      | 763,615           | 747,396                |
| <b>Total</b>                             | <b>42,049,068</b>               | <b>802,478</b>    | <b>747,396</b>         |
| Plus: settlements                        |                                 | (38,863)          | –                      |
| <b>Net position of IRS contracts</b>     |                                 | <b>763,615</b>    | <b>747,396</b>         |

### (v) Options

At 31 December 2021, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB120,134,799 thousand (31 December 2020: RMB140,600,349 thousand). The notional principal amounts of the Group's listed options purchased or written outside Mainland China were approximately RMB7,814,548 thousand (31 December 2020: RMB19,271,440 thousand).

## 43. OTHER CURRENT ASSETS

|                                   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|-----------------------------------|-----------------------|-----------------------|
| Prepayments                       | 1,458,367             | 1,206,333             |
| Dividend receivable               | 3,042                 | 2,543                 |
| Inventories                       | 166,906               | 268,965               |
| Other receivables (Note i)        | 5,109,234             | 2,450,997             |
|                                   | <b>6,737,549</b>      | <b>3,928,838</b>      |
| Less: Allowance for ECL (Note ii) | (495,462)             | (482,195)             |
|                                   | <b>6,242,087</b>      | <b>3,446,643</b>      |

Notes:

- (i) The other receivables and prepayments include short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.
- (ii) Included in the impairment losses of the Group mainly represents a gross receivable of RMB440,894 thousand from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 44. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

|                              | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------|-----------------------|-----------------------|
| Placements to overseas banks | 359,538               | 26,539                |
| Less: Allowance for ECL      | (6,610)               | (3,920)               |
|                              | <b>352,928</b>        | 22,619                |

### 45. CLEARING SETTLEMENT FUNDS

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Clearing settlement funds held with clearing houses for: |                       |                       |
| House accounts   | 5,779,740             | 3,412,801             |
| Customers  | 10,985,678            | 8,439,500             |
|  | <b>16,765,418</b>     | 11,852,301            |

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

### 46. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Deposits with central banks other than legal reserve | 3,284,435             | 3,687,476             |
| Legal reserve  | 19,774                | 28,654                |
| Total  | <b>3,304,209</b>      | 3,716,130             |
| Deposits with other banks                            | 226,343               | 258,666               |
| Less: Allowance for ECL                              | (6)                   | (2)                   |
| Total  | <b>226,337</b>        | 258,664               |
|  | <b>3,530,546</b>      | 3,974,794             |

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interest bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 47. BORROWINGS

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Short-term borrowings:                   |                       |                       |
| Secured borrowings (Note)                | 1,906,267             | 5,722,206             |
| Unsecured borrowings                     | 27,668,766            | 37,645,348            |
|  | 29,575,033            | 43,367,554            |
| Long-term borrowing:                     |                       |                       |
| Secured borrowings (Note)                | 17,576,036            | 20,053,005            |
| Unsecured borrowings                     | 32,002,992            | 29,309,998            |
|  | 49,579,028            | 49,363,003            |
| <b>Total</b>                             | <b>79,154,061</b>     | <b>92,730,557</b>     |
| Current liabilities:                     |                       |                       |
| Short-term borrowings                    | 29,575,033            | 43,367,554            |
| Long-term borrowings due within one year | 18,827,302            | 15,765,096            |
|  | 48,402,335            | 59,132,650            |
| Non-current liabilities:                 |                       |                       |
| Long-term borrowings                     | 30,751,726            | 33,597,907            |
|  | 79,154,061            | 92,730,557            |
|  |                       |                       |
|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
| Analysis by maturity:                    |                       |                       |
| Less than 1 year                         | 48,402,335            | 59,132,650            |
| 1 to 2 years                             | 10,633,261            | 16,957,781            |
| 2 to 5 years                             | 19,987,997            | 16,050,367            |
| More than 5 years                        | 130,468               | 589,759               |
|  | 79,154,061            | 92,730,557            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 47. BORROWINGS (CONTINUED)

*Note:*

As at 31 December 2021, borrowings of RMB1,333 million (31 December 2020: RMB1,343 million) are secured by the Building B2 of Greenland Center, No.858, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2021, borrowings of RMB759 million (31 December 2020: RMB769 million) are secured by the Building B3 of Greenland Center, No.888, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2021, borrowings of RMB818 million (31 December 2020: RMB2,525 million) are secured by DaCheng-Haitong China Bond fund No.1 owned by the Group. The fair value of the secured assets is RMB2,613 million (31 December 2020: RMB3,615 million).

As at 31 December 2021, borrowings of RMB6,756 million (31 December 2020: RMB5,647 million) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Group.

As at 31 December 2021, bank loans of HKD78 million (RMB64 million) (31 December 2020: HKD949 million (RMB799 million)) were secured by collaterals (listed shares) acquired against the advances to customers on margin financing with the consent of the customers. The fair value of the secured collaterals is HKD2,437 million (RMB1,992 million) (31 December 2020: HKD4,934 million (RMB4,153 million)).

As at 31 December 2021, borrowings of RMB9,741 million (31 December 2020: RMB14,687 million) are secured by finance leases receivables, receivables arising from sale and leaseback arrangements, the shares of subsidiaries, and aircraft for leasing. As at 31 December 2021, the book value of secured finance lease receivable is RMB1,137 million (31 December 2020: RMB3,588 million), the book value of receivables arising from sale and leaseback arrangements is RMB8,024 million (31 December 2020: RMB9,758 million), the book value of secured aircraft is RMB for leasing 4,839 million. (31 December 2020: RMB5,429 million).

### 48. SHORT-TERM FINANCING BILLS PAYABLES

|                                 | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---------------------------------|-----------------------|-----------------------|
| Ultra-short-term bonds          | 6,076,732             | 5,026,428             |
| Medium-term notes               | 5,593,378             | 5,235,973             |
| Short-term income certification | 2,178,256             | 8,911,524             |
| Short-term bonds                | —                     | 5,531,940             |
| Short-term corporate bonds      | 11,138,322            | 1,012,658             |
|                                 | <b>24,986,688</b>     | <b>25,718,523</b>     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

| Issue Entity  | Type                            | Currency | Issue date | Maturity date | Coupon Rate | Opening Balance<br>RMB'000 | Increase<br>RMB'000 | Decrease<br>RMB'000 | Ending Balance<br>RMB'000 |
|---|---------------------------------|----------|------------|---------------|-------------|----------------------------|---------------------|---------------------|---------------------------|
| Haitong Securities Co., Ltd                               | Short-term corporate bonds      | RMB      | 28/01/2021 | 19/12/2021    | 3.10%       | -                          | 6,165,618           | 6,165,618           | -                         |
| Haitong Securities Co., Ltd                               | Short-term corporate bonds      | RMB      | 29/07/2021 | 29/07/2022    | 2.72%       | -                          | 5,058,126           | -                   | 5,058,126                 |
| Haitong Securities Co., Ltd                               | Short-term corporate bonds      | RMB      | 05/06/2020 | 02/03/2021    | 2.20%       | 1,012,658                  | 3,616               | 1,016,274           | -                         |
| Haitong Securities Co., Ltd                               | Short-term corporate bonds      | RMB      | 12/07/2021 | 16/06/2022    | 2.82%       | -                          | 6,080,196           | -                   | 6,080,196                 |
| Haitong Securities Co., Ltd                               | Short-term bonds                | RMB      | 15/10/2020 | 13/01/2021    | 2.88%       | 5,030,773                  | 4,734               | 5,035,507           | -                         |
| Haitong Securities Co., Ltd                               | Short-term income certification | RMB      | 04/01/2021 | 02/01/2023    | 1.00%-8.18% | 8,911,523                  | 16,971,006          | 23,704,273          | 2,178,256                 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 16/07/2020 | 15/01/2021    | 1.73%       | 1,007,865                  | 664                 | 1,008,529           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 06/08/2020 | 29/01/2021    | 1.85%       | 1,007,362                  | 1,419               | 1,008,781           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 27/08/2020 | 22/01/2021    | 1.85%       | 503,141                    | 532                 | 503,673             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 18/09/2020 | 26/05/2021    | 2.40%       | 503,145                    | 4,767               | 507,912             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 29/10/2020 | 05/02/2021    | 1.95%       | 1,003,163                  | 1,870               | 1,005,033           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Short-term Corporate bonds      | RMB      | 27/11/2020 | 27/11/2021    | 4.17%       | 501,167                    | 18,851              | 520,018             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 03/12/2020 | 17/04/2021    | 3.05%       | 1,001,752                  | 8,858               | 1,010,610           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 02/02/2021 | 27/08/2021    | 3.60%       | -                          | 510,159             | 510,159             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 03/02/2021 | 30/07/2021    | 3.80%       | -                          | 509,214             | 509,214             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 17/03/2021 | 13/08/2021    | 3.20%       | -                          | 506,532             | 506,532             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds          | RMB      | 22/04/2021 | 15/10/2021    | 3.25%       | -                          | 1,015,671           | 1,015,671           | -                         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

| Issue Entity  | Type                   | Currency | Issue date | Maturity date | Coupon Rate   | Opening Balance<br>RMB'000 | Increase<br>RMB'000 | Decrease<br>RMB'000 | Ending Balance<br>RMB'000 |
|---|------------------------|----------|------------|---------------|---------------|----------------------------|---------------------|---------------------|---------------------------|
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 30/04/2021 | 21/01/2022    | 3.35%         | -                          | 1,022,452           | -                   | 1,022,452                 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 21/05/2021 | 21/01/2022    | 3.25%         | -                          | 1,019,896           | -                   | 1,019,896                 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 24/05/2021 | 18/02/2022    | 3.30%         | -                          | 509,908             | -                   | 509,908                   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 08/01/2021 | 25/05/2021    | 3.05%         | -                          | 1,011,448           | 1,011,448           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 19/01/2021 | 19/03/2021    | 2.78%         | -                          | 502,247             | 502,247             | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 27/01/2021 | 24/04/2021    | 3.20%         | -                          | 1,007,627           | 1,007,627           | -                         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 06/08/2021 | 22/04/2022    | 2.97%         | -                          | 1,011,492           | -                   | 1,011,492                 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 23/08/2021 | 11/03/2022    | 2.83%         | -                          | 504,893             | -                   | 504,893                   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 13/10/2021 | 25/03/2022    | 2.85%         | -                          | 1,005,768           | -                   | 1,005,768                 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Ultra-short-term bonds | RMB      | 25/11/2021 | 15/04/2022    | 2.85%         | -                          | 1,002,324           | -                   | 1,002,324                 |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 18/02/2020 | 16/02/2021    | LIBOR + 0.85% | 195,970                    | -                   | 195,970             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 24/02/2020 | 22/02/2021    | LIBOR + 0.85% | 202,476                    | -                   | 202,476             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 03/03/2020 | 02/03/2021    | LIBOR + 0.85% | 293,822                    | -                   | 293,822             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | HKD      | 23/04/2020 | 21/04/2021    | 2.50%         | 320,780                    | -                   | 320,780             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 29/04/2020 | 28/04/2021    | 2.75%         | 332,177                    | -                   | 332,177             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | HKD      | 26/05/2020 | 25/05/2021    | 2.40%         | 468,936                    | -                   | 468,936             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 28/05/2020 | 27/05/2021    | 2.30%         | 971,048                    | -                   | 971,048             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 07/08/2020 | 05/02/2021    | 1.16%         | 424,297                    | -                   | 424,297             | -                         |
| Haitong International Securities Group Ltd                | Medium-term notes      | USD      | 10/08/2020 | 09/08/2021    | 1.45%         | 245,662                    | -                   | 245,662             | -                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

| Issue Entity                               | Type              | Currency | Issue date | Maturity date | Coupon Rate | Opening Balance<br>RMB'000 | Increase<br>RMB'000 | Decrease<br>RMB'000 | Ending Balance<br>RMB'000 |
|--|-------------------|----------|------------|---------------|-------------|----------------------------|---------------------|---------------------|---------------------------|
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 08/09/2020 | 07/09/2021    | 0.00%       | 322,908                    | -                   | 322,908             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 17/09/2020 | 16/09/2021    | 1.18%       | 653,673                    | -                   | 653,673             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 09/11/2020 | 09/08/2021    | 0.00%       | 608,191                    | -                   | 608,191             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 09/11/2020 | 09/02/2021    | 1.10%       | 196,034                    | -                   | 196,034             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 08/01/2021 | 08/04/2021    | 0.90%       | -                          | 734,863             | 734,863             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 12/01/2021 | 13/04/2021    | 0.90%       | -                          | 702,930             | 702,930             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 13/01/2021 | 15/12/2021    | 1.20%       | -                          | 1,289,435           | 1,289,435           | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 22/02/2021 | 24/05/2021    | 0.70%       | -                          | 255,482             | 255,482             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 25/02/2021 | 30/11/2021    | 0.90%       | -                          | 642,008             | 642,008             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 25/02/2021 | 08/12/2021    | 0.90%       | -                          | 642,135             | 642,135             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 09/03/2021 | 09/09/2021    | 0.75%       | -                          | 312,683             | 312,683             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 15/03/2021 | 15/06/2021    | 0.63%       | -                          | 402,320             | 402,320             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 08/04/2021 | 10/01/2022    | 0.72%       | -                          | 320,486             | -                   | 320,486                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 16/07/2021 | 18/01/2022    | 0.60%       | -                          | 655,867             | -                   | 655,867                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 16/07/2021 | 15/07/2022    | 0.70%       | -                          | 207,420             | -                   | 207,420                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 29/07/2021 | 28/01/2022    | 0.60%       | -                          | 311,477             | -                   | 311,477                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 03/08/2021 | 07/02/2022    | 0.60%       | -                          | 311,454             | -                   | 311,454                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 18/08/2021 | 18/02/2022    | 0.50%       | -                          | 655,193             | -                   | 655,193                   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

| Issue Entity                               | Type              | Currency | Issue date | Maturity date | Coupon Rate | Opening Balance<br>RMB'000 | Increase<br>RMB'000 | Decrease<br>RMB'000 | Ending Balance<br>RMB'000 |
|--|-------------------|----------|------------|---------------|-------------|----------------------------|---------------------|---------------------|---------------------------|
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 26/08/2021 | 25/08/2022    | 0.58%       | -                          | 319,295             | -                   | 319,295                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 13/09/2021 | 13/12/2021    | 0.40%       | -                          | 245,525             | 245,525             | -                         |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 14/09/2021 | 14/03/2022    | 0.00%       | -                          | 246,644             | -                   | 246,644                   |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 20/09/2021 | 19/09/2022    | 0.59%       | -                          | 638,366             | -                   | 638,366                   |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 08/12/2021 | 07/12/2022    | 0.75%       | -                          | 636,686             | -                   | 636,686                   |
| Haitong International Securities Group Ltd | Medium-term notes | HKD      | 13/12/2021 | 13/06/2022    | 0.65%       | -                          | 653,938             | -                   | 653,938                   |
| Haitong International Securities Group Ltd | Medium-term notes | USD      | 16/12/2021 | 15/12/2022    | 0.75%       | -                          | 636,551             | -                   | 636,551                   |
| Total                                      |                   |          |            |               |             | 25,718,523                 | 56,280,646          | 57,012,481          | 24,986,688                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE

| Issue entity                | Type            | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate    | Opening   |          | Closing   |          |
|-----------------------------|-----------------|----------|---------------------------------------|------------|---------------|----------------|-----------|----------|-----------|----------|
|                             |                 |          |                                       |            |               |                | Balance   | Decrease | Balance   |          |
|                             |                 |          |                                       |            |               |                | RMB '000  | RMB '000 | RMB '000  | RMB '000 |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 2,390,000                             | 25/11/2013 | 25/11/2023    | 6.18%          | 2,399,603 | 149,445  | 2,401,346 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 800,000                               | 14/07/2014 | 14/07/2024    | 5.85%          | 821,925   | 46,800   | 821,925   |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 5,000,000                             | 18/05/2016 | 18/05/2021    | 3.80%          | 5,118,685 | 71,315   | 5,190,000 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 1,000,000                             | 11/08/2017 | 11/08/2022    | 4.80%          | 1,018,148 | 48,403   | 1,018,551 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 5,500,000                             | 22/09/2017 | 22/09/2027    | 4.99%          | 5,568,412 | 275,415  | 5,569,377 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,000,000                             | 08/03/2018 | 08/03/2021    | 5.15%          | 3,126,563 | 27,937   | 3,154,500 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,000,000                             | 22/03/2018 | 22/03/2021    | 5.14%          | 3,120,403 | 33,797   | 3,154,200 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,000,000                             | 10/05/2018 | 10/05/2021    | 4.70%          | 3,091,167 | 49,833   | 3,141,000 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,000,000                             | 06/08/2018 | 06/08/2021    | 3.98%          | 3,048,414 | 70,986   | 3,119,400 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,000,000                             | 22/11/2018 | 22/11/2021    | 3.88%          | 3,012,756 | 103,644  | 3,116,400 |          |
| Haitong Securities Co., Ltd | Corporate bonds | USD      | 300,000                               | 13/12/2018 | 13/12/2023    | 4.50%          | 1,955,817 | 222,093  | 1,913,075 |          |
| Haitong Securities Co., Ltd | Corporate bonds | EUR      | 230,000                               | 13/12/2018 | 13/12/2023    | Euribor+165bps | 1,846,828 | 82,245   | 1,661,502 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 5,000,000                             | 11/04/2019 | 11/04/2022    | 3.75%          | 5,136,130 | 187,500  | 5,136,130 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 4,500,000                             | 15/11/2019 | 15/11/2022    | 3.52%          | 4,520,397 | 158,400  | 4,520,397 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 5,000,000                             | 27/02/2020 | 27/02/2023    | 3.01%          | 5,127,061 | 150,436  | 5,126,997 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 3,500,000                             | 19/03/2020 | 19/03/2023    | 2.99%          | 3,582,573 | 104,650  | 3,582,573 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 5,600,000                             | 30/04/2020 | 30/04/2023    | 2.38%          | 5,689,827 | 133,280  | 5,689,827 |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 700,000                               | 30/04/2020 | 30/04/2025    | 2.88%          | 713,587   | 20,160   | 713,587   |          |
| Haitong Securities Co., Ltd | Corporate bonds | RMB      | 6,700,000                             | 25/05/2020 | 25/05/2023    | 2.70%          | 6,809,531 | 180,900  | 6,809,531 |          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                          | Currency | Principal amount in original currency | Issue date               | Maturity date            | Coupon Rate | Opening   |           |           | Closing   |  |           |
|---|-------------------------------|----------|---------------------------------------|--------------------------|--------------------------|-------------|-----------|-----------|-----------|-----------|--|-----------|
|   |                               |          |                                       |                          |                          |             | Balance   | Increase  | Decrease  | Balance   |  |           |
|   |                               |          |                                       |                          |                          |             | RMB '000  | RMB '000  | RMB '000  | RMB '000  |  | RMB '000  |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 6,000,000                             | 11/08/2020               | 11/08/2023               | 3.53%       | 6,082,979 | 211,800   | 211,800   | 6,082,979 |  | 6,082,979 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 21/10/2020               | 23/10/2021               | 3.50%       | 5,034,521 | 141,439   | 5,175,960 | -         |  | -         |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 21/10/2020               | 21/10/2022               | 3.82%       | 5,037,677 | 191,000   | 191,000   | 5,037,677 |  | 5,037,677 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 19/11/2020               | 13/01/2022               | 3.70%       | 5,021,795 | 185,000   | -         | 5,206,795 |  | 5,206,795 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 6,000,000                             | 13/01/2021               | 13/01/2024               | 3.58%       | -         | 6,207,738 | -         | 6,207,738 |  | 6,207,738 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,400,000                             | 08/02/2021               | 08/02/2024               | 3.79%       | -         | 5,583,353 | -         | 5,583,353 |  | 5,583,353 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 23/04/2021               | 23/04/2024               | 3.45%       | -         | 5,119,568 | -         | 5,119,568 |  | 5,119,568 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 2,800,000                             | 27/05/2021               | 27/05/2024               | 3.35%       | -         | 2,856,280 | -         | 2,856,280 |  | 2,856,280 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 2,100,000                             | 10/06/2021               | 10/06/2024               | 3.40%       | -         | 2,140,101 | -         | 2,140,101 |  | 2,140,101 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 2,000,000                             | 29/07/2021               | 29/07/2024               | 3.14%       | -         | 2,026,841 | -         | 2,026,841 |  | 2,026,841 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 3,000,000                             | 20/08/2021               | 20/08/2024               | 3.04%       | -         | 3,033,482 | -         | 3,033,482 |  | 3,033,482 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 2,000,000                             | 30/08/2021               | 30/08/2024               | 3.10%       | -         | 2,021,063 | -         | 2,021,063 |  | 2,021,063 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 2,000,000                             | 30/08/2021               | 30/08/2026               | 3.43%       | -         | 2,023,305 | -         | 2,023,305 |  | 2,023,305 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 10/11/2021               | 10/11/2024               | 3.10%       | -         | 5,022,082 | -         | 5,022,082 |  | 5,022,082 |
| Haitong Securities Co., Ltd                           | Corporate bonds               | RMB      | 5,000,000                             | 22/11/2021               | 22/11/2024               | 3.09%       | -         | 5,016,932 | -         | 5,016,932 |  | 5,016,932 |
| Haitong Securities Co., Ltd                           | Subordinated notes            | RMB      | 2,000,000                             | 17/11/2016               | 17/11/2021               | 3.40%       | 2,008,384 | 59,616    | 2,068,000 | -         |  | -         |
| Haitong Securities Co., Ltd                           | Subordinated notes            | RMB      | 3,300,000                             | 28/02/2019               | 28/02/2022               | 4.09%       | 3,413,582 | 134,911   | 134,970   | 3,413,523 |  | 3,413,523 |
| Haitong Securities Co., Ltd                           | Long-term income certificates | RMB      | 390,882                               | 05/02/2020 to 31/12/2021 | 09/01/2022 to 01/01/2024 | 0.00%-3.70% | 482,399   | 2,499,988 | 2,586,532 | 395,855   |  | 395,855   |
| Haitong Securities Co., Ltd                           | Financial bond                | RMB      | 7,000,000                             | 29/08/2019               | 29/08/2022               | 3.39%       | 7,081,267 | 237,300   | 237,300   | 7,081,267 |  | 7,081,267 |
| Shanghai Haitong Securities Asset management Co., Ltd | Corporate bonds               | RMB      | 1,000,000                             | 04/11/2020               | 04/11/2025               | 3.85%       | 1,006,012 | 38,500    | 38,500    | 1,006,012 |  | 1,006,012 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type               | Currency | Principal amount in original currency | Issue date              | Maturity date           | Coupon Rate | Opening   |           | Closing   |           |
|---|--------------------|----------|---------------------------------------|-------------------------|-------------------------|-------------|-----------|-----------|-----------|-----------|
|   |                    |          |                                       |                         |                         |             | Balance   | Increase  | Decrease  | Balance   |
|   |                    |          |                                       |                         |                         |             | RMB '000  | RMB '000  | RMB '000  | RMB '000  |
| Shanghai Haitong Securities Asset management Co., Ltd     | Subordinated notes | RMB      | 1,000,000                             | 04/04/2018              | 04/04/2023              | 5.00%       | 1,045,085 | 19,141    | 960,500   | 103,726   |
| Shanghai Haitong Securities Asset management Co., Ltd     | Subordinated notes | RMB      | 1,000,000                             | 31/10/2018              | 31/10/2021              | 5.34%       | 1,009,071 | 44,329    | 1,053,400 | -         |
| Haitong International Finance Holdings 2015 Limited       | Corporate bonds    | EUR      | 220,000                               | 18/05/2016 & 26/05/2016 | 17/05/2021 & 26/05/2021 | 1.60%       | 1,782,342 | 43,290    | 1,825,632 | -         |
| Haitong International Finance Holdings 2015 Limited       | Corporate bonds    | USD      | 670,000                               | 12/03/2020              | 11/03/2025              | 2.11%       | 4,389,272 | 2,794,958 | 2,893,006 | 4,291,224 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 800,000                               | 21/09/2018              | 21/09/2021              | 5.05%       | 809,889   | 29,110    | 838,999   | -         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 400,000                               | 26/10/2018              | 26/10/2021              | 4.85%       | 402,978   | 15,839    | 418,817   | -         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 500,000                               | 28/02/2019              | 28/02/2022              | 5.20%       | 520,650   | 25,929    | 24,900    | 521,679   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 500,000                               | 24/07/2019              | 24/07/2022              | 4.83%       | 509,222   | 24,150    | 23,168    | 510,204   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 1,000,000                             | 11/05/2020              | 11/05/2023              | 3.50%       | 1,018,243 | 35,000    | 33,270    | 1,019,973 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 700,000                               | 19/06/2020              | 19/06/2022              | 3.95%       | 711,483   | 27,650    | 25,371    | 713,762   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 1,200,000                             | 28/07/2020              | 28/07/2023              | 4.00%       | 1,214,347 | 48,000    | 45,638    | 1,216,709 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds    | RMB      | 1,000,000                             | 10/09/2020              | 10/09/2022              | 4.40%       | 1,008,260 | 44,000    | 40,861    | 1,011,399 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                            | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate | Opening   |           |           | Closing   |         |
|---|---------------------------------|----------|---------------------------------------|------------|---------------|-------------|-----------|-----------|-----------|-----------|---------|
|   |                                 |          |                                       |            |               |             | Balance   | Increase  | Decrease  | Balance   | Balance |
|   |                                 |          |                                       |            |               |             | RMB'000   | RMB'000   | RMB'000   | RMB'000   | RMB'000 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 1,000,000                             | 17/09/2020 | 17/09/2023    | 4.20%       | 1,006,516 | 42,000    | 39,813    | 1,008,703 |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 800,000                               | 30/10/2020 | 30/10/2023    | 4.15%       | 801,295   | 33,200    | 31,697    | 802,798   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 1,000,000                             | 26/04/2021 | 26/04/2025    | 4.10%       | -         | 1,024,573 | -         | 1,024,573 |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 800,000                               | 18/06/2021 | 18/06/2025    | 3.85%       | -         | 812,964   | -         | 812,964   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 600,000                               | 12/08/2021 | 12/08/2024    | 3.90%       | -         | 606,340   | -         | 606,340   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 1,000,000                             | 25/10/2021 | 25/10/2023    | 3.80%       | -         | 1,001,517 | -         | 1,001,517 |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Corporate bonds                 | RMB      | 1,000,000                             | 24/12/2021 | 24/12/2024    | 3.70%       | -         | 995,925   | -         | 995,925   |         |
| Unican Limited  | Overseas private placement bond | USD      | 150,000                               | 31/07/2019 | 31/07/2022    | 3.80%       | 990,682   | 42,009    | 62,269    | 970,422   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes               | RMB      | 600,000                               | 07/06/2016 | 07/06/2021    | 4.07%       | 189,169   | 3,239     | 192,408   | -         |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes               | RMB      | 600,000                               | 15/07/2016 | 15/07/2021    | 4.10%       | 295,303   | 6,385     | 301,688   | -         |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes               | RMB      | 1,000,000                             | 23/03/2018 | 23/03/2021    | 5.77%       | 1,044,832 | 12,805    | 1,057,637 | -         |         |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type              | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate   | Opening   |          | Closing  |           |
|---|-------------------|----------|---------------------------------------|------------|---------------|---------------|-----------|----------|----------|-----------|
|   |                   |          |                                       |            |               |               | Balance   | Increase | Decrease | Balance   |
|   |                   |          |                                       |            |               |               | RMB '000  | RMB '000 | RMB '000 | RMB '000  |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes | RMB      | 800,000                               | 27/04/2018 | 27/04/2021    | 5.23%         | 828,124   | 13,297   | 841,421  | -         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes | RMB      | 500,000                               | 31/08/2020 | 31/08/2023    | 4.20%         | 504,822   | 21,000   | 20,149   | 505,673   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes | RMB      | 1,000,000                             | 06/11/2020 | 06/11/2022    | 3.97%         | 1,002,953 | 39,700   | 38,051   | 1,004,602 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes | RMB      | 500,000                               | 20/01/2021 | 20/01/2023    | 4.00%         | -         | 518,052  | -        | 518,052   |
| Haitong UT Brilliant Limited                              | Medium-term notes | USD      | 100,000                               | 03/06/2021 | 03/06/2024    | 3.00%         | -         | 619,547  | 18,100   | 601,447   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Medium-term notes | RMB      | 1,000,000                             | 09/12/2021 | 09/12/2024    | 3.70%         | -         | 997,363  | -        | 997,363   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 26/12/2018 | 08/05/2021    | 5.90%         | 82,575    | 1,144    | 83,719   | -         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 11/11/2019 | 19/03/2022    | 4.57%         | 174,185   | 2,961    | 177,124  | 22        |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 25/03/2020 | 19/11/2022    | 4.10%         | 477,518   | 11,345   | 370,418  | 118,445   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 970,000                               | 25/06/2021 | 22/11/2021    | 3.25%         | -         | 982,955  | 982,955  | -         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 16/08/2021 | 27/03/2023    | 3.06%-4.00%   | -         | 954,784  | 587,721  | 367,063   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 18/08/2021 | 26/08/2022    | 3.16% - 3.50% | -         | 957,361  | 617,565  | 339,796   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 970,000                               | 18/11/2021 | 17/05/2022    | 3.25%         | -         | 972,226  | -        | 972,226   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based notes | RMB      | 950,000                               | 29/11/2021 | 26/05/2023    | 3.70% - 3.95% | -         | 947,283  | -        | 947,283   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                     | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate | Opening |          | Closing  |         |
|---|--------------------------|----------|---------------------------------------|------------|---------------|-------------|---------|----------|----------|---------|
|   |                          |          |                                       |            |               |             | Balance | Increase | Decrease | Balance |
|   |                          |          |                                       |            |               |             | RMB'000 | RMB'000  | RMB'000  | RMB'000 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 1,440,000                             | 27/02/2019 | 18/11/2021    | 5.00%       | 174,771 | 2,426    | 177,197  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 1,490,000                             | 16/04/2019 | 08/06/2021    | 4.40%       | 156,048 | 2,172    | 158,220  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 31/05/2019 | 19/01/2021    | 4.34%       | 66,710  | 157      | 66,867   | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 1,440,000                             | 14/06/2019 | 24/02/2022    | 4.50%       | 347,594 | 6,561    | 354,046  | 109     |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 08/08/2019 | 20/04/2021    | 4.80%       | 142,963 | 653      | 143,616  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 1,390,000                             | 27/08/2019 | 27/12/2021    | 4.45%       | 345,295 | 7,719    | 353,014  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 31/10/2019 | 26/11/2021    | 4.60%       | 252,182 | 4,327    | 256,509  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 926,000                               | 24/12/2019 | 26/08/2022    | 4.60%       | 383,511 | 9,846    | 330,587  | 62,770  |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 26/12/2019 | 26/07/2021    | 4.60%       | 244,057 | 2,171    | 246,228  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 24/03/2020 | 26/11/2021    | 3.65%       | 394,241 | 5,931    | 400,172  | -       |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 15/04/2020 | 27/02/2023    | 3.40%       | 515,085 | 10,437   | 394,293  | 131,229 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 880,000                               | 28/05/2020 | 26/07/2022    | 2.84%、3.40% | 565,255 | 10,929   | 372,646  | 203,538 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                     | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate | Opening  |          | Closing  |          |
|---|--------------------------|----------|---------------------------------------|------------|---------------|-------------|----------|----------|----------|----------|
|   |                          |          |                                       |            |               |             | Balance  | Decrease | Balance  |          |
|   |                          |          |                                       |            |               |             | RMB '000 | RMB '000 | RMB '000 | RMB '000 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 17/06/2020 | 27/02/2023    | 3.60%、3.70% | 667,649  | 435,355  | 248,767  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 19/06/2020 | 26/01/2022    | 3.80%       | 595,774  | 577,792  | 26,979   |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 190,000                               | 07/04/2020 | 13/02/2023    | 5.00%       | 189,804  | 8,806    | 190,498  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 28/07/2020 | 26/05/2023    | 3.85%、4.10% | 723,444  | 19,829   | 280,675  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 14/08/2020 | 26/04/2022    | 3.68%、3.99% | 712,936  | 14,269   | 153,060  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 09/09/2020 | 26/04/2023    | 4.00%、4.20% | 788,694  | 20,968   | 320,240  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 22/10/2020 | 26/06/2023    | 4.00%、4.30% | 768,511  | 23,877   | 311,193  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 24/11/2020 | 26/07/2022    | 4.15%、4.30% | 947,872  | 727,561  | 240,693  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 09/12/2020 | 26/07/2023    | 4.24%、4.30% | 942,576  | 27,262   | 419,463  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 02/02/2021 | 28/08/2023    | 3.80%、4.55% | -        | 972,744  | 432,615  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 25/03/2021 | 28/08/2023    | 3.58%、4.50% | -        | 968,932  | 501,058  |          |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan | RMB      | 950,000                               | 31/03/2021 | 28/11/2022    | 3.70%、4.40% | -        | 967,351  | 388,691  |          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                      | Currency | Principal amount in original currency | Issue date | Maturity date | Coupon Rate | Opening   |          |          | Closing   |         |
|---|---------------------------|----------|---------------------------------------|------------|---------------|-------------|-----------|----------|----------|-----------|---------|
|   |                           |          |                                       |            |               |             | Balance   | Increase | Decrease | Balance   | Balance |
|   |                           |          |                                       |            |               |             | RMB'000   | RMB'000  | RMB'000  | RMB'000   | RMB'000 |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 29/04/2021 | 26/09/2023    | 3.60%-4.50% | -         | 967,117  | 451,984  | 515,133   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 31/05/2021 | 26/01/2023    | 3.59%-4.35% | -         | 965,726  | 355,400  | 610,326   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 17/06/2021 | 28/08/2023    | 3.45%-4.40% | -         | 961,865  | 374,677  | 587,188   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 05/08/2021 | 26/09/2023    | 3.30%-4.20% | -         | 955,735  | 361,411  | 594,324   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 24/09/2021 | 26/04/2023    | 3.17%-3.99% | -         | 954,384  | -        | 954,384   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 19/11/2021 | 28/08/2023    | 3.50%-3.95% | -         | 947,632  | -        | 947,632   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Asset-based special plan  | RMB      | 950,000                               | 08/12/2021 | 28/08/2023    | 3.35%-4.00% | -         | 944,485  | -        | 944,485   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 600,000                               | 12/02/2018 | 12/02/2021    | 6.35%       | 633,666   | 4,280    | 637,946  | -         |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 500,000                               | 19/06/2018 | 19/06/2021    | 6.50%       | 517,068   | 15,048   | 532,116  | -         |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 800,000                               | 30/11/2018 | 30/11/2021    | 5.20%       | 802,532   | 37,953   | 840,485  | -         |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 300,000                               | 23/04/2019 | 23/04/2022    | 4.65%       | 309,091   | 13,950   | 13,535   | 309,506   |         |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 1,000,000                             | 31/05/2019 | 31/05/2022    | 4.70%       | 1,025,514 | 47,000   | 45,463   | 1,027,051 |         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 49. BONDS PAYABLE (CONTINUED)

| Issue entity  | Type                      | Currency | Principal amount in original currency | Issue date               | Maturity date            | Coupon Rate  | Opening     |            | Closing    |             |
|---|---------------------------|----------|---------------------------------------|--------------------------|--------------------------|--------------|-------------|------------|------------|-------------|
|   |                           |          |                                       |                          |                          |              | Balance     | Increase   | Decrease   | Balance     |
|   |                           |          |                                       |                          |                          |              | RMB '000    | RMB '000   | RMB '000   | RMB '000    |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 1,400,000                             | 04/12/2019               | 04/12/2022               | 4.50%        | 1,400,590   | 62,827     | 60,753     | 1,402,664   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 1,000,000                             | 04/06/2021               | 04/06/2023               | 3.95%        | -           | 1,020,318  | -          | 1,020,318   |
| Haitong Unitrust International Financial Leasing Co., Ltd | Private publication notes | RMB      | 1,000,000                             | 11/11/2021               | 11/11/2024               | 4.19%        | -           | 1,001,267  | -          | 1,001,267   |
| Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd      | Asset-based special plan  | RMB      | 760,000                               | 29/12/2021               | 15/08/2023               | 3.60%-3.95%  | -           | 754,450    | -          | 754,450     |
| Haitong International Securities Group Ltd                | Corporate bonds           | USD      | 700,000                               | 19/07/2019               | 19/07/2024               | 3.38%        | 4,617,604   | 31,604     | 131,894    | 4,517,314   |
| Haitong International Securities Group Ltd                | Corporate bonds           | USD      | 400,000                               | 18/11/2019               | 18/05/2025               | 3.13%        | 2,600,552   | 18,949     | 74,280     | 2,545,221   |
| Haitong International Securities Group Ltd                | Corporate bonds           | USD      | 400,000                               | 02/07/2020               | 02/07/2023               | 2.13%        | 2,626,435   | 19,287     | 75,019     | 2,570,703   |
| Haitong International Securities Group Ltd                | Corporate bonds           | USD      | 300,000                               | 20/05/2021               | 20/05/2026               | 2.13%        | -           | 1,909,960  | -          | 1,909,960   |
| Haitong International Securities Group Ltd                | Convertible bonds         | HKD      | 3,880,000                             | 25/10/2016               | 25/10/2021               | 0.00%        | 105,529     | 1,433      | 106,962    | -           |
| Haitong Banco de Investimento do Brasil S.A.              | Financial bond            | BRL      | 4,367,710                             | 21/05/2018 to 09/12/2021 | 24/05/2021 to 11/12/2024 | 1.43%-12.08% | 520,516     | 127,706    | 455,097    | 193,125     |
| Haitong Investment Ireland PLC                            | Medium-term notes         | EUR      | 77,352                                | 20/12/2011 to 23/07/2018 | 12/04/2021 to 23/01/2026 | 0.98%-3.98%  | 58,882      | 45,880     | 58,882     | 45,880      |
| Total   |                           |          |                                       |                          |                          |              | 147,838,210 | 76,581,678 | 60,833,818 | 163,586,070 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 49. BONDS PAYABLE (CONTINUED)

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Analysed for reporting purpose as: |                       |                       |
| Current liabilities                | 52,513,925            | 36,233,688            |
| Non-current liabilities            | 111,072,145           | 111,604,522           |
|                                    | <b>163,586,070</b>    | 147,838,210           |

As at 31 December 2021, bonds payable increased RMB15,748 million, with a percentage of 10.65%, mainly due to the increase in the issuance of long-term debt instruments of the Group.

### 50. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

|                                       | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---------------------------------------|-----------------------|-----------------------|
| Accounts payable to brokerage clients | <b>123,202,200</b>    | 108,167,568           |

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable mainly include cash held on behalf of clients at the banks and at the clearing houses by the Group. Interest payable on accounts payable to brokerage clients shall be accrued according to the prevailing benchmark interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 51. CUSTOMER ACCOUNTS

|                                    | <b>2021/12/31</b><br><b>RMB'000</b> | 2020/12/31<br><i>RMB'000</i> |
|------------------------------------|-------------------------------------|------------------------------|
| Demand deposits – corporate        | <b>321,006</b>                      | 229,122                      |
| Time deposits – corporate          | <b>3,833,794</b>                    | 2,399,463                    |
| Demand deposits – individual       | <b>55</b>                           | 16,913                       |
| Time deposits – individual         | <b>1,789,636</b>                    | 1,767,890                    |
|                                    | <b>5,944,491</b>                    | 4,413,388                    |
| Analysed for reporting purpose as: |                                     |                              |
| Current liabilities                | <b>2,758,837</b>                    | 4,413,388                    |
| Non-current liabilities            | <b>3,185,654</b>                    | –                            |
|                                    | <b>5,944,491</b>                    | 4,413,388                    |

## 52. CONTRACT LIABILITIES

|                   | <b>2021/12/31</b><br><b>RMB'000</b> | 2020/12/31<br><i>RMB'000</i> |
|-------------------|-------------------------------------|------------------------------|
| Commodity trading | <b>156,746</b>                      | 130,540                      |
| Other             | –                                   | 499                          |
|                   | <b>156,746</b>                      | 131,039                      |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 53. OTHER PAYABLES AND ACCRUALS

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| Payable to employees ( <i>Note i</i> )      | 7,498,187             | 6,478,181             |
| Other tax payable                           | 722,417               | 580,016               |
| Dividends payable                           | 7,536                 | 7,536                 |
| Risk reserve                                | 821,412               | 544,016               |
| Client settlement payables                  | 750,543               | 2,732,401             |
| Pending payable to clearing house           | 2,037,970             | 979,097               |
| Commission and fee payables                 | 19,481                | 19,857                |
| Amounts due to brokers                      | 1,659,651             | 1,017,337             |
| Notes payable                               | 2,899,881             | 2,030,280             |
| Short term finance lease guarantee deposits | 3,832,682             | 3,677,978             |
| Others ( <i>Note ii</i> )                   | 9,791,241             | 4,502,742             |
|   | <b>30,041,001</b>     | <b>22,569,441</b>     |
| Analysed for reporting purpose as:          |                       |                       |
| Current liabilities                         | <b>28,635,826</b>     | 21,187,155            |
| Non-current liabilities ( <i>Note i</i> )   | <b>1,405,175</b>      | 1,382,286             |
|   | <b>30,041,001</b>     | <b>22,569,441</b>     |

*Notes:*

- (i) The Group sets up a detailed plan for the payment of accrued employees' bonuses. According to the plan, a balance of RMB424,063 thousand is expected to be settled after one year (31 December 2020: RMB407,102 thousand) and therefore classified as non-current liabilities.
- (ii) Others mainly represent payables received in advance of the Group which are non-interest bearing and are settled within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 54. PROVISIONS

|                               | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|-------------------------------|-----------------------|-----------------------|
| Pending litigation and others | 196,697               | 130,302               |
| External guarantee            | 7,103                 | 10,782                |
|                               | <b>203,800</b>        | 141,084               |

## 55. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| Financial liabilities held for trading  | 2,382,470             | 4,412,068             |
| Liabilities arising from consolidation of structured entities                             | 1,828,521             | 6,002,904             |
| Designated as financial liabilities at fair value through profit or loss (FVTPL) (Note i) |                       |                       |
| – Structured products (Note ii)   | 8,078,933             | 16,857,901            |
| – Gold option (Note iii)  | –                     | 203,317               |
| – Income certificates (Note iv)   | 4,026,293             | 4,762,111             |
|   | <b>16,316,217</b>     | 32,238,301            |
| Analysed for reporting purpose as:  |                       |                       |
| Current liabilities   | 10,456,105            | 22,226,074            |
| Non-current liabilities   | 5,860,112             | 10,012,227            |
|   | <b>16,316,217</b>     | 32,238,301            |

Notes:

- (i) As at 31 December 2021 and 2020, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual payables at maturity is not significant. The amounts of changes in the fair value that are attributable to changes in the Group's own credit risk are not significant during the years ended 31 December 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 55. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

- (ii) As at 31 December 2021 and 2020, included in the Group's financial liabilities designated at FVTPL are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates of which pay-outs are linked to the values/returns of certain underlying investments related to listed equity investments in active markets, listed/unlisted debt instruments, listed/unlisted investment funds, unlisted financial products and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily mitigated using financial assets at FVTPL as detailed in Note 31(iii). These structured products are designated as FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

- (iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combination intend to enable the Group to pay a fixed flow despite the volatilities of fair value of gold bullions. These contracts were designated at FVTPL.
- (iv) The Group issued some income certificates which were hybrid contracts containing embedded derivatives such as securities index. The entire hybrid contracts were designated as at FVTPL upon initial recognition.

### 56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Analysed by collateral type:       |                       |                       |
| Stock                              | 876,186               | 4,028,550             |
| Bonds                              | 80,060,042            | 45,162,927            |
| Gold                               | 10,975,724            | 11,371,956            |
|                                    | <b>91,911,952</b>     | 60,563,433            |
| Analysed by market:                |                       |                       |
| Stock exchanges                    | 38,841,695            | 14,111,154            |
| Inter-bank market                  | 42,094,533            | 35,080,323            |
| OTC                                | 10,975,724            | 11,371,956            |
|                                    | <b>91,911,952</b>     | 60,563,433            |
| Analysed for reporting purpose as: |                       |                       |
| Current liabilities                | <b>91,911,952</b>     | 60,563,433            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities.

The following tables provide a summary of carrying amounts or fair values related to transferred financial assets of the Group and the associated liabilities:

### As at 31 December 2021

|   | Financial assets<br>at fair value<br>through<br>profit or loss<br><i>RMB'000</i> | Debt<br>instruments<br>at fair value<br>through other<br>comprehensive<br>income<br><i>RMB'000</i> | Debt<br>instruments<br>measured at<br>amortised cost<br><i>RMB'000</i> | Financial<br>assets held<br>under resale<br>agreements<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--|--|--|--|--------------------------|-------------------------|
| Carrying amount of transferred assets     | 49,477,280   | 23,966,069   | 101,712  | 719,802  | 25,187,767               | 99,452,630              |
| Carrying amount of associated liabilities | 44,991,712   | 22,425,310   | 99,526   | 569,279  | 23,826,125               | 91,911,952              |
| Net position                              | 4,485,568  | 1,540,759  | 2,186  | 150,523  | 1,361,642                | 7,540,678               |

### As at 31 December 2020

|   | Financial assets<br>at fair value<br>through profit<br>or loss<br><i>RMB'000</i> | Debt<br>instruments<br>at fair value<br>through other<br>comprehensive<br>income<br><i>RMB'000</i> | Debt<br>instruments<br>measured at<br>amortised cost<br><i>RMB'000</i> | Financial<br>assets held<br>under resale<br>agreements<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--|--|--|--|--------------------------|-------------------------|
| Carrying amount of transferred assets     | 43,594,171   | 2,813,871  | –  | 542,833  | 26,211,417               | 73,162,292              |
| Carrying amount of associated liabilities | 37,242,967   | 2,140,514  | –  | 474,107  | 20,705,845               | 60,563,433              |
| Net position                              | 6,351,204  | 673,357  | –  | 68,726   | 5,505,572                | 12,598,859              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 57. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

|                                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|------------------------------------|-----------------------|-----------------------|
| Placements from banks              | 6,649,257             | 14,069,197            |
| Placements from CSFC               | 9,015,400             | 1,000,316             |
|                                    | <b>15,664,657</b>     | 15,069,513            |
| Analysed for reporting purpose as: |                       |                       |
| Current liabilities                | 12,723,438            | 12,059,685            |
| Non-current liabilities            | 2,941,219             | 3,009,828             |
|                                    | <b>15,664,657</b>     | 15,069,513            |

### 58. DEPOSITS FROM OTHER BANKS

|                           | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---------------------------|-----------------------|-----------------------|
| Deposits from other banks | 72,787                | 63,104                |

### 59. SHARE CAPITAL

|   | Listed A shares             |                   | Listed H shares             |                   | Total                       |                   |
|---|-----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|   | Number of<br>shares<br>'000 | Amount<br>RMB'000 | Number of<br>shares<br>'000 | Amount<br>RMB'000 | Number of<br>shares<br>'000 | Amount<br>RMB'000 |
| Registered, issued and fully paid at<br>RMB1.0 per share: |                             |                   |                             |                   |                             |                   |
| As at 1 January 2021                                      | 9,654,631                   | 9,654,631         | 3,409,569                   | 3,409,569         | 13,064,200                  | 13,064,200        |
| As at 31 December 2021                                    | 9,654,631                   | 9,654,631         | 3,409,569                   | 3,409,569         | 13,064,200                  | 13,064,200        |

As at 31 December 2021, the total share capital of the company is 13,064,200 thousand shares, of which 1,171,953 thousand shares are subject to disposal restrictions (as at 31 December 2020: 1,562,500 thousand shares).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 60. REVALUATION RESERVE

|  | 2021/12/31<br><i>RMB'000</i> | 2020/12/31<br><i>RMB'000</i> |
|--|------------------------------|------------------------------|
| As beginning of the period/year  | <b>282,378</b>               | 114,007                      |
| Debt instrument measured at fair value through other comprehensive income      |                              |                              |
| – Net fair value changes during the year                                       | <b>275,043</b>               | (171,676)                    |
| – Reclassification adjustment to profit or loss on disposal                    | <b>73,630</b>                | (47,510)                     |
| – Reclassification adjustment to profit or loss for ECL                        | <b>83,512</b>                | 259,494                      |
| – Income tax impact  | <b>(87,535)</b>              | (8,368)                      |
| Equity instrument measured at fair value through other comprehensive income    |                              |                              |
| – Net fair value changes during the period                                     | <b>(432,146)</b>             | 286,814                      |
| – Transfer to retained earnings  | <b>(150,792)</b>             | 30,376                       |
| – Income tax impact  | <b>143,478</b>               | (82,201)                     |
| Share of other comprehensive income of associates and joint ventures           | <b>(2,193)</b>               | (34,727)                     |
| Actuarial gains/(losses) on defined benefit obligations                        | <b>39,131</b>                | (340)                        |
| Fair value gains/(losses) on hedging instrument designated in cash flow hedges | <b>80,673</b>                | (63,491)                     |
| As end of the period/year  | <b>305,179</b>               | 282,378                      |

## 61. RESERVES AND RETAINED EARNINGS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserve

The balance of capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value attributable to shareholders of the Company and other capital reserve arising from equity transactions.

### (b) Revaluation reserve

It mainly represents the fair value changes of debt instruments measured at FVTOCI and equity instruments measured at FVTOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 61. RESERVES AND RETAINED EARNINGS (CONTINUED)

### (c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained earnings.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained earnings and cannot be distributed or transferred to share capital.

For the year ended 31 December 2021, the Company transferred approximately RMB3,389,054 thousand to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2020: RMB2,182,380 thousand).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB8,693,606 thousand as at 31 December 2021 (31 December 2020: RMB7,663,172 thousand).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves and transaction risk reserve appropriated from the subsidiaries as at 31 December 2021 is RMB1,790,981 thousand and RMB441,413 thousand (31 December 2020: RMB1,563,024 thousand and RMB371,616 thousand).

### (d) Retained earnings

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained earnings determined in accordance with PRC GAAP and (ii) the retained earnings determined in accordance with IFRSs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 62. PERPETUAL NOTES

|   | <b>2021/12/31</b><br><b>RMB'000</b> | 2020/12/31<br>RMB'000 |
|---|-------------------------------------|-----------------------|
| Perpetual notes issued by UniTrust (Note) | <b>2,364,512</b>                    | 1,523,756             |
| Perpetual notes issued by Haitong Bank    | <b>26,937</b>                       | 29,160                |
|   | <b>2,391,449</b>                    | 1,552,916             |

*Note:*

As at 26 February 2021 and 8 September 2021, UniTrust issued renewable corporate bonds with principal amounts of RMB1,500,000 thousand and RMB530,000 thousand, the value dates were on 1 March 2021 and 8 September 2021.

The above financial instruments have no fixed maturity date and UniTrust has the right to choose to defer the principal in accordance with the contractual terms.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date without limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 12 months before the interest payment date:

- to declare and pay dividend to ordinary shareholders; or
- to decrease registered capital

As at 30 December 2021, UniTrust issued a renewable trust plan with principal amount of RMB300,000 thousand and value date on 31 December 2021.

The above financial instruments have no fixed maturity date and UniTrust has the right to choose to defer the principal in accordance with the contractual terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 62. PERPETUAL NOTES (CONTINUED)

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date without limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 6 months before the interest payment date:

- to decrease registered capital or return the capital contribution of shareholders in cash or other forms or invest in other forms; or
- to declare and pay dividend to ordinary shareholders;

On 12 March 2021, UniTrust redeemed the perpetual medium-term note issued at 11 March 2016 with principal amount of RMB1,200,000 thousand.

On 17 December 2021, UniTrust redeemed the renewable trust plan issued at 24 December 2020 with principal amount of RMB286,500 thousand.

Based on the terms and conditions mentioned above, the directors of UniTrust are of the view that the Group has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above perpetual note is measured as other equity instrument under IAS 32 Financial Instruments: Presentation.

During the year ended 31 December 2021, profit attributable to the holders of the perpetual notes of the Group amounted to RMB64,737 thousand (2020: RMB50,211 thousand), which are determined with reference to the distribution rates specified in the terms and conditions.

### 63. LONG-TERM PAYABLES

|                                  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|----------------------------------|-----------------------|-----------------------|
| Finance lease guarantee deposits | 5,207,591             | 6,912,745             |
| Deferred income                  | 435,446               | 592,924               |
| Others                           | 587,307               | 500,251               |
|                                  | <b>6,230,344</b>      | <b>8,005,920</b>      |

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business. These amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 64. CREDIT COMMITMENTS

As at 31 December 2021 and 2020, off-balance credit commitments can be analysed as follows:

|   | <b>2021/12/31</b><br><b>RMB'000</b> | 2020/12/31<br>RMB'000 |
|---|-------------------------------------|-----------------------|
| Guarantees and standby letters of credit income | <b>963,048</b>                      | 1,145,716             |
| Irrevocable credit commitments                  | <b>1,824,989</b>                    | 510,162               |

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these financial guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 65. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

|                    | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--------------------|-----------------------|-----------------------|
| Within one year    | 503,180               | 683,013               |
| In the second year | 552,931               | 605,225               |
| In the third year  | 506,236               | 586,742               |
| In the fourth year | 467,847               | 520,438               |
| In the fifth year  | 431,314               | 476,662               |
| Over five years    | 1,072,989             | 981,461               |
|                    | <b>3,534,497</b>      | 3,853,541             |

## 66. CAPITAL COMMITMENTS

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Capital expenditure in respect of acquisition of property and equipment: |                       |                       |
| – Contracted but not provided  | 2,226,331             | 3,685,924             |

## 67. DIVIDENDS

|                                      | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Dividends recognised as distribution | 3,266,050       | 3,657,976       |

According to the 2020 Haitong Securities annual general meeting of shareholders on 18 June 2021, the general meeting of shareholders reviewed and approved the declaration of a 2020 dividend of RMB2.5 per 10 shares (including tax) to all shareholders, with a total declared amount of RMB3,266 million including tax, paid in cash.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 68. INVESTMENT IN SUBSIDIARIES

### Company

|                          | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--------------------------|-----------------------|-----------------------|
| Unlisted shares, at cost | 36,897,561            | 33,697,561            |

### Principal subsidiaries acquired through establishment or investment

#### Details of the principal subsidiaries:

| Name of subsidiary   | Type of legal entity registered under PRC law                       | Place of Incorporation/ establishment | Equity interest held by the Group |                        | Share capital/ registered and paid-up capital | Principal activities                 |
|--|---|---------------------------------------|-----------------------------------|------------------------|---|--------------------------------------|
|  |   |                                       | As at 31 December 2021            | As at 31 December 2020 |   |                                      |
| 海富通基金管理有限公司<br>HFT Investment Management Co., Ltd. *                       | 有限責任公司（中外合資）<br>Limited liability company<br>(equity joint venture) | PRC                                   | 51%                               | 51%                    | RMB300,000,000                                | Fund management                      |
| 海富產業投資基金管理有限公司<br>Haitong-Fortis Private Equity Fund Management Co., Ltd.* | 有限責任公司（中外合資）<br>Limited liability company<br>(equity joint venture) | PRC                                   | 67%                               | 67%                    | RMB100,000,000                                | Fund management                      |
| 海通開元投資有限公司<br>Haitong Capital Investment Co. Ltd.*<br>("HCICL")*           | 有限責任公司（法人獨資）<br>Limited liability company<br>(corporate owned)      | PRC                                   | 100%                              | 100%                   | RMB7,500,000,000                              | Private Equity investment management |
| 海通國際控股有限公司<br>Haitong International Holdings Limited ("HTIH")*             | N/A   | Hong Kong                             | 100%                              | 100%                   | HKD11,179,726,140                             | Investment holding                   |
| 海通期貨股份有限公司<br>Haitong Futures Co., Ltd.*                                   | 股份有限公司（新三板掛牌）<br>Company limited by shares<br>(listed on NEEQ)"     | PRC                                   | 67%                               | 67%                    | RMB1,301,500,000                              | Futures brokerage                    |
| 海通國際證券集團有限公司<br>Haitong International Securities Group Limited ("HISGL")*  | N/A   | Bermuda                               | 65%                               | 65%                    | HKD603,778,509                                | Investment holding                   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Principal subsidiaries acquired through establishment or investment (Continued)

#### Details of the principal subsidiaries: (Continued)

| Name of subsidiary   | Type of legal entity registered under PRC law             | Place of Incorporation/ establishment | Equity interest held by the Group |                        | Share capital/ registered and paid-up capital | Principal activities   |
|--|---|---------------------------------------|-----------------------------------|------------------------|---|--|
|  |   |                                       | As at 31 December 2021            | As at 31 December 2020 |   |  |
| 海通創新證券投資有限公司 Haitong Innovation Securities Investment Co. Ltd *                          | 有限責任公司 (法人獨資) Limited liability company (corporate owned) | PRC                                   | 100%                              | 100%                   | RMB11,500,000,000                             | Financial products investment, equity investment and securities investment |
| 上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited*             | 有限責任公司 (法人獨資) Limited liability company (corporate owned) | PRC                                   | 100%                              | 100%                   | RMB2,200,000,000                              | Securities asset management  |
| 海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited                                       | N/A   | Hong Kong                             | 100%                              | 100%                   | HKD4,146,162,881                              | Investment holding   |
| 海通恒信國際融資租賃股份有限公司 Haitong UniTrust International Financial Leasing Co., Ltd. ("UniTrust") | 股份有限公司 (上市) Company limited by shares (listed)            | PRC                                   | 85%                               | 85%                    | RMB8,235,300,000                              | Leasing  |
| 海通銀行 Haitong Bank S.A. ("Haitong Bank")  | N/A   | Portugal                              | 100%                              | 100%                   | EUR 844,769,000                               | Banking  |
| 上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd.                             | 有限責任公司 (法人獨資) Limited liability company (corporate owned) | PRC                                   | 100%                              | 100%                   | RMB10,000,000                                 | Real estate development, property management and catering management       |
| 上海澤春投資發展有限公司 Shanghai Zechun Investment & Development Co. Ltd. ("Shanghai Zechun")       | 有限責任公司 (法人獨資) Limited liability company (corporate owned) | PRC                                   | 100%                              | 100%                   | RMB100,000,000                                | Real estate development, industrial investment and investment management   |

Note:

- (i) English translated name are for identification only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Principal subsidiaries acquired through establishment or investment (Continued)

#### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Placement of incorporation | Proportion of ordinary shares and voting rights held by non-controlling interests |            | Profit allocated to non-controlling interests |                       | Accumulated non-controlling interests |                       |
|--------------------|----------------------------|---|------------|---|-----------------------|---------------------------------------|-----------------------|
|                    |                            | 31/12/2021  | 31/12/2020 | 31/12/2021<br>RMB'000                         | 31/12/2020<br>RMB'000 | 31/12/2021<br>RMB'000                 | 31/12/2020<br>RMB'000 |
| HISGL              | Bermuda                    | 35.11%  | 35.09%     | 87,491  | 571,817               | 7,786,029                             | 8,200,216             |
| UniTrust           | PRC                        | 15.00%  | 15.00%     | 198,880                                       | 160,267               | 2,356,403                             | 2,193,486             |

Summarised financial information in respect of HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

|                         | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|-------------------------|-----------------------|-----------------------|
| Current assets          | 75,711,318            | 104,379,783           |
| Non-current assets      | 10,129,811            | 18,872,096            |
| Current liabilities     | 51,509,314            | 88,808,764            |
| Non-current liabilities | 11,826,192            | 10,610,253            |
| Total equity            | 22,505,623            | 23,832,862            |

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| Total income                               | 4,384,746       | 6,928,747       |
| Profit for the year                        | 249,472         | 1,626,787       |
| Other comprehensive income                 | 18,064          | (94,644)        |
| Total comprehensive income for the year    | 267,536         | 1,532,143       |
| Net cash inflow from operating activities  | 12,854,273      | 2,722,936       |
| Net cash outflow from investing activities | (89,686)        | (73,149)        |
| Net cash outflow from financing activities | (10,466,160)    | (2,594,813)     |
| Net cash inflow                            | 2,298,427       | 54,974          |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### Principal subsidiaries acquired through establishment or investment (Continued)

#### *Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)*

Summarised financial information in respect of UniTrust is set out below. The summarised financial information below represents amounts before intragroup eliminations.

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Current assets                             | 61,867,266            | 55,862,275            |
| Non-current assets                         | 52,874,044            | 52,279,196            |
| Current liabilities                        | 57,562,341            | 48,362,558            |
| Non-current liabilities                    | 39,559,326            | 43,925,114            |
| Total equity                               | 17,619,643            | 15,853,799            |
|  | 2021<br>RMB'000       | 2020<br>RMB'000       |
| Total income                               | 8,953,184             | 8,545,062             |
| Profit for the year                        | 1,412,860             | 1,115,984             |
| Other comprehensive income                 | 73,782                | (147,562)             |
| Total comprehensive income for the year    | 1,486,642             | 968,422               |
| Net cash outflow from operating activities | (3,751,311)           | (3,401,895)           |
| Net cash outflow from investing activities | (339,323)             | (3,007,953)           |
| Net cash inflow from financing activities  | 5,516,282             | 5,928,053             |
| Net cash (outflow)/inflow                  | 1,425,648             | (481,795)             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 69. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager or invested in, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2021 and 2020, and the results and cash flows for the years ended 31 December 2021 and 2020, though consolidated, are not individually significant to the Group. Therefore, the financial information of these consolidated structured entities is not disclosed individually.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB30,119,941 thousand and RMB27,879,408 thousand at 31 December 2021 and 31 December 2020, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2021 and 31 December 2020, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB370,590 thousand and RMB296,544 thousand respectively.

## 70. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

Except for the structured entities the Group has consolidated as detailed in Note 69, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant or does not have power over them. Therefore, the Group did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB13,448,955 thousand and RMB18,234,797 thousand as at 31 December 2021 and 2020, respectively. Total management income from all structured entities in which the Group acted as investment manager is RMB3,139,995 thousand and RMB3,013,553 thousand respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products is close to their respective carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2021 and 2020 are set out below:

### For the year ended 31 December 2021

| Name  | Director<br>fee<br>RMB'000 | Salary<br>and<br>commission<br>RMB'000 | Bonuses <sup>(a)</sup><br>RMB'000 | Employer's<br>contribution<br>to pension<br>schemes<br>annuity<br>plans<br>RMB'000 | Total <sup>(b)</sup><br>RMB'000 |
|---|----------------------------|--|-----------------------------------|--|---------------------------------|
| <i>Executive Directors:</i>                         |                            |  |                                   |  |                                 |
| Zhou Jie <sup>1</sup>                               | —                          | 490                                    | 1,325                             | —  | 1,815                           |
| Li Jun <sup>2</sup>                                 | —                          | 230                                    | —                                 | —  | 230                             |
| Qu Qiuping <sup>3</sup>                             | —                          | 690                                    | 1,380                             | —  | 2,070                           |
| Ren Peng <sup>4</sup>                               | —                          | 828                                    | 1,242                             | —  | 2,070                           |
| <i>Independent Non-executive<br/>Directors:</i>     |                            |  |                                   |  |                                 |
| Zhang Ming <sup>5</sup>                             | 290                        | —                                      | —                                 | —  | 290                             |
| Lin Jiali <sup>6</sup>                              | 200                        | —                                      | —                                 | —  | 200                             |
| Zhu Hongchao <sup>7</sup>                           | 280                        | —                                      | —                                 | —  | 280                             |
| Zhou Yu <sup>8</sup>                                | 290                        | —                                      | —                                 | —  | 290                             |
| <i>Non-executive Directors<br/>and Supervisors:</i> |                            |  |                                   |  |                                 |
| Tu Xuanxuan <sup>9</sup>                            | —                          | —                                      | —                                 | —  | —                               |
| Zhou Donghui <sup>10</sup>                          | —                          | —                                      | —                                 | —  | —                               |
| Yu Liping <sup>11</sup>                             | —                          | —                                      | —                                 | —  | —                               |
| Xu Jianguo <sup>12</sup>                            | —                          | —                                      | —                                 | —  | —                               |
| Zhao Yonggang <sup>13</sup>                         | —                          | 257                                    | 193                               | —  | 450                             |
| Wu Hongwei <sup>14</sup>                            | —                          | 184                                    | 707                               | —  | 891                             |
| Shi Xu <sup>15</sup>                                | —                          | 665                                    | 2,072                             | —  | 2,737                           |
| Wu Xiangyang <sup>16</sup>                          | —                          | 430                                    | 1,416                             | —  | 1,846                           |
| Ruan Feng <sup>17</sup>                             | —                          | —                                      | —                                 | —  | —                               |
| Li Zhenghao <sup>18</sup>                           | —                          | —                                      | —                                 | —  | —                               |
| Cao Yijian <sup>19</sup>                            | —                          | —                                      | —                                 | —  | —                               |
| Dong Xiaochun <sup>20</sup>                         | —                          | —                                      | —                                 | —  | —                               |
| Dai Li <sup>21</sup>                                | —                          | —                                      | —                                 | —  | —                               |
|   | 1,060                      | 3,774                                  | 8,335                             | —  | 13,169                          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020

| Name  | Director<br>fee<br>RMB'000 | Salary and<br>commission<br>RMB'000 | Bonuses <sup>(a)</sup><br>RMB'000 | Employer's<br>contribution<br>to pension<br>schemes<br>annuity<br>plans<br>RMB'000 | Total <sup>(b)</sup><br>RMB'000 |
|---|----------------------------|-------------------------------------|-----------------------------------|--|---------------------------------|
| <i>Executive Directors:</i>                         |                            |                                     |                                   |  |                                 |
| Zhou Jie <sup>1</sup>                               | —                          | 456                                 | 754                               | —  | 1,210                           |
| Qu Qiuping <sup>3</sup>                             | —                          | 920                                 | 1,490                             | —  | 2,410                           |
| Ren Peng <sup>4</sup>                               | —                          | 828                                 | 1,341                             | —  | 2,169                           |
| <i>Independent Non-executive<br/>Directors:</i>     |                            |                                     |                                   |  |                                 |
| Zhang Ming <sup>5</sup>                             | 280                        | —                                   | —                                 | —  | 280                             |
| Lin Jiali <sup>6</sup>                              | 200                        | —                                   | —                                 | —  | 200                             |
| Zhu Hongchao <sup>7</sup>                           | 250                        | —                                   | —                                 | —  | 250                             |
| Zhou Yu <sup>8</sup>                                | 260                        | —                                   | —                                 | —  | 260                             |
| <i>Non-executive Directors<br/>and Supervisors:</i> |                            |                                     |                                   |  |                                 |
| Tu Xuanxuan <sup>9</sup>                            | —                          | —                                   | —                                 | —  | —                               |
| Zhou Donghui <sup>10</sup>                          | —                          | —                                   | —                                 | —  | —                               |
| Yu Liping <sup>11</sup>                             | —                          | —                                   | —                                 | —  | —                               |
| Xu Jianguo <sup>12</sup>                            | —                          | —                                   | —                                 | —  | —                               |
| Chen Bin <sup>22</sup>                              | —                          | —                                   | —                                 | —  | —                               |
| Wu Hongwei <sup>14</sup>                            | —                          | 411                                 | 624                               | —  | 1,035                           |
| Shi Xu <sup>15</sup>                                | —                          | 658                                 | 1,618                             | —  | 2,276                           |
| Wu Xiangyang <sup>16</sup>                          | —                          | 408                                 | 1,077                             | —  | 1,485                           |
| Ruan Feng <sup>17</sup>                             | —                          | —                                   | —                                 | —  | —                               |
| Li Zhenghao <sup>18</sup>                           | —                          | —                                   | —                                 | —  | —                               |
| Cao Yijian <sup>19</sup>                            | —                          | —                                   | —                                 | —  | —                               |
| Dong Xiaochun <sup>20</sup>                         | —                          | —                                   | —                                 | —  | —                               |
| Dai Li <sup>21</sup>                                | —                          | —                                   | —                                 | —  | —                               |
| Xu Renzhong <sup>23</sup>                           | —                          | —                                   | —                                 | —  | —                               |
| Zheng Xiaoyun <sup>24</sup>                         | —                          | —                                   | —                                 | —  | —                               |
| Feng Huang <sup>25</sup>                            | —                          | —                                   | —                                 | —  | —                               |
|   | 990                        | 3,681                               | 6,904                             | —  | 11,575                          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

### For the year ended 31 December 2020 (Continued)

Notes :

- (a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
  - (b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 71.
- 1 Mr. Zhou Jie was appointed as the Executive Director in September 2016, and the Chairman in October 2016. Mr. Zhou Jie whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 2 Mr. Li Jun was appointed as the Executive Director of the Company in September 2021, and the General Manager in October 2021. Mr. Li Jun whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 3 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as the Executive Director. Mr. Qu Qiuping resigned from the position of the General Manager and Executive Director of the Company in September 2021.
  - 4 Mr. Ren Peng was appointed as the Executive Director of the Company in June 2019 and was appointed as the Vice General Manager of the Company in November 1997. Mr. Ren Peng whose emoluments disclosed above include those for service rendered by them as the Executive Director.
  - 5 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June 2016.
  - 6 Mr. Lin Jiali was appointed as the Independent Non-executive Director of the Company in April 2017.
  - 7 Mr. Zhu Hongchao was appointed as the Independent Non-executive Director of the Company in June 2019.
  - 8 Mr. Zhou Yu was appointed as the Independent Non-executive Director of the Company in June 2019.
  - 9 Mr. Tu Xuanxuan was appointed as the Non-executive Director of the Company in June 2019.
  - 10 Mr. Zhou Donghui was appointed as the Non-executive Director of the Company in June 2020.
  - 11 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June 2015.
  - 12 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October 2016.
  - 13 Mr. Zhao Yonggang was appointed as the Vice Chairman of the Supervisory Board in June 2021.
  - 14 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board in December 2017. Mr. Wu Hongwei resigned from the position of the Vice Chairman of the Supervisory Board in June 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

### For the year ended 31 December 2020 (Continued)

*Notes: (Continued)*

- 15 Mr. Shi Xu was appointed as the Supervisor of the Company in June 2019.
- 16 Mr. Wu Xiangyang was appointed as the Supervisor of the Company in June 2019.
- 17 Mr. Ruan Feng was appointed as the Supervisor of the Company in October 2020.
- 18 Mr. Li Zhenghao was appointed as the Supervisor of the Company in June 2020.
- 19 Mr. Cao Yijian was appointed as the Supervisor of the Company in June 2019.
- 20 Mr. Dong Xiaochun was appointed as the Supervisor of the Company in October 2020.
- 21 Mrs. Dai Li was appointed as the Supervisor of the Company in June 2019.
- 22 Mr. Chen Bin was appointed as the Non-executive Director of the Company in December 2014. Mr. Chen Bin resigned from the position of the Non-executive Director of the Company in March 2020.
- 23 Mr. Xu Renzhong was appointed as the Supervisor of the Company in June 2019. Mr. Xu Renzhong resigned from the position of the Supervisor of the Company in March 2020.
- 24 Mrs. Zheng Xiaoyun was appointed as the Supervisor of the Company in September 2015. Mrs. Zheng Xiaoyun resigned from the position of the Supervisor of the Company in August 2020.
- 25 Mr. Feng Huang was appointed as the Supervisor of the Company in December 2014. Mr. Feng Huang resigned from the position of the Supervisor of the Company in September 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services and their employments as supervisors of the Company.

For the years ended 31 December 2021 and 2020, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for redundancy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 72. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2021 and 2020 are as follows:

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Salary and commission                                    | 9,795                  | 10,789                 |
| Bonuses  | 43,120                 | 57,172                 |
| Employer's contribution to pension schemes/annuity plans | 246                    | 296                    |
|  | <b>53,161</b>          | <b>68,257</b>          |

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

|                                  | 2021<br>Number of<br>employees | 2020<br>Number of<br>employees |
|----------------------------------|--------------------------------|--------------------------------|
| Emolument bands                  |                                |                                |
| – RMB9,000,001 to RMB9,500,000   | 1                              | –                              |
| – RMB9,500,001 to RMB10,000,000  | 1                              | –                              |
| – RMB10,000,001 to RMB10,500,000 | 1                              | –                              |
| – RMB10,500,001 to RMB11,000,000 | –                              | –                              |
| – RMB11,000,001 to RMB11,500,000 | 1                              | –                              |
| – RMB11,500,001 to RMB12,000,000 | –                              | –                              |
| – RMB12,000,001 to RMB12,500,000 | 1                              | 2                              |
| – RMB12,500,001 to RMB13,000,000 | –                              | 1                              |
| – RMB13,000,001 to RMB13,500,000 | –                              | –                              |
| – RMB13,500,001 to RMB14,000,000 | –                              | –                              |
| – RMB14,000,001 to RMB14,500,000 | –                              | –                              |
| – RMB14,500,001 to RMB15,000,000 | –                              | –                              |
| – RMB15,000,001 to RMB15,500,000 | –                              | 1                              |
| – RMB15,500,001 to RMB16,000,000 | –                              | 1                              |
|                                  | <b>5</b>                       | <b>5</b>                       |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES

### 2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the “2015 Share Option Scheme”) on 8 June 2015 (the “Adoption Date”). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to HISGL or the Group.

The maximum number of shares of HISGL (the “Shares”) which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a “Scheme Year”), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the “Annual Limit”). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

#### 2015 Share option scheme of HISGL (Continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors of HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### 2015 Share option scheme of HISGL (Continued)

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 29 May 2020, HISGL granted 10,645,000 share options at the exercise price of HK\$1.727 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The exercise period of the share options is from 25 December 2020 to 28 May 2025. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK\$1.57 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 29 May 2020 is approximately HK\$3.2 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

|   | 2020      |
|---|-----------|
| Weighted average share price at the date of grant | HK\$1.57  |
| Initial exercise price                            | HK\$1.727 |
| Expected volatility                               | 49.389%   |
| Expected option life                              | 5 years   |
| Risk-free rate                                    | 0.520%    |
| Expected dividend yield                           | 11.439%   |
| Early exercise multiples – directors of HISGL     | 1.69      |
| – employees                                       | 1.94      |

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

On 21 July 2021, HISGL granted 10,645,000 share options at the exercise price of HK\$2.398 per share to its directors and employees under the 2015 Share Option Scheme with a total of 9,845,000 share options being accepted. The exercise period of the share options is from 17 February 2022 to 20 July 2026. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK\$2.18 per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

#### 2015 Share option scheme of HISGL (Continued)

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 21 July 2021 is approximately HK\$3.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

|   | 2021             |
|---|------------------|
| Weighted average share price at the date of grant | <b>HK\$2.18</b>  |
| Initial exercise price                            | <b>HK\$2.398</b> |
| Expected volatility                               | <b>37.533%</b>   |
| Expected option life                              | <b>5 years</b>   |
| Risk-free rate                                    | <b>0.495%</b>    |
| Expected dividend yield                           | <b>7.514%</b>    |
| Early exercise multiples – directors of HISGL     | <b>1.68</b>      |
| – employees                                       | <b>1.91</b>      |

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

For the year ended 31 December 2021, the Group has recognised an equity-settled share-based compensation expense of HK\$2,678 thousand equivalent to RMB 2,190 thousand (2020: HK\$3,222 thousand, equivalent to RMB 2,712 thousand) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

|   | 2021  |                                    | 2020  |                                    |
|---|---|------------------------------------|---|------------------------------------|
|   | Weighted<br>average<br>exercise price<br><i>HKD</i><br><i>per share</i> | Number of<br>options<br><i>000</i> | Weighted<br>average<br>exercise price<br><i>HKD</i><br><i>per share</i> | Number of<br>options<br><i>000</i> |
| At beginning of the year                | <b>3.369</b>  | <b>62,102</b>                      | 3.728   | 54,106                             |
| Granted and accepted during<br>the year | <b>2.398</b>  | <b>9,845</b>                       | 1.727   | 10,645                             |
| Adjusted during the year (note)         | –   | –                                  | 3.717   | 95                                 |
| Exercise during the year                | <b>1.727</b>  | <b>(1,750)</b>                     | –   | –                                  |
| Forfeited during the year               | <b>3.840</b>  | <b>(29,646)</b>                    | 3.950   | (2,744)                            |
| At end of the year                      | <b>2.860</b>  | <b>40,551</b>                      | 3.369   | 62,102                             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### 2015 Share option scheme of HISGL (Continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

| 31 December 2021<br>Number of options<br>000 | Exercise price<br>HKD\$ per share<br>(note) | Exercise period                 |
|--|---|---------------------------------|
| 6,546  | 5.002                                       | 7 June 2018 – 9 November 2022   |
| 11,125                                       | 2.898                                       | 28 May 2019 – 31 October 2023   |
| 6,340  | 2.554                                       | 27 December 2019 – 30 May 2024  |
| 7,345  | 1.727                                       | 25 December 2020 – 28 May 2025  |
| 9,195  | 2.398                                       | 17 February 2022 – 20 July 2026 |
| <b>40,551</b>                                |   |                                 |

| 31 December 2020<br>Number of options<br>000 | Exercise price<br>HKD\$ per share<br>(note) | Exercise period                |
|--|---|--------------------------------|
| 12,611                                       | 4.635                                       | 8 December 2016 – 11 May 2021  |
| 11,078                                       | 5.002                                       | 7 June 2018 – 9 November 2022  |
| 17,610                                       | 2.898                                       | 28 May 2019 – 31 October 2023  |
| 10,158                                       | 2.554                                       | 27 December 2019 – 30 May 2024 |
| 10,645                                       | 1.727                                       | 25 December 2020 – 28 May 2025 |
| <b>62,102</b>                                |   |                                |

*Note:* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

As at 31 December 2021, HISGL had 40,551,041 (2020: 62,102,499) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.67% (2020: 1.03%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 40,551,041 (2020: 62,102,499) additional ordinary shares of HISGL and additional share capital of HK\$4,055 thousand equivalent to RMB3,315 thousand (2020: HK\$6,210 thousand, equivalent to RMB5,227 thousand) and share premium of HK\$111,855 thousand equivalent to RMB91,453 thousand (2020: HK\$203,016 thousand equivalent to RMB170,866 thousand) (before issue expenses).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### Share award scheme of HISGL

On 19 December 2014, the Board adopted a 10-year share award scheme (the “Scheme”) to incentivise selected employees or directors (“Selected Participants”) for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK\$0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the “Adoption Date”) or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle administrative matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant) select any participant (excluding any excluded participants as defined under the Scheme rules) for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a director of HISGL as a Selected Participant, the terms and conditions of the award to such director and the number of award shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board or the Administration Committee, as the case may be, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares (“Reference Amount”).

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the consolidated statement of changes in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### Share award scheme of HISGL (Continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2021 are set out below.

| Date of awarded shares granted | Number of awarded shares granted | Number of awarded shares vested | Number of awarded shares lapsed<br>(note (h)) | Number of awarded shares unvested | Vesting dates | Fair value as at grant date<br>HKD |
|--------------------------------|----------------------------------|---------------------------------|---|-----------------------------------|---------------|------------------------------------|
| 11 May 2018                    | 7,010,493                        | 5,923,076                       | 1,087,417                                     | –                                 | note (a)      | 32,108,000                         |
| 25 March 2019                  | 6,848,366                        | 4,057,693                       | 1,169,819                                     | 1,620,854                         | note (b)      | 21,024,000                         |
| 29 October 2019                | 8,175,000                        | 5,000,000                       | 1,540,000                                     | 1,635,000                         | note (c)      | 18,557,000                         |
| 25 March 2020                  | 14,294,205                       | 4,359,028                       | 2,428,918                                     | 7,506,259                         | note (d)      | 28,731,000                         |
| 3 July 2020                    | 7,700,000                        | 7,700,000                       | –   | –                                 | note (e)      | 16,016,000                         |
| 25 March 2021                  | 29,000,000                       | 29,000,000                      | –   | –                                 | note (f)      | 69,890,000                         |
| 31 August 2021                 | 36,788,082                       | 15,800,639                      | 187,600                                       | 20,799,843                        | note (g)      | 82,773,000                         |

For the shares granted, the fair value of the shares were measured at the market price of HISGL's shares. For the year ended 31 December 2021, the Group has recognised an equity settled share-based payment of RMB106,824 thousand (31 December 2020: RMB37,689 thousand) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2021, HISGL did not have any awarded shares granted on 11 May 2018 which were outstanding under the Scheme (2020: 1,860,031 awarded shares). During the current year, 108,413 (2020: 221,869) and 1,751,618 (2020: 1,971,575) awarded shares granted on 11 May 2018 were lapsed and vested respectively.

As at 31 December 2021, HISGL had 1,620,854 (2020: 3,988,774) awarded shares granted on 25 March 2019 which were outstanding under the Scheme. During the current year, 433,949 (2020: 258,719) and 1,933,971 (2020: 2,123,722) awarded shares granted on 25 March 2019 were lapsed and vested respectively.

As at 31 December 2021, HISGL had 1,635,000 (2020: 4,760,000) awarded shares granted on 29 October 2019 which were outstanding under the Scheme. During the current year, 740,000 (2020: 470,000) and 2,385,000 (2020: 2,615,000) awarded shares granted on 29 October 2019 were lapsed and vested respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### Share award scheme of HISGL (Continued)

As at 31 December 2021, HISGL had 7,506,259 (2020: 13,463,223) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 1,597,936 (2020: 830,982) and 4,359,028 awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2021, HISGL had no awarded shares granted on 3 July 2020 which were outstanding under the Scheme. All 7,700,000 awarded shares granted on 3 July 2020 were vested during the year ended 31 December 2020.

As at 31 December 2021, HISGL had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme. During the current year, all 29,000,000 awarded shares granted on 25 March 2021 were vested.

As at 31 December 2021, HISGL had 20,799,843 awarded shares granted on 31 August 2021 which were outstanding under the Scheme. During the current year, 187,600 and 15,800,639 awarded shares granted on 31 August 2021 were lapsed and vested respectively.

#### Notes:

- (a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 11 May 2018 was on 13 May 2019 while the vesting date of another one-third of award shares granted on 11 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.
- (b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.
- (c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.
- (d) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.
- (e) Pursuant to the agreed terms, the vesting date of all the award shares granted on 3 July 2020 was on 15 July 2020.
- (f) Pursuant to the agreed terms, the vesting date of all the award shares granted on 25 March 2021 was on 30 April 2021.
- (g) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.
- (h) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

### Share award scheme of HISGL (Continued)

Movements of shares held under the Scheme during the year are as follows:

|  | 2021             |                     | 2020           |                  |
|--|------------------|---------------------|----------------|------------------|
|  | <i>HKD'000</i>   | Number of shares    | <i>HKD'000</i> | Number of shares |
| As at 1 January                            | <b>389,986</b>   | <b>172,705,979</b>  | 207,210        | 62,273,142       |
| Purchased during the year                  | –                | –                   | 230,980        | 126,069,000      |
| Vested and transferred out during the year | <b>(120,254)</b> | <b>(55,296,256)</b> | (48,204)       | (15,636,163)     |
| As at 31 December                          | <b>269,732</b>   | <b>117,409,723</b>  | 389,986        | 172,705,979      |

## 74. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 25 above, the name and the relationship of other related parties are set out as below:

| <b>Name of the related party</b>      | <b>Relationship of the related party</b>                      |
|---------------------------------------|---|
| Shanghai Guosheng (Group) Co., Ltd.   | Shareholders with shareholdings of 5% or above in the company |
| Bright Foods (Group) Co., Ltd.        | Significant influence   |
| Shanghai Electric (Group) Corporation | Significant influence   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 74. RELATED PARTY TRANSACTIONS (CONTINUED)

| Name of the related party   | Relationship of the related party |
|---|-----------------------------------|
| – Shanghai Tongguan Investment Management Partnership (Limited partnership)       | Joint venture                     |
| – Fullgoal Fund Management Co., Ltd.  | Associated enterprise             |
| – Liaoning energy investment (Group) Co. Ltd.                                     | Associated enterprise             |
| – Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) | Associated enterprise             |
| – Jilin Modern Agricultural and Emerging Markets Investment Fund Limited          | Associated enterprise             |
| – Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)  | Associated enterprise             |
| – Shanghai Equity Investment Fund (Limited Partnership)                           | Associated enterprise             |
| – Shanghai Equity Investment Fund II (Limited Partnership)                        | Associated enterprise             |
| – Hefei Haitong Huiyin Equity Investment Partnership (Limited partnership)        | Associated enterprise             |
| – Xi'an Aerospace and New Energy Industry Fund                                    | Associated enterprise             |
| – Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership                | Associated enterprise             |
| – Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.            | Associated enterprise             |
| – Guangdong South Media Integration Fund (Limited Partnership)                    | Associated enterprise             |
| – Haitong (Jilin) Equity Investment Fund (Limited Partnership)                    | Associated enterprise             |
| – Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)   | Associated enterprise             |
| – Xuchang Haitong Innovation Equity Investment Fund Limited Partnership           | Associated enterprise             |
| – Shanghai Cultural Industries Investment Fund (Limited Partnership)              | Associated enterprise             |
| – Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)            | Associated enterprise             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 74. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group's major transactions with related parties are as follows:

|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|-----------------|-----------------|
| Commission and fee income from:   |                 |                 |
| – Fullgoal Fund Management Co., Ltd.  | 190,721         | 104,038         |
| – Liaoning energy investment (Group) Co.Ltd                                       | 25,472          | 15,886          |
| – Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership) | 23,151          | 28,749          |
| – Jilin Modern Agricultural and Emerging Markets Investment Fund Limited          | 22,267          | 25,558          |
| – Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)  | 16,981          | 17,000          |
| – Shanghai Equity Investment Fund (Limited Partnership)                           | 15,235          | 32,987          |
| – Shanghai Equity Investment Fund II (Limited Partnership)                        | 15,205          | 15,191          |
| – Hefei Haitong Huiyin Equity Investment Partnership (Limited partnership)        | 8,491           | –               |
| – Xi'an Aerospace and New Energy Industry Fund                                    | 7,787           | 14,642          |
| – Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership                | 4,885           | 1,221           |
| – Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.            | 4,505           | 4,028           |
| – Guangdong South Media Integration Fund (Limited Partnership)                    | 4,441           | 4,835           |
| – Bright Foods(Group) Co., Ltd.   | 4,104           | 1,797           |
| – Shanghai Guosheng(Group) Co., Ltd.  | 3,562           | 2,353           |
| – Haitong (Jilin) Equity Investment Fund (Limited Partnership)                    | 1,689           | 2,579           |
| – Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)   | 1,283           | 3,037           |
| – Shanghai Electric (Group) Corporation   | 697             | –               |
| – Shanghai Tongguan Investment Management Partnership (Limited partnership)       | 503             | –               |
| – Xuchang Haitong Innovation Equity Investment Fund Limited Partnership           | 94              | –               |
| – Shanghai Cultural Industries Investment Fund (Limited Partnership)              | 17              | 23,440          |
| – Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)            | –               | 4,813           |
| – Gui'an UniTrust Finance Leasing Co., Ltd.                                       | –               | 11              |
| Commission and fee expenses to  |                 |                 |
| – Shanghai Equity Investment Fund (Limited Partnership)                           | –               | 23,030          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 74. RELATED PARTY TRANSACTIONS (CONTINUED)

|   | 2021<br>RMB'000       | 2020<br>RMB'000       |
|---|-----------------------|-----------------------|
| Net interest Income from  |                       |                       |
| – Shanghai Electric (Group) Corporation                                     | 855                   | –                     |
| – Xi'an Aerospace and New Energy Industry Fund                              | 355                   | –                     |
| – Shanghai Equity Investment Fund (Limited Partnership)                     | 327                   | –                     |
| – Shanghai Guosheng (Group) Co., Ltd.                                       | 149                   | –                     |
| – Shanghai Tongguan Investment Management Partnership (Limited partnership) | 145                   | –                     |
| – Gui'an UniTrust Finance Leasing Co., Ltd.                                 | –                     | 42,146                |
| – Others (Note)   | 196                   | –                     |
| Net Investment income   |                       |                       |
| – Shanghai Equity Investment Fund (Limited Partnership)                     | 5,630                 | –                     |
| – Shanghai Guosheng (Group) Co., Ltd.                                       | (3,603)               | –                     |
| – Shanghai Cultural Industries Investment Fund (Limited Partnership)        | –                     | 13,206                |
| – Shanghai Equity Investment Fund II (Limited Partnership)                  | –                     | 28                    |
|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
| Accounts receivables from:  |                       |                       |
| – Shanghai Cultural Industries Investment Fund (Limited Partnership)        | 17,080                | –                     |
| – Shanghai Guosheng(Group) Co., Ltd.  | 585                   | 810                   |
| – Others (Note)   | 40                    | 40                    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 74. RELATED PARTY TRANSACTIONS (CONTINUED)

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| Accounts payable to brokerage clients                                    |                       |                       |
| – Shanghai Guosheng(Group) Co., Ltd.                                     | (174,699)             | –                     |
| – Xi'an Aerospace and New Energy Industry Fund                           | (150,000)             | (1,690)               |
| – Shanghai Electric (Group) Corporation                                  | (7,762)               | –                     |
| – Shanghai Equity Investment Fund (Limited Partnership)                  | (926)                 | –                     |
| – Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership       | (304)                 | –                     |
| – Jilin Modern Agricultural and Emerging Markets Investment Fund Limited | (147)                 | (842)                 |
| – Fullgoal Fund Management Co., Ltd.                                     | –                     | (36,240)              |
| – Others (Note)  | (54)                  | –                     |
| Accounts payable to  |                       |                       |
| – Shanghai Guosheng(Group) Co., Ltd.                                     | (91,600)              | –                     |
| Derivative financial assets  |                       |                       |
| – Shanghai Guosheng(Group) Co., Ltd.                                     | 949                   | –                     |

## The remuneration of the key management personnel of the Group was as follows

|  | Twelve months ended 31 December |        |
|--|---------------------------------|--------|
|  | 2021                            | 2020   |
| Short-term benefits:                                       |                                 |        |
| – Fees, salaries, commission and bonuses                   | 66,790                          | 66,504 |
| Post-employment benefits:                                  |                                 |        |
| – Employer's contribution to pension schemes/annuity plans | 1,054                           | 783    |

Note: "others" includes Bright Foods(Group) Co.,Ltd., Guangdong South Media Integration Fund (Limited Partnership), Shanghai Cultural Industries Investment Fund (Limited Partnership), Jiaying Haitong Xuchu Equity Investment Fund Limited Partnership, Shanghai Equity Investment Fund II (Limited Partnership), Jilin Modern Agricultural and Emerging Markets Investment Fund Limited, Liaoning energy investment (Group) Co. Ltd, Liaoning China-Germany Industrial Equity Investment., Shanghai Tongguan Investment Management Partnership (Limited partnership), Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| <b>Non-current assets</b>   |                       |                       |
| Property and equipment  | 8,049,110             | 6,398,287             |
| Right-of-use assets   | 503,127               | 513,406               |
| Investment properties   | 14,156                | 13,279                |
| Other intangible assets   | 326,010               | 300,063               |
| Investments in subsidiaries   | 36,897,561            | 33,697,561            |
| Investments accounted for using equity method                       | 1,957,895             | 1,448,469             |
| Equity instruments at fair value through other comprehensive income | 10,183,589            | 15,984,456            |
| Debt instruments at fair value through other comprehensive income   | 31,666,415            | 10,573,687            |
| Financial assets at fair value through profit or loss               | 3,221,175             | 293,195               |
| Financial assets held under resale agreements                       | 575,403               | 2,198,497             |
| Deferred tax assets   | 2,307,574             | 1,654,578             |
| <b>Total non-current assets</b>                                     | <b>95,702,015</b>     | <b>73,075,478</b>     |
| <b>Current assets</b>   |                       |                       |
| Advances to customers on margin financing                           | 67,692,375            | 62,585,416            |
| Accounts receivable   | 1,948,966             | 1,458,059             |
| Debt instruments at fair value through other comprehensive income   | 3,511,075             | 1,194,036             |
| Financial assets at fair value through profit or loss               | 143,813,600           | 118,661,405           |
| Derivative financial assets   | 354,430               | 109,961               |
| Financial assets held under resale agreements                       | 28,762,510            | 43,845,060            |
| Other receivables and prepayments                                   | 3,547,890             | 1,190,035             |
| Amount due from subsidiaries  | –                     | 6,718,097             |
| Deposits with exchanges   | 3,949,885             | 2,791,802             |
| Clearing settlement funds   | 23,908,471            | 12,053,285            |
| Bank balances and cash  | 93,457,408            | 74,010,192            |
| <b>Total current assets</b>   | <b>370,946,610</b>    | <b>324,617,348</b>    |
| <b>Total assets</b>   | <b>466,648,625</b>    | <b>397,692,826</b>    |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

|  | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|--|-----------------------|-----------------------|
| <b>Current liabilities</b>                                 |                       |                       |
| Borrowings   | 2,237                 | 2,296                 |
| Short-term financing bills payables                        | 13,316,578            | 14,954,953            |
| Bonds Payable  | 32,879,392            | 33,643,872            |
| Accounts payable to brokerage clients                      | 72,910,212            | 67,034,114            |
| Other payables and accruals                                | 12,533,410            | 7,031,235             |
| Amount due to subsidiaries                                 | 56,020                | 355,854               |
| Lease liabilities  | 134,889               | 144,514               |
| Tax liabilities  | 1,106,393             | 1,447,659             |
| Financial liabilities at fair value through profit or loss | 476,840               | 1,257,043             |
| Derivative financial liabilities                           | 619,042               | 543,532               |
| Financial assets sold under repurchase agreements          | 89,332,831            | 48,997,606            |
| Placements from other financial institutions               | 10,015,659            | 8,801,862             |
| <b>Total current liabilities</b>                           | <b>233,383,503</b>    | <b>184,214,540</b>    |
| <b>Net current assets</b>                                  | <b>137,563,107</b>    | <b>140,402,808</b>    |
| <b>Total assets less current liabilities</b>               | <b>233,265,122</b>    | <b>213,478,286</b>    |
| <b>Equity</b>  |                       |                       |
| Share capital  | 13,064,200            | 13,064,200            |
| Capital reserve  | 74,772,635            | 74,772,635            |
| Revaluation reserve  | 411,800               | 499,138               |
| General reserves   | 26,080,817            | 22,989,516            |
| Retained earnings  | 30,179,778            | 26,119,699            |
| <b>Total equity</b>  | <b>144,509,230</b>    | <b>137,445,188</b>    |
| <b>Non-current liabilities</b>                             |                       |                       |
| Long-term borrowings                                       | 2,092,000             | 2,112,000             |
| Bonds payables   | 80,354,269            | 66,226,560            |
| Other payables and accruals                                | 310,994               | 287,209               |
| Financial liabilities at fair value through profit or loss | 5,639,743             | 7,062,075             |
| Lease liabilities  | 358,886               | 345,254               |
| <b>Total non-current liabilities</b>                       | <b>88,755,892</b>     | <b>76,033,098</b>     |
| <b>Total equity and non-current liabilities</b>            | <b>233,265,122</b>    | <b>213,478,286</b>    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

|  | Share<br>Capital<br>RMB'000 | Capital<br>Reserve<br>RMB'000 | Revaluation<br>reserve<br>RMB'000 | General<br>Reserves<br>RMB'000 | Retained<br>Earnings<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------------|------------------|
|  | (Note)                      |                               |                                   |                                |                                 |                  |
| As at 1 January 2021   | 13,064,200                  | 74,772,635                    | 499,138                           | 22,989,516                     | 26,119,699                      | 137,445,188      |
| Profit for the year  | -                           | -                             | -                                 | -                              | 10,304,336                      | 10,304,336       |
| Other comprehensive income for the year  | -                           | -                             | 25,756                            | -                              | -                               | 25,756           |
| Total comprehensive income for the year  | -                           | -                             | 25,756                            | -                              | 10,304,336                      | 10,330,092       |
| Appropriation to general reserves  | -                           | -                             | -                                 | 3,091,301                      | (3,091,301)                     | -                |
| Cash dividends recognised as distribution  | -                           | -                             | -                                 | -                              | (3,266,050)                     | (3,266,050)      |
| Disposal of equity instruments at fair value<br>through other comprehensive income | -                           | -                             | (113,094)                         | -                              | 113,094                         | -                |
| As at 31 December 2021   | 13,064,200                  | 74,772,635                    | 411,800                           | 26,080,817                     | 30,179,778                      | 144,509,230      |
| As at 1 January 2020   | 11,501,700                  | 56,486,199                    | 183,999                           | 20,807,136                     | 24,708,237                      | 113,687,271      |
| Profit for the year  | -                           | -                             | -                                 | -                              | 7,274,600                       | 7,274,600        |
| Other comprehensive income for the year  | -                           | -                             | 292,357                           | -                              | -                               | 292,357          |
| Total comprehensive income for the year  | -                           | -                             | 292,357                           | -                              | 7,274,600                       | 7,566,957        |
| Shares issued by the company   | 1,562,500                   | 18,286,436                    | -                                 | -                              | -                               | 19,848,936       |
| Appropriation to general reserves  | -                           | -                             | -                                 | 2,182,380                      | (2,182,380)                     | -                |
| Cash dividends recognised as distribution  | -                           | -                             | -                                 | -                              | (3,657,976)                     | (3,657,976)      |
| Disposal of equity instruments at fair value<br>through other comprehensive income | -                           | -                             | 22,782                            | -                              | (22,782)                        | -                |
| As at 31 December 2020   | 13,064,200                  | 74,772,635                    | 499,138                           | 22,989,516                     | 26,119,699                      | 137,445,188      |

*Note:* Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT

### Risk Management Policy and Organizational Structure

#### *Risk Management Policy*

The Company pays great attention on risk prevention and control with the principles of “pragmatic, pioneering, steady and excellent” operation and “being prudent and even conservative” risk management, giving priorities for compliance and risk management in terms of company operation. The Company has established a sound and effective risk management framework in accordance with relevant regulations, laws and regulatory requirements strictly. Engraved with the bottom line of compliance, the Company prevents the compliance risk, money laundering risk and terrorist financing risk through all kinds of compliance management instruments and compliance monitoring approaches, and the Company also allocates asset steadily, standardizes business processes and comprehensively strengthens prevention, monitoring and post-control for various risks by measuring risks through approaches such as credit investigation and extension, duration analysis, foreign exchange exposure analysis, value at risk analysis, the minimum survival period calculation of the cash flow, gap analysis, sensitivity analysis and stress test, also by establishing a monitoring system for risk control indicators such as net capital. Meanwhile, the Company has integrated the T+1 risk data management of subsidiaries at home and abroad into a unified system to implement vertical risk management, introduced consolidated management of risk control indicators, improved the frequency and quality of risk data reporting of the subsidiaries, as well as promoted the full coverage of conglomerate risk management.

The Company has formulated policies and procedures to identify and evaluate major risks such as credit risk, market risk and liquidity risk occurred in using financial instruments. The Company has strictly carried out risk limits management and internal control processes, scientifically used quantitative model for measurement, as well as carefully considered relevant limitations to perfect various professional information management systems and risk data management to support the efficiency of the risk management functions.

#### *Organizational Structure of Risk Management*

The Company makes standardized operations according to the Company Law, the Securities Law, the Guidelines for Internal Control of Investment Banking Business of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies and the Articles of Association. Considering the needs of business development and risk management, the Company has built multi-level organizational structure of risk management and determined specific responsibilities in risk management for the board of directors, the board of supervisors, the management, the Chief Risk Officer (“CRO”), the risk management department, the business and administration department, branches and subsidiaries.

The board of directors make and approve the strategic objectives of risk management. Its responsibilities include the review and approval for the Company’s overall risk management objectives, fundamental policies and major system, overall risk appetite and risk tolerance, as well as solutions of significant risks; regular risk evaluation and reporting, supervision for the implementation of risk management policies; appointment and assessment of the CRO; establishing the mechanism for direct communication with the CRO, and other responsibilities stipulated in the Articles of Association. The board of directors have set up the Compliance and Risk Management Committee to perform risk management functions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Risk Management Policy and Organizational Structure (Continued)

#### *Organizational Structure of Risk Management (Continued)*

The board of supervisors supervise the Company's risk management and internal control system. Its responsibilities include supervisions on the risk management and internal control established and implemented by the board of directors and managers, as well as other responsibilities stipulated in the Articles of Association.

Based on the approval of the board of directors, the management is required to set up an organizational structure with clear responsibilities and processes, make risk management policies, rules and system, carry out overall risk appetite and risk tolerance policies, identify and evaluate all kinds of risks, effectively leverage the sound risk management system and mechanism, timely respond to defects and issues, deliberate significant risk accidents, establish an overall performance evaluation system covering risk management effectiveness, build a perfect IT system and data quality control mechanism, as well as perform other risk management functions given by the board of directors.

The CRO appointed by the chairman of directors is the senior management who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and system determined by the board of directors, arrange supervisions, reviews and evaluations for risk management system established and perfected by the Company, arrange supervisions and inspections for the implementation of risk management policies and procedures, make suggestions and supervisions for improvements on issues in the risk management and regularly organize evaluations for operations and the level of major risks, file the evaluation report to the management, the board of directors and regulatory department, as well as organize the recommendation and assessment for the person in charge of risk management in subsidiaries.

The risk management department led by the CRO performs risk management functions, which is required to draft risk management policies, rules and system, supervise and guide other departments to make the business risk management system and procedures, identify and evaluate major risks of the Company's businesses, organize supervisions and inspections for the implementation of the risk management system of different businesses, regularly evaluate and report overall risk level and risk management, as well as timely report significant potential risks or risk issues and give suggestions accordingly. In addition, the compliance and legal department is responsible for the management of compliance risk, money laundering risk and terrorist financing risk, the funds management head office is responsible for the liquidity risk, the general manager office is responsible for the reputational risk, and the IT management department is responsible for the IT risk.

The Company's departments, branches and subsidiaries are responsible for the risk management within the scope of their operation and management, establishing the sound risk management system and procedures, accordingly, implementing risk management policies and completing related risk management duties. The heads of the above departments, branches and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries appoint personnel to perform risk management functions in respective unit, including the supervision, inspection and reporting for the implementation of risk management policies and system, as well front-line management responsibilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Risk Management Policy and Organizational Structure (Continued)

#### *Organizational Structure of Risk Management (Continued)*

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

All subsidiaries operate in a risk standardized manner and operate in accordance with the law. The Group has integrated the risk management of subsidiaries into the Group's overall risk management system through various mechanisms and further implemented the vertical risk management for subsidiaries in terms of nomination of subsidiaries' risk management principal, limit and report, consolidated management of risk control indicators, approval of major risk events, data docking, supervision and inspection, evaluation and assessment, etc.

#### **Credit risk management**

Credit risk refers to the risk that may cause losses for the Group's operation due to the inability of the debtor, counterparty or debt issuer to fulfil its agreed financial obligations or the deterioration of its credit quality.

The currency funds are primarily deposited in state-owned commercial banks or joint-stock commercial banks with good reputation. The clearing settlement funds are deposited in CSDC. The credit risk of cash and cash equivalents is relatively low. The economic matter adopts full margin settlement to avoid relevant credit risks.

The transactional financing business carried out by the Group mainly includes margin financing and securities lending, stock-pledged repurchase, margin trading, and contractual repurchase securities transactions. The Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, close a position, etc. During the reporting period, relevant entities of the Group continued to strengthen the credit and concentration management mechanism, dynamically optimised the credit rating and secured securities conversion rate models for specific customer groups, proactively adjusted the asset portfolio structure, and advanced risk mitigation procedures.

The Group emphasises the control of concentration risk through investment diversification, and mainly favours the investment targets involving assets with high credit ratings. In credit risk management, the Group closely tracks the operating conditions and changes in credit rating of investment targets, implements the internal rating and unified credit management mechanisms, and establishes and improves relevant credit risk monitoring indicators regarding issuer, industry and geographic concentration. In post-investment management, the Group updates the debt issuer's internal rating and credit limit in a timely manner based on changes in financial indicators, major risk events and negative public opinion, and dynamically adjusts the trading strategies.

In terms of financial leasing, the Group adopts a strategy of equal emphasis on industry and customer to determine credit risk management policies. In terms of industry credit risk management, the Group conducts dynamic tracking and assessment of the degree of prosperity of the industry in which the financial leasing customer is located, formulates the corresponding industry delivery policy and controls the risk of industry concentration on the basis of this. In terms of customer credit risk control, the Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, risk early warning and monitoring, concentration limit control, etc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

For short-term interbank placement businesses such as bond repurchase, the Group carries out risk control from the perspectives of counterparty selection and credit management, prudently selects counterparties with good credit qualifications and secured securities with higher credit ratings, in an effort to control the level of credit risk from the source. For OTC derivatives, the Group has established sound management systems and procedures in terms of counterparty selection and credit management, underlying securities management, risk response and disposal, etc., conducts daily marking-to-market over the trading of OTC derivatives during the operating period, and manages counterparty credit risk through strict implementation of measures such as netting settlement and performance guarantee. The counterparties of the Group's short-term interbank placements and OTC derivatives businesses are mainly commercial banks, securities companies, asset management plans (AMPs) and other entities. In handling such business, the Group chooses appropriate business models, strictly controls the business scale and takes reasonable risk control measures. In addition, the Group pays attention to the correlation between credit risk and market risk, and takes necessary monitoring and response measures against credit risk in the context of market volatility, including but not limited to transaction margin arrangements, counterparty internal rating and credit management, future potential risk exposure measurement, wrong-way risk identification, etc.

The Group continues to improve its credit risk management system in accordance with industry regulatory policies, capital market conditions and the Group's business development strategies. During the reporting period, with reference to relevant policies such as the credit risk management measures, the Group fully implemented the credit risk identification, assessment, measurement, monitoring, reporting and response work by customers and businesses, including leveraging the Group's T+1 risk data market to establish and improve the credit risk management information system that can cover the businesses of parent and subsidiary companies, continuing to improve the credit risk limit system in the dimensions of asset quality, risk offsetting and concentration risk by enhancing risk identification, measurement and stress testing capabilities, striving to promote the unified rating and centralised credit management mechanism, developing customer relationship map, public opinion risk monitoring and high-risk customer management and control tools supported by cloud computing, blockchain, big data, artificial intelligence and other financial technologies, and strengthening the systematic reporting procedures of credit business risk assets, so as to effectively track and monitor the Group's overall credit risk profile and risk limit implementation. During the reporting period, the Group incorporated ESG risk into the credit risk management system, formulated ESG risk management measures, and developed an ESG risk assessment model. Based on customer ESG due diligence and ESG risk assessment, the Group established a customer ESG risk identification, tracking and monitoring mechanism. During the reporting period, the Group's core credit risk monitoring indicators were stable, and the overall credit risk was controllable. For the three financing businesses, the Company proactively optimised the business structure, prudently evaluated new projects, strengthened the tracking, monitoring and management of existing projects, intensified recovery efforts for existing risky projects, and prudently and forwardly made provision for credit impairment to ensure adequate risk provision.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Measurement of ECL model*

The Company divides the impairment into stages based on individual financial instrument or financial instrument portfolio so as to effectively monitor the credit risks of the assets and makes adjustments on regular basis. For different types of businesses, the Company establishes distinct criteria for each stage, including but not limited to factors such as the obligor's financial and operating situations, changes in credit rating, collaterals and guarantees, significant negative public sentiment, judicial litigation and overdue information etc., so as to comprehensively reveal business risk degree and dynamically reflect reliability of the obligor's performance, providing basis for division of impairment stages. The Company categorizes the impairment of financial instruments into three stages:

(1) Stage I

The first stage includes financial instruments with low credit risk on the reporting date or without significant increase in credit risk since initial recognition. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the next 12 months (if the expected lifetime is less than 12 months, it shall be within the lifetime).

(2) Stage II

The second stage includes financial instruments with significant increase in credit risk since initial recognition but without credit impairment, i.e. there is no objective evidence indicating that the financial instrument has become credit-impaired. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration.

(3) Stage III

The third stage includes financial instruments that are credit impaired, the Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration. Evidences that the financial instruments have become credit-impaired include but not limited to the following observable events:

- Significant financial difficulty of the obligor;
- A breach of contract by the obligor, such as a default or overdue in interest or principal payments over 90 (inclusive) calendar days;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for given financial assets because of financial difficulties of the obligor;



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Measurement of ECL model (Continued)*

##### (3) Stage III (Continued)

- The obligor is obviously lack of or has lost solvency, being assigned with a manager by the court or has started relevant legal proceedings;
- The creditor, for economic or contractual reasons relating to the obligor's financial difficulty, granting a concession to the obligor that would not otherwise grant, including but not limited to debt reduction and exemption, paying-a-debt-in-kind and debt-to-equity swap;
- The obligor has ceased operating activities, with business license cancelled or revoked by the competent authority;
- The obligor legally declared bankruptcy, shutdown, dismissal and termination of legal person qualification.

Credit impairment of the financial instruments may arise from combined effect of several events, and may not necessary be arising from an individually identifiable event.

#### *Criteria for judging a significant increase in credit risk*

At the end of each reporting period, the Company assesses the financial instruments other than accounts receivable regarding whether their credit risks have increased significantly since initial recognition. The Company comprehensively assesses and considers credit risks based on nature of the financial instruments and risk factors of the debtor. When assessing whether there has been a significant increase in credit risk, the Company thinks it is necessary to consider the factors that include but are not limited to:

- The practical or anticipated significant downgrading of the internal credit risk rating of the obligor since initial recognition, or significant decrease in the internal behavior score used for assessing credit risk;
- Upon initial recognition, downgrading of the obligor's entity or debt rating above AA level (inclusive) granted by the rating institution in mainland China, and the downgraded level is below AA (exclusive); downgrading the obligor's entity or debt rating above BBB-/Baa3 level (inclusive) granted by the major three international rating institutions, and the downgraded level is below BBB-/Baa3 (exclusive);
- Upon initial recognition, downgrading of the obligor's entity or debt rating below AA level granted by the rating institution in mainland China; downgrading the obligor's entity or debt rating below BBB-/Baa3 level granted by the major three international rating institutions;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Criteria for judging a significant increase in credit risk (Continued)*

- Obligor fails to make repayments as scheduled, including both failure to repay the principal and the failure to repay the interest and debts under other items specified in the agreement in full amount, and such situation has lasted for more than 30 (inclusive) calendar days;
- Significant changes in the value of collateral or the guarantee provided by a third party, which may weaken the debtor's economic motive to repay within the prescribed period, or influence the probability of default; for example, the decrease in value of pledged securities weakens the obligor's performance guarantee, to the extent that the obligor is unable to supplement collateral within a reasonable period as agreed in the contract or the obligor has a stronger motivation to default;
- Anticipated significant changes with an adverse effect on the operation, finance or macroeconomic condition that will cause significant changes to the obligor's economic motive or ability to fulfil obligations as stipulated in the contract;
- Significant changes in the external market indicators for credit risk of specific financial instruments or similar financial instruments with the same expected maturity; for example, the obligor's credit spread, credit default swap or other relevant market information;
- The practical or anticipated significant changes in the quality of credit support provided by the guarantor, which may weaken the obligor's economic motive to repay within the prescribed period; for example, if the guarantor stops providing financial support to obligor, the latter will face bankruptcy or bankruptcy management, or make limited payment necessary for operation (such as salary and payment to key suppliers) while giving a low priority to paying financial liabilities, leading to increase in probability of default;
- As for securitization, the practical or anticipated significant changes in their credit enhancement or support quality may lead to decline in ability to absorb expected credit loss by the relevant subordinated interest;
- Other relative changes that can indicate the default risk of financial instruments before expected maturity, instead of absolute changes in relation to default risk.

The Company finally concludes division of impairment stages of securities margin and stock pledged repo business in accordance with collateral maintenance ratio of financing entity or contract and complexity of disposing guarantee securities, and comprehensively considering factors such as operating situations, repayment ability, litigation and overdue information of the financing entity at the end of reporting period. For collateral maintenance ratio, the Company sets up different preliminary margin call thresholds and forced liquidation thresholds for different financing entities or contracts in line with credit status of the financing entities at transactions, module to which the guarantee securities belong, liquidity and trade restriction. The preliminary margin call threshold ranges from 150% to 170% and the forced liquidation threshold ranges from 130% to 150%. At the stage of impairment assessment, for purpose of prudently assessing risks of disposing collateralized securities, the Company determines over loss alert threshold for different financing entities or contracts according to the complexity of disposing guarantee securities. The over loss alert threshold ranges from 110% to the forced liquidation threshold.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Criteria for judging a significant increase in credit risk (Continued)*

- That the collateral maintenance ratio is above or equal to the preliminary margin call threshold is classified into "Stage I";
- That the collateral maintenance ratio is between the preliminary margin call threshold and the over loss alert threshold, or satisfying conditions of "significant increase in credit risk" is classified into "Stage II";
- That the collateral maintenance ratio is below the over loss alert threshold, or that evidence of "credit-impaired" is existed is classified into "Stage III".

#### *Parameters and valuation technique of ECL measurement*

The key inputs used by the Company to measure expected credit loss are listed as follows:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

As mentioned above, key parameters usually come from the Company's internally developed risk measurement model and other historical data, and adjustments are made to reflect the forward-looking information of probability weights.

PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point. LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Company's expected amount received, with the consideration of collateral's expected future cash flows receivable. EAD refers to estimated value of risk exposure at the date of default in the future, with the consideration of anticipated changes in risk exposure after the reporting date, such as repayment of principal and interest, and anticipated loans withdrawn from financing agreements.

The Company uses the ECL model based on three key risk indicators (PD, LGD and EAD) to measure impairment provision for financial instruments at Stage I and Stage II. The product of these three indicators is the ECL of the financial instrument. PD is measured by internal or external credit ratings or at the migration rate or rolling rate calculated based on historical internal data after adjusting forward-looking information. When assessing LGD, the Company calculates the recoverable cash flows of guarantee securities after taking into account of the expected disposal cycle of collateralized securities and impact of value fluctuation within the expected disposal cycle (including factors such as disposable amount of collateralized securities, daily average trading volume, restrictions against circulation, rules for shareholding reduction and historical volatility) as well as relevant taxes. EAD reflects unpaid amount when presuming a default of various financial instruments during corresponding measurement period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Parameters and valuation technique of ECL measurement (Continued)*

For the financial instruments at Stage III, the Company assesses the ECL using individually impairment assessment method. Specifically, the Company reasonably assesses cash realizable value of disposing collateralized securities based on specific risks of individual item and adequate considerations about financial status and operating as a going concern of the obligor and the underlying listed company of collateralized securities, judicial litigation, restrictions against shareholding reduction, significant negative public sentiment and delisting risk. Meanwhile, the Company comprehensively judges the obligor's expected recoverable cash flow in line with valuation of other supplemental credit enhancement assets provided by the obligor, the portion that cannot cover its risk exposure after discounting would be included in impairment provision.

#### *Forward-looking Information*

The assessment of significant increase in credit risk (SICR) and the calculation of expected credit losses (ECL) involve forward-looking information.

For bond investment financial assets, the Company qualitatively selects key economic indicators as forward-looking factors, and identifies key economic indicators that affect credit risk and ECL, including the year-on-year growth rate of broad money supply M2. For financing financial assets, the probability of default (PD) is estimated using the regression analysis method to establish a correlation model between PD and macroeconomic indicators, which will be used in combination with the forecast macroeconomic indicators to infer PD changes. Macroeconomic indicators include, but are not limited to, gross domestic product (GDP) growth rate, broad money supply (M2) growth rate, and fixed asset investment completion growth rate, etc. By building relationship between these economic indicators and business risk characteristics, forward-looking adjustments are finally made to ECL of financing financial assets.

In addition to the benchmark economic scenarios, the Company's management also provides other possible scenarios and corresponding weights taking into account the market expectations. The Company sets different scenarios based on the risk characteristics of main businesses or product categories to reasonably evaluate the possible changes in risks of relevant financial assets under different economic scenarios. The Company reassesses the number of scenarios and their characteristics on each balance sheet date.

The Company believes that, for the Company's credit financial asset portfolio, three different scenarios ("Optimistic", "Benchmark" and "Pessimistic") should be considered to reasonably reflect the possible impact of selected economic indicators on ECL. The Company determines the weight of each scenario based on statistical analysis and expert judgement, also considering the range of possible outcomes represented by each scenario. Currently, the weight of the benchmark scenario used by the Company exceeds the sum of the weights of other scenarios.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk management (Continued)

#### *Forward-looking Information (Continued)*

The Company measures the related provision for loss by weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3). The above weighted ECL is calculated by multiplying the ECL under each scenario by the weight of the corresponding scenario.

Similar to other economic estimates, the forecast economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Company believes that these forecasts reflect the Company's best estimate of possible outcomes.

#### *Sensitivity analysis*

The ECL measurement model will use model parameters, macroeconomic variables for forward-looking forecast, the weights of economic scenarios, and other factors considered when applying expert judgement. Changes in these parameters, assumptions and judgements will have an impact on the measurement of SICR and ECL. The Company regularly re-examines the model every year and appropriately revises the assumptions and parameters used in the model according to the specific circumstances. The adjustment of the model and parameters this year has no significant impact on the ECL results.

The Company conducted a sensitivity analysis on the economic indicators used in forward-looking measurement, which showed that when the weights of the optimistic and pessimistic scenarios changed by 10%, the impact on the provision for ECL made by the Company would not be significant.

At the same time, the Company also conducted a sensitivity analysis on the stage classification of credit risk. As of 31 December 2021, assuming that there was no SICR since the initial recognition that might lead to transfer of all the financial instruments in Stage 2 to Stage 1, the impact on the ECL recognised in the balance sheet would not be significant.

#### **Collateral and other credit enhancements**

The Company adopts a series of policies and credit enhancements to lower credit risk exposure to acceptable levels. Among them, the most common method is to provide collateral or guarantee. The amount and type of collateral required depend on an assessment on the credit risk of the counterparty. The collaterals under the financing and repurchase agreements are mainly stocks, bonds and funds. The Company regularly monitors the market value of the collateral, requests additional collateral when needed according to the contract, and monitors changes in the market value of the collateral when reviewing the adequacy of loss provision.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Collateral and other credit enhancements (Continued)

#### *Management of Impairment of Financial Instruments*

To ensure the validity of preparing for impairment of financial instruments, the Company has established a range of policies and processes that are in line with credit risk management objectives for financial instruments. The Company has established a counter-balanced and collaborative working mechanism among business departments, risk management departments and finance departments, and has clarified department responsibilities, so as to measure credit risk of financial instruments and prepare for credit impairment in a prompt, accurate and reasonable manner. The Company's management and authorized agency manage its impairment of financial instruments through the following measures:

- Establish a credit risk management framework with clarified rights and liabilities and a complete system based on corporate strategy and risk appetite, and make adjustments promptly;
- Organize and improve assessment on impairment of financial instruments at the balance sheet date, and ensure that the validation, development and maintenance of the impairment model is effectively guaranteed;
- Assess impairment of the Company's financial instruments and potential financial impact, and report to the Board of Directors promptly;
- Review the Company's decisions on major impairment events;
- Establish integrated information system and data quality control mechanism for impairment of financial instruments;
- Other credit risk management responsibilities promised by the Board of Directors.

Since 2021, based on the accumulated management experience, the Company has revised the Policy for the Management of Impairment of Financial Instruments of Haitong Securities Co., Ltd., and the current expected credit loss model used for the measurement of credit impairment reserves operates stably and responds sensitively to the change of credit risk. The measurement of the expected credit loss can dynamically describe the change of the obligor's credit qualification, the fluctuation of market conditions, the impact of macro-economic changes and other factors. The implementation of relevant policies and processes for the management of impairment of financial instruments, which provides a guarantee for the reasonableness and timeliness of the Company's provision for credit impairment.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Collateral and other credit enhancements (Continued)

#### Management of Impairment of Financial Instruments (Continued)

Without taking into account available collateral or other credit enhancements, the amounts representing the Group's maximum credit risk exposure at the balance sheet date are as follows:

|   | 2021/12/31<br>RMB'000 | 2020/12/31<br>RMB'000 |
|---|-----------------------|-----------------------|
| Advances to customers on margin financing                         | 75,223,404            | 73,067,592            |
| Accounts receivable   | 11,372,016            | 8,410,000             |
| Other receivables   | 6,038,830             | 3,054,694             |
| Other loan and receivables  | 14,938,665            | 20,120,007            |
| Debt instruments measured at amortised cost                       | 4,725,209             | 3,763,499             |
| Finance lease receivables   | 33,472,587            | 48,411,403            |
| Receivables arising from sale and lease back arrangements         | 55,088,023            | 35,214,476            |
| Debt instruments at fair value through other comprehensive income | 37,052,945            | 13,108,163            |
| Financial assets held under resale agreements                     | 39,761,017            | 57,965,394            |
| Placements to banks and other financial institutions              | 352,928               | 22,619                |
| Financial assets at fair value through profit or loss             | 121,179,766           | 110,363,693           |
| Deposits with exchanges   | 17,655,168            | 17,374,851            |
| Clearing settlement funds   | 16,765,418            | 11,852,301            |
| Bank balances and cash  | 156,448,162           | 122,583,420           |
| Restricted bank deposits  | 1,503,454             | 1,288,296             |
| Deposits with central banks                                       | 3,304,209             | 3,716,130             |
| Deposits with other banks   | 226,337               | 258,664               |
| Loans and advances  | 4,712,651             | 3,820,127             |
| Derivative financial assets                                       | 1,084,731             | 1,837,912             |
| Maximum credit exposure   | 600,905,520           | 536,233,241           |
| Off balance sheet items credit exposure                           |                       |                       |
| Guarantee granted   | 963,048               | 1,145,716             |
| Irrevocable commitments   | 1,824,989             | 510,162               |
| Maximum off balance sheet items credit exposure                   | 2,788,037             | 1,655,878             |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk management

Market risk mainly refers to the risk of loss in the business related to self-owned capital investment due to unfavourable changes in market prices (stock prices, interest rates, exchange rates, etc.) during the Group's business activities.

The Group uses the value at risk (VaR) method to assess and analyse the market risk of various investment financial instruments and positions. The measurement standard includes the parent company, Haitong bank, Haitong international and other major subsidiaries. The VAR model used by the Group has a 95% confidence level and the target period is the next trading day. The details are as follows:

| Item  | VaR 95% in 2021                        |                                      |   |   |
|---|--|--------------------------------------|---|---|
|   | Value at risk of the Company (RMB'000) | Value at risk of the Group (RMB'000) | Value at risk of the Company/ Net assets of the Company | Value at risk of the Group/ Net assets of the Group |
| Maximum month-end value in the Reporting Period | 308,906                                | 378,932                              | 0.22%   | 0.22%   |
| Minimum month-end value in the Reporting Period | 154,452                                | 267,406                              | 0.11%   | 0.16%   |
| Average month-end value in the Reporting Period | 264,445                                | 341,430                              | 0.19%   | 0.20%   |
| Year-end value in 2021                          | 246,569                                | 280,569                              | 0.17%   | 0.16%   |

| Item  | VaR 95% in 2020                        |                                      |   |   |
|---|--|--------------------------------------|---|---|
|   | Value at risk of the Company (RMB'000) | Value at risk of the Group (RMB'000) | Value at risk of the Company/ Net assets of the Company | Value at risk of the Group/ Net assets of the Group |
| Maximum month-end value in the Reporting Period | 172,799                                | 294,799                              | 0.13%   | 0.17%   |
| Minimum month-end value in the Reporting Period | 95,095                                 | 171,380                              | 0.08%   | 0.12%   |
| Average month-end value in the Reporting Period | 137,732                                | 232,752                              | 0.11%   | 0.15%   |
| Year-end value in 2020                          | 150,877                                | 259,324                              | 0.11%   | 0.15%   |

During the Reporting Period, the ratio of the Company's risk value to the Company's net assets at the end of each month and the ratio of the parent company and the Group's main subsidiaries' risk value to the Group's net assets were always within 0.3%, and the market risk was controllable and bearable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk management (Continued)

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group's stock price risk arises from equity investments in financial assets that are classified as held-for-trading or designated as financial assets at fair value through other comprehensive income (FVTOCI). The Board of Directors closely monitors investment portfolios to manage risk exposures, and has hedged risks by entering into derivatives contracts since 2010.

The Group manages and analyses stock price risk based on the impact of securities price fluctuations on net profit and OCI during the reporting period. When reporting risk internally to key management personnel, management estimates a reasonable potential price change of 10%. With all other variables being held constant, if the market price of relevant equity assets rises or falls by 10%, the impact on the Group's net profit and OCI will be as follows:

|                            | 2021<br>RMB'000 | 2020<br>RMB'000 |
|----------------------------|-----------------|-----------------|
| <b>Profit for the year</b> |                 |                 |
| Increase by 10%            | 1,821,722       | 1,770,497       |
| Decrease by 10%            | (1,821,722)     | (1,770,497)     |
| <b>Revaluation reserve</b> |                 |                 |
| Increase by 10%            | 739,356         | 17,980          |
| Decrease by 10%            | (739,356)       | (17,980)        |

In the management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk management (Continued)

#### Interest rate risk

Interest rate risk refers to the risk caused by changes in the market yield curve or credit spread and other factors. The businesses that carry such risk mainly include bond investments and interest rate derivatives. The Company's control of interest rate risk is mainly realised by scale control and investment portfolios to achieve reasonable asset allocation, matching the term structures of liabilities and assets, and measuring interest rate risk by regularly measuring investment portfolio duration, convexity, DV01 and other indicators.

The Group uses sensitivity analysis to measure the possible impact (after tax) of changes in interest rates on the Company's net interest income and gains and losses on changes in fair value and equity. The sensitivity of net interest income refers to the impact on the net interest income arising from the impact of certain interest rate changes on the financial assets and liabilities held at the end of the period that are expected to be subject to an interest rate resetting within one year. The calculation of the sensitivity of gains and losses on changes in fair value and the sensitivity of equity is based on the impact of the revaluation of the fixed-rate financial assets held at the end of the period as financial assets held for trading and other debt investments in response to certain interest rates changes.

If the market interest rate rises or falls 25 basis points while other variables are held constant, the impacts on the Group's net profit and other comprehensive income are as follows:

|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Profit after income tax for the year</b>        |                 |                 |
| Increase by 25bps                                  | (245,317)       | (578,873)       |
| Decrease by 25bps                                  | 253,012         | 639,750         |
| <b>Other comprehensive income after income tax</b> |                 |                 |
| Increase by 25bps                                  | (175,770)       | (52,564)        |
| Decrease by 25bps                                  | 177,764         | 53,345          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk management (Continued)

#### *Exchange-rate risks*

Exchange rate risk refers to the risk resulted from changes in exchange rate. During the reporting period, with constant improvement of worldwide layout, facing the complicated and changing international market, the Group took the initiative to lower the asset leverage, reduced the overall scale of assets dominated in foreign currencies, resulting in a reduced risk exposure of exchange rate. The Group constantly keeps track of and studies foreign exchange market, makes effort in continuing improvement of system development and internal management, and hedges and mitigates exchange rate risk through a series of measures such as hedging. The Group puts priority on the match between assets and liabilities denominated in foreign currencies to narrow the exposure of foreign exchange risk, and mitigate the impact of foreign exchange exposure on operating results through net investment hedging for overseas operations. If RMB is strengthened or weakened by 5% against other foreign currencies while other variables are held constant, the net profit of the Group will increase or decrease by RMB512 million in 2021 (2020: RMB400 million).

### Liquidity risk management

Liquidity risk is the risk to a company's inability to timely receive sufficient funds from reasonable costs thus it can't pay matured debts, fulfil other payable obligations, or meet regular business operation needs. Macro policies, market changes, operation condition, customer credit, as well as unmatched asset and liability structure may cause liquidity risk.

In terms of daily liquidity risk management, the Company, in accordance with the requirements of liquidity risk preference and risk indicator limits, keeps the liquidity risk detectable, controllable and acceptable, and reserves sufficient high quality liquid assets pursuant to management requirements, enabling the smooth operation of the Company's business and the repayment of due liabilities. The Company carries out ongoing daily liquidity and risk indicators management, and, in combination with the status of assets and liabilities, develops a fund and indicators interconnected system to improve the framework for liquidity risk analysis including the follow-up of the daily indicators and position, prospective analysis of monthly indicators and the breakdown of department indicators, which enrich the liquidity risk management in different periods and enhance the Company's efficiency in management and forecasting of liquidity risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk management (Continued)

Regarding the medium and long-term liquidity risk management, the Company makes continuous effort on the improvement of asset allocation structure. More analysis is conducted for the development trend of assets and liabilities to control liquidity risks at root. First, the Company establishes the Asset-liability Allocation Committee to carry out asset-liability management work. Through the timely analysis of business development trend and potential medium and long-term cash requirements, the liability maturity structure is adjusted to enable the reasonable matching between the term and scale of assets and that of liabilities. Second, the Company makes continuous effort on the improvement of fine management of liquidity, so that the liability structure and the maturity are more reasonable, maintaining the balance of the assets on safety, liquidity and profitability. During the reporting period, the Company attached importance to its relationship with commercial banks, gave priority to standardised operation, and maintained a good reputation while having its financing channel smoothed.

In respect of the management on the group level, the Company has promoted relative requirements on group and subsidiaries. Firstly, the Company has continued to group management of subsidiaries from two perspectives of risks, and assets and liabilities management, and make requirements based on three dimensions, organization system assurance, risk management and control frame, and risk responses to assist subsidiaries to complete their management system. Secondly, the Company has formulated quota requirements for subsidiaries, in line with the differences of industries, regions, and risk features among subsidiaries, based on the liquidity risk consolidated financial statement, in order to monitor their real situation of liquidity risk efficiently. It is also attributable to transmit liquidity risk preferences downwards. Lastly, the Company has formulated Support and Manage Method of Group's liquidity, for the purpose of reinforcing our capability of disposing liquidity risks and highlighting group's advantages in managing, adjusting, and controlling information. It is regarded as the overall management policy, which initially established the support system of Group's liquidity, clarifying the management goals, management principles, labour divisions and responsibilities, and support channels. All in all, the Company has strived to avoid any liquidity risks from happening within the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk management (Continued)

The table below lists the cash flows payable upon the maturity of the financial liabilities held by the Group for the liquidity risk management purpose. The amounts showed in the table are undiscounted contractual cash flows with principal and interest included.

As at 31 December 2021

|  | On Demand   | Less than<br>3 months | 3 months<br>to 1 year | 1 year<br>to 5 years | 5 years<br>and above | Total       |
|--|-------------|-----------------------|-----------------------|----------------------|----------------------|-------------|
|  | RMB'000     | RMB'000               | RMB'000               | RMB'000              | RMB'000              | RMB'000     |
| Borrowings   | –           | 28,399,210            | 21,328,380            | 31,420,830           | 596,530              | 81,744,950  |
| Deposits from central bank                                 | –           | –                     | 158,833               | 2,163,306            | –                    | 2,322,139   |
| Deposits from other banks                                  | –           | –                     | 81,771                | –                    | –                    | 81,771      |
| Customer accounts  | 368,601     | 1,008,996             | 1,393,839             | 3,201,654            | –                    | 5,973,090   |
| Accounts payable to brokerage clients                      | 123,202,200 | –                     | –                     | –                    | –                    | 123,202,200 |
| Placements from other financial institutions               | 50          | 3,641,990             | 12,792,500            | 3,051,640            | 418,340              | 19,904,520  |
| Financial assets sold under repurchase agreements          | 1,608,850   | 83,854,300            | 6,560,100             | 4,500                | –                    | 92,027,750  |
| Other payables and accruals                                | 8,472,129   | 3,546,604             | 9,206,567             | 289,053              | 306,041              | 21,820,394  |
| Short-term financing bills payables                        | –           | 7,497,570             | 17,697,020            | 5,180                | –                    | 25,199,770  |
| Bonds payable  | –           | 12,530,850            | 43,147,340            | 115,296,610          | 7,631,490            | 178,606,290 |
| Financial liabilities at fair value through profit or loss | 5,967,370   | 639,910               | 3,848,830             | 5,716,281            | 143,831              | 16,316,222  |
| Derivative financial liabilities                           | –           | 239,210               | 597,860               | 408,260              | 302,990              | 1,548,320   |
| Long-term payables   | –           | –                     | –                     | 5,890,096            | 340,248              | 6,230,344   |
| Lease liabilities  | 50          | 95,080                | 217,100               | 546,160              | 296,570              | 1,154,960   |
|  | 139,619,250 | 141,453,720           | 117,030,140           | 167,993,570          | 10,036,040           | 576,132,720 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk management (Continued)

As at 31 December 2020

|   | On Demand<br>RMB'000 | Less than<br>3 months<br>RMB'000 | 3 months<br>to 1 year<br>RMB'000 | 1 year<br>to 5 years<br>RMB'000 | 5 years<br>and above<br>RMB'000 | Total<br>RMB'000 |
|---|----------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|------------------|
| Borrowings  | –                    | 37,013,490                       | 23,534,140                       | 34,735,720                      | 1,559,820                       | 96,843,170       |
| Deposits from central bank                                    | 887,565              | –                                | –                                | –                               | –                               | 887,565          |
| Deposits from other banks                                     | 63,104               | –                                | –                                | –                               | –                               | 63,104           |
| Customer accounts   | 246,035              | 2,778,433                        | 1,388,920                        | –                               | –                               | 4,413,388        |
| Accounts payable to brokerage clients                         | 108,410,140          | –                                | –                                | –                               | –                               | 108,410,140      |
| Placements from other financial institutions                  | –                    | 8,811,080                        | –                                | 6,308,920                       | 800                             | 15,120,800       |
| Financial assets sold under<br>repurchase agreements          | –                    | 47,163,120                       | 13,546,450                       | –                               | –                               | 60,709,570       |
| Other payables and accruals                                   | 6,065,210            | 1,950,572                        | 7,184,710                        | 226,809                         | 103,973                         | 15,531,274       |
| Short-term financing bills payables                           | –                    | 31,610,070                       | 7,392,940                        | –                               | –                               | 39,003,010       |
| Bonds payable   | –                    | 7,029,690                        | 38,620,830                       | 79,297,090                      | 37,498,590                      | 162,446,200      |
| Financial liabilities at fair value through<br>profit or loss | 20,969,030           | 559,550                          | 700,300                          | 10,012,230                      | –                               | 32,241,110       |
| Derivative financial liabilities                              | –                    | 2,202,180                        | 451,250                          | 18,850                          | –                               | 2,672,280        |
| Long-term payables  | –                    | –                                | –                                | 7,666,929                       | 339,015                         | 8,005,944        |
| Lease liabilities   | –                    | 112,290                          | 247,520                          | 538,330                         | 289,250                         | 1,187,390        |
|   | 136,641,084          | 139,230,475                      | 93,067,060                       | 138,804,878                     | 39,791,448                      | 547,534,945      |

### Capital risk management

Complying with the requirements of Administrative Measures for Risk Control Indicators of Securities Companies, the Company has compiled regulatory statements and monitored risk indicators such as net capital on a daily basis. The Company timely monitors and controls businesses and factors that would influence net capital and risk control indicators to meet compliance requirements. The quality of group's overall asset is fine, capital adequacy ratio is high, and risk endurance is strong. Each risk control indicator complies with relative regulations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital risk management (Continued)

In accordance with the relevant regulations issued by China Securities Regulatory Commission, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
- The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
- The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
- The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
- The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
- The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");
- The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
- The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital risk management (Continued)

The net capital of a securities company is composed of core net capital and subsidiary net capital.

Core Net Capital = Net Assets

- Risk Adjustment for Asset Items
- Risk Adjustments with Liabilities
- /+Other Adjustments Identified or Approved by the CSRC.

Subsidiary net capital = Long-term subordinated

× set ratio

–/+ other adjustment items identified or approved by the CSRC.

### Major Risk Control Indicators

| <b>Risk control indicator</b> | <b>31 December<br/>2021</b> |
|-------------------------------|-----------------------------|
| Net capital (RMB '000)        | <b>85,222,468</b>           |
| Ratio 1                       | <b>200.25%</b>              |
| Ratio 2                       | <b>58.97%</b>               |
| Ratio 3                       | <b>34.48%</b>               |
| Ratio 4                       | <b>58.47%</b>               |
| Ratio 5                       | <b>24.03%</b>               |
| Ratio 6                       | <b>201.85%</b>              |
| Ratio 7                       | <b>22.28%</b>               |
| Ratio 8                       | <b>259.39%</b>              |
| Ratio 9                       | <b>157.72%</b>              |

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the CSRC.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

The Company attaches vital importance to the influences caused by the significant events such as dividend distribution, significant investment, and innovation business on risk control indicators. The Company makes sensitivity analysis or pressure test on risk control indicators such as net capital prior to implementing above events, and only when complying with regulations of risk control indicator will the Company implement such events.

Additionally, the Company conducts outlook on future operation plan every half year, in which the Company considers the conditions of maximum operation scale and negative reverse of market condition, to ascertain every future indicator comply with relative regulations.

During the reporting period, the Company did not have any risk control indicator such as net capital that exceeded regulatory standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (Continued)

#### Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values

|                                    | As at 31 December 2021     |                       | As at 31 December 2020     |                       |
|------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                                    | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 | Carrying amount<br>RMB'000 | Fair value<br>RMB'000 |
| <b>Financial assets</b>            |                            |                       |                            |                       |
| Debt instruments at amortised cost | 4,725,209                  | 4,310,574             | 3,763,499                  | 3,764,352             |
| <b>Financial liabilities</b>       |                            |                       |                            |                       |
| Non-convertible bonds payable      | 163,586,070                | 170,269,519           | 147,838,210                | 161,831,219           |

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

#### Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow models, recent transaction prices or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (Continued)

#### Financial instruments measured at fair value on a recurring basis (Continued)

The following table presents financial assets and financial liabilities measured at fair value as at 31 December 2021 and 31 December 2020.

|  | Level 1           | Level 2            | Level 3           | Total              |
|--|-------------------|--------------------|-------------------|--------------------|
| <b>As at 31 December 2021</b>  |                   |                    |                   |                    |
| Financial assets at fair value through profit or loss                      |                   |                    |                   |                    |
| – Debt securities  | 698,881           | 110,654,910        | 5,731,526         | 117,085,317        |
| – Equity securities  | 15,103,142        | 579,055            | 19,272,727        | 34,954,924         |
| – Funds  | 3,261,745         | 42,982,623         | 2,381,450         | 48,625,818         |
| – Others   | –                 | 16,473,762         | 3,269,928         | 19,743,690         |
| Debt instruments at fair value through other comprehensive income          | 927,858           | 34,837,660         | 1,287,427         | 37,052,945         |
| Equity instruments at fair value through other comprehensive income        | 9,858,079         | –                  | 388,792           | 10,246,871         |
| Derivative financial assets  | 59,072            | 735,177            | 290,482           | 1,084,731          |
|  | <b>29,908,777</b> | <b>206,263,187</b> | <b>32,622,332</b> | <b>268,794,296</b> |
| Financial liabilities at fair value through profit or loss                 |                   |                    |                   |                    |
| – Financial liabilities held for trading                                   | 425,338           | 1,957,132          | –                 | 2,382,470          |
| – Designated as financial liabilities at fair value through profit or loss | –                 | 13,488,046         | 445,701           | 13,933,747         |
| Derivative financial liabilities   | 44,520            | 884,578            | 619,218           | 1,548,316          |
|  | <b>469,858</b>    | <b>16,329,756</b>  | <b>1,064,919</b>  | <b>17,864,533</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (Continued)

#### Financial instruments measured at fair value on a recurring basis (Continued)

|  | Level 1    | Level 2     | Level 3    | Total       |
|--|------------|-------------|------------|-------------|
| <b>As at 31 December 2020</b>  |            |             |            |             |
| Financial assets at fair value through profit or loss                      |            |             |            |             |
| – Debt securities  | 1,867,103  | 102,164,519 | 6,332,071  | 110,363,693 |
| – Equity securities  | 16,920,018 | 1,244,510   | 13,076,667 | 31,241,195  |
| – Funds  | 3,341,594  | 47,964,019  | 1,894,560  | 53,200,173  |
| – Others   | –          | 20,752,826  | 4,838,617  | 25,591,443  |
| Debt instruments at fair value through other comprehensive income          | 252,156    | 9,756,368   | 3,099,639  | 13,108,163  |
| Equity instruments at fair value through other comprehensive income        | 84,314     | 15,887,830  | 267,043    | 16,239,187  |
| Derivative financial assets  | 17,602     | 1,819,411   | 899        | 1,837,912   |
|  | 22,482,787 | 199,589,483 | 29,509,496 | 251,581,766 |
| Financial liabilities at fair value through profit or loss                 |            |             |            |             |
| – Financial liabilities held for trading                                   | 494,797    | 3,917,272   | –          | 4,412,069   |
| – Designated as financial liabilities at fair value through profit or loss | –          | 27,494,403  | 331,830    | 27,826,233  |
| Derivative financial liabilities   | 42,732     | 2,615,053   | 14,494     | 2,672,279   |
|  | 537,529    | 34,026,728  | 346,324    | 34,910,581  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 76. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (Continued)

#### Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

##### 31 December 2021

|  | Financial assets<br>at fair value<br>through<br>profit or loss<br>RMB'000 | Equity<br>instruments<br>at FVTOCI<br>RMB'000 | Debt<br>instruments<br>at FVTOCI<br>RMB'000 | Financial<br>liabilities at fair<br>value through<br>profit or loss<br>RMB'000 | Derivative<br>instruments<br>RMB'000 |
|--|---|---|---|--|--------------------------------------|
| As at 31 December 2020 and<br>1 January 2021 | 26,158,747  | 267,042                                       | 3,099,639                                   | 331,830  | (13,595)                             |
| Transfer in                                  | 3,205,928   | –   | –   | 956,179  | 140                                  |
| Purchase/(Disposal)                          | 2,397,401   | 490   | (2,322,403)                                 | 31,720   | –                                    |
| Transfer out                                 | (3,111,053)   | –   | (27,393)                                    | (324,149)  | –                                    |
| Other losses and gains                       | 2,004,608   | 121,260                                       | 537,584                                     | (549,879)  | (315,281)                            |
| As at 31 December 2021                       | 30,655,631  | 388,792                                       | 1,287,427                                   | 445,701  | (328,736)                            |

##### 31 December 2020

|  | Financial assets<br>at fair value<br>through<br>profit or loss<br>RMB'000 | Equity<br>instruments<br>at FVTOCI<br>RMB'000 | Debt<br>instruments<br>at FVTOCI<br>RMB'000 | Financial<br>liabilities at fair<br>value through<br>profit or loss<br>RMB'000 | Derivative<br>instruments<br>RMB'000 |
|--|---|---|---|--|--------------------------------------|
| As at 31 December 2019 and<br>1 January 2020 | 9,158,764   | 266,099                                       | 1,193,001                                   | 354,620  | (27,331)                             |
| Transfer in                                  | 11,970,811  | –   | 1,238,661                                   | –  | –                                    |
| Purchase/(Disposal)                          | 4,844,708   | –   | 596,173                                     | –  | 382                                  |
| Transfer out                                 | (491,560)   | –   | –   | –  | –                                    |
| Other losses and gains                       | 676,024   | 943   | 71,804                                      | (22,790)   | 13,354                               |
| As at 31 December 2020                       | 26,158,747  | 267,042                                       | 3,099,639                                   | 331,830  | (13,595)                             |

In 2021 and 2020, the amounts of financial instruments measured at fair value transferred between level 1 and level 2 were not significant.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 77. TRANSFER OF FINANCIAL ASSETS

### Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers advances to customers on margin financing, finance lease receivables, and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. As the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2021, the Group has no advances to customers on margin financing that have been transferred but not derecognised (as at 31 December 2020, Nil).

As at 31 December 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB9,338 million (as at 31 December 2020: RMB10,467 million).

### Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB2,276 million (as at 31 December 2020: RMB1,076 million).

## 78. AUDITORS' REMUNERATION

|                                  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| Annual audit fee for the Company | 4,906                  | 3,453                  |
| Other subsidiaries' audit fees   | 23,349                 | 20,788                 |
|                                  | <b>28,255</b>          | 24,241                 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 79. SUBSEQUENT EVENTS

According to the 25th meeting of the 7th board of directors of the Company held on 29 March 2022, the board of directors proposed to declare a dividend of RMB3.00 (tax included) per 10 shares in 2021 to all shareholders, with a total amount of RMB3,919 million (tax included) to be paid in cash. The profit distribution proposal has yet to be deliberated and approved by the general meeting of shareholders.

Except for the above disclosures, no material events have occurred with the Company from 31 December 2021 to the date of this report.