



(GDR under the symbol “HTSC”)

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019**

The Board of Huatai Securities Co., Ltd. (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2019. This interim results announcement contains the full text of the interim report of the Company for 2019.

### **THE PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be available on the website of London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)), the website of National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)), and the website of the Company ([www.htsc.com.cn](http://www.htsc.com.cn)), respectively.

The interim report of the Company for 2019 will be available on the website of London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)), the website of the National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)) and the website of the Company in due course on or before September 30, 2019.

### **DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the section headed “Definitions” in the interim report of the Company for 2019 as set out in this announcement.

By order of the Board  
**Zhou Yi**  
*Chairman*

Jiangsu, the PRC, August 29, 2019

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## **IMPORTANT NOTICE**

- I. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint legal liabilities to the information contained herein.**
- II. All Directors of the Company attended the meetings of the Board of Directors.**
- III. This interim report has not been audited.**
- IV. Zhou Yi, the person in charge of the Company, Shu Ben'e, the person in charge of accounting, and Fei Lei, the officer in charge of the accounting office (head of accounting department), hereby warrant and guarantee that the financial report contained in the interim report is true, accurate and complete.**
- V. The profit distribution proposal or the reserve capitalization proposal for the Reporting Period considered by the Board. The Board of the Company didn't prepare any profit distribution proposal or capital reserve capitalization proposal when considering the interim report.**
- VI. Risk Statement with respect to the forward-looking statements**

Forward-looking statements including future plans and development strategies involved in this interim report do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.
- VII. There is no non-operating misappropriation of funds of the Company by any controlling shareholders or their related parties.**
- VIII. The Company has not provided any external guarantees in violation of the decision-making procedures.**
- IX. The interim report is prepared by the Company in both Chinese and English. In the event of any inconsistency, the Chinese version shall prevail.**
- X. Warning on Major Risks**

General economic and political conditions such as macroeconomy and monetary policies, laws and regulations influencing financial and securities industries, rising and falling trends in commercial and financial industries, inflation, exchange rate fluctuations, availability of long and short-term market capital sources, fund-raising costs as well as interest rate levels and fluctuations may have an impact on the Company's business. Besides, like other companies in

the securities industry, inherent risks in the securities market such as market volatility and trading volume may also affect the Company's business. The Company cannot guarantee the sustainability of favorable political economy and market conditions.

Main risks in business operation include: policy risks from national macro-control measures, changes in relevant laws, regulations, regulatory policies and transaction rules in securities industry, which will adversely influence the business of securities companies; compliance risks from business management or professional activities violating laws, regulations or codes, which cause the Company being punished by laws, being imposed of regulatory measures, suffering from property loss or reputation loss; legal risks from failure to abide by provisions and requirements in laws and regulations, which make the Company face litigations, compensation and fines and in turn suffer from loss; market risks that cause losses of the Company's assets as a result of fluctuations in market prices (interest rates, exchange rates, stock prices and commodity prices etc.); credit risks from default of products or floaters or counterparties (clients), which make the Company suffer from loss; liquidity risks from inability to obtain sufficient funds at reasonable cost to pay matured debts, fulfil other payment obligations and satisfy the capital needs for normal business; information and technology risks such as various technical failure or data leakage of the Company's information system from internal and external reasons, which consequently cause loss as the information system is impossible to guarantee the stability, high-efficiency and safety of transactions and business management in business realization, response speed, disposal capacity, data encryption and so on.; operational risks that cause losses as a result of incomplete or problematic internal procedures, personnel, systems or external incidents; reputation risks from business operation, management and other behaviors or external incidents which lead to negative judgments on the Company from relevant media. Besides, with the advancement of the Company's internationalization strategy, the Company's business will enter the United States, Hong Kong and other regions, and the Company will face more complex market environment and regulatory requirements.

## DEFINITIONS

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

### DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS

A Share(s)	domestic share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
APP	Application
Articles of Association	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
AssetMark	AssetMark Financial Holdings, Inc.
AoP	Assets on Platform
Board of Supervisors	the board of Supervisors of the Company
Board or Board of Directors	the board of Directors of the Company
CAGR	compound annual growth rate
CASBE	the China Accounting Standards for Business Enterprises (中國企業會計準則)
China or PRC	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
China Southern Asset Management	China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)
Communications Holding	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
Company Law	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended from time to time
CSI 300 Index	an index consisting of 300 index sample stocks which are most representative selected by the Shanghai Stock Exchange and Shenzhen Stock Exchange jointly with the scale and liquidity as the basic standards
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company

FICC	fixed income, currency and commodity
Fintech	financial technology
Future IB Business	a business activity in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions of the futures companies and provide other related services
Govtor Capital	Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)
Group, Our Group, we or us	the Company and its subsidiaries, and their respective predecessors
Guoxin Group	Jiangsu Guoxin Investment Group Limited (江蘇省國信集團有限公司, formerly known as Jiangsu Guoxin Asset Management Group Limited (江蘇省國信資產管理集團有限公司))
Hang Seng China Enterprises Index	Hang Seng China Enterprise Index (HSCEI or H-share Index) reflects the performance of the larger H-shares listed on the Hong Kong Stock Exchange. Unlike the Hang Seng Index, the number of constituents of the HSCEI is not limited, but must be the H shares of maximum market value and within the constituent stocks of the Hang Seng Composite Index
HKEX	Hong Kong Exchanges and Clearing Limited (香港交易及結算有限公司)
HK\$, HKD or HK dollars	the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
HTSC, Huatai Securities, our Company, Company or Parent Company,	a joint stock company incorporated in the People's Republic of China with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as "HTSC", and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of "華泰六八八六股份有限公司" and English name of "Huatai Securities Co., Ltd."; the H Shares of which have been listed on the main board of The Stock Exchange of Hong Kong Limited since June 1, 2015 (Stock Code: 6886); the A Shares of which have been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688), unless the context otherwise requires, including its predecessor
Huatai Asset Management	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company

Huatai Financial Holdings (Hong Kong)	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of Huatai International
Huatai Securities (USA)	Huatai Securities (USA), Inc. (華泰證券(美國)有限公司), a wholly-owned subsidiary of Huatai International
Huatai Futures	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
Huatai Innovative Investment	Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司), a wholly-owned subsidiary of the Company
Huatai International	Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司), a wholly-owned subsidiary of the Company
Huatai-PineBridge	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
Huatai Purple Gold Investment	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
Huatai United Securities	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
H Share(s)	foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars
GDR	global depository receipt
IFRS	the International Financial Reporting Standards
IPO	the initial public offering
IT	information technology
Jiangsu Equity Exchange	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
Jiangsu SASAC	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省政府國有資產監督管理委員會)
Jiangsu Securities Regulatory Bureau	Jiangsu Securities Regulatory Bureau of the CSRC (中國證監會江蘇監管局)
Listing Rules or Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
London Stock Exchange or LSE	the London Stock Exchange plc (倫敦證券交易所)

Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
MSCI	Morgan Stanley Capital International Index
NMAU	the number of monthly active users
OTC	over-the-counter
PBOC	the People's Bank of China
QDII	qualified domestic institutional investor
QFII	qualified foreign institutional investor
Reporting Period	the period of six months from January 1, 2019 to June 30, 2019
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
SFC	the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
Shanghai Clearing House	The Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)
Shanghai Stock Exchange or SSE	the Shanghai Stock Exchange (上海證券交易所)
Shenzhen Stock Exchange	the Shenzhen Stock Exchange (深圳證券交易所)
SSE 50 Index	an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange
SSF	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
STAR Market	science and technology innovation board of SSE
Supervisor(s)	supervisor(s) of the Company
TAMP	Turn-key Asset Management Platform, a technological platform providing services such as investment products and strategies, assets portfolio management, customer relationship management and asset custody, as well as corporate operation
USD, US\$ or US dollar	the lawful currency of the United States of America
VAR	value at risk
%	per cent

In the 2019 Interim Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding; and any discrepancies in the change percentages of an item are due to the difference of currency unit of the item.



## COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司
Abbreviation of Chinese name of the Company	華泰證券
English name of the Company	HUATAI SECURITIES CO., LTD.
Abbreviation of English name of the Company	HTSC
Legal representative of the Company	Zhou Yi
General manager of the Company	Zhou Yi
Authorized representatives of the Company	Zhou Yi, Zhang Hui

#### ***Registered capital and net capital of the Company***

Unit: Yuan Currency: RMB

	<b>As at the end of the Reporting Period</b>	<b>As at the end of the previous year</b>
Registered capital	9,076,650,000.00	8,251,500,000.00
Net capital	69,459,037,962.81	59,559,867,685.52

Note: As of the end of the Reporting Period, the procedures of industry and commerce registration for changes in registered capital had not been completed.

#### ***Qualifications of each business line of the Company***

During the Reporting Period, according to the Notice on the Business Qualification of Huatai Securities Co., Ltd. as Lead Market Maker of Listed Funds (《關於华泰证券股份有限公司上市基金主做市商業資格的通知》) received by the Company, it has obtained the business qualification as lead market maker of funds listed on the SSE. According to the Reply on Conducting Market Making Business of Treasury Bond Futures by Huatai Securities Co., Ltd. (《關於华泰证券股份有限公司開展國債期貨做市業務有關意見的覆函》) received by the Company, the CSRC has no objection to the Company conducting market making business of treasury bond futures.

According to the business license issued by Jiangsu Provincial Administration for Industry and Commerce, the business scope of the Company covers: securities brokerage, proprietary trading of securities, securities underwriting (limited to underwriting of treasury bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only), securities investment consulting, intermediary introduction business for futures companies, margin financing and securities lending business, agency sale of financial products, agency sale of securities investment funds, custodian for securities investment funds, agency services for gold and other precious metals spot contracts and proprietary business for spot gold contracts, stock options market-making business and other business activities approved by the CSRC. (Projects that need to be approved by law shall be carried out upon approval by relevant authorities)

## II. LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND SPECIAL COMMITTEES

### Members of the Board of Directors

#### Executive Directors

Mr. Zhou Yi (Chairman and President)  
Mr. Zhu Xuebo

#### Non-executive Directors

Mr. Ding Feng  
Mr. Chen Yongbing  
Mr. Xu Qing  
Ms. Hu Xiao  
Ms. Fan Chunyan

#### Independent Non-executive Directors

Mr. Chen Chuanming  
Mr. Liu Hongzhong  
Mr. Lee Chi Ming  
Ms. Liu Yan  
Mr. Chen Zhibin

### Members of Special Committees

#### Development Strategy Committee

Mr. Zhou Yi (Chairman)  
Ms. Hu Xiao  
Mr. Liu Hongzhong

#### Compliance and Risk Management Committee

Mr. Ding Feng (Chairman)  
Ms. Fan Chunyan  
Mr. Xu Qing

#### Audit Committee

Mr. Lee Chi Ming (Chairman)  
Mr. Chen Yongbing  
Mr. Chen Zhibin

#### Nomination Committee

Mr. Chen Chuanming (Chairman)  
Mr. Zhu Xuebo  
Ms. Liu Yan

#### Remuneration and Appraisal Committee

Mr. Chen Chuanming (Chairman)  
Mr. Zhu Xuebo  
Ms. Liu Yan

## III. CONTACT

### Secretary of the Board

Name Zhang Hui  
Address 12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC  
Tel. No. 025-83387793, 83388272, 83389157  
Fax 025-83387784  
Email zhanghui@htsc.com

### Joint company secretary

Name Zhang Hui  
Address 12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC

### Securities affairs representative

Qiao Fei  
12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC  
025-83387788  
025-83387784  
qiaofei@htsc.com

### Joint company secretary

Kwong Yin Ping Yvonne  
40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

#### IV. BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC
Postal code of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC
Postal code of office address of the Company	210019
Principal place of business in Hong Kong	Rooms 5808-5812, The Center, 99 Queen's Road Central, Hong Kong
Company website	<a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597
Company fax	025-83387784
Business License Unified Social Credit Code	91320000704041011J
Brief of Index inclusion	SSE 50, CSI 300, HSCEI, MSCI China Shares Index
Inspection indexes of changes during the Reporting Period	No change during the Reporting Period

#### V. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Name of media selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of the interim report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of the interim report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Website designated by the LSE for publication of the interim report	<a href="https://www.londonstockexchange.com">https://www.londonstockexchange.com</a>
Location for inspection of the interim report of the Company (A Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC; Shanghai Stock Exchange
Location for inspection of the interim report of the Company (H Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, the PRC; Rooms 5808-5812, The Center, 99 Queen's Road Central, Hong Kong
Inspection indexes of changes during the Reporting Period	No change during the Reporting Period

## **VI. LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION**

The Company provides corporate communication to H Shareholders based on their respective selected language version and means of receipt. H Shareholders have the following options:

- to read and/or download the corporate communication published on the Company's website at [www.htsc.com.cn](http://www.htsc.com.cn) and receive written notice for the publication of the corporate communication; or
- to receive printed English version of all corporate communications only; or
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese versions of all corporate communications.

H Shareholders may choose and/or change the version of language of our corporate communication and/or the way to receive our corporate communication at any time. H Shareholders may notify our Company by the following ways:

- by mail: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
- by email: [huatai.ecom@computershare.com.hk](mailto:huatai.ecom@computershare.com.hk)

For enquiry on the arrangement of language version and means of receipt of our corporate communication, H Shareholders may call our hotline +852 2862 8688 at any time.

## VII. SHARES/DEPOSITORY RECEIPTS OF THE COMPANY

Type of shares/ depository receipts	Stock exchange for listing	Stock name	Stock code
A Share	Shanghai Stock Exchange	华泰证券	601688
H Share	Hong Kong Stock Exchange	HTSC	6886
GDR	London Stock Exchange	Huatai Securities Co., Ltd.	HTSC

Stock name before change: Nil

## VIII. OTHER INFORMATION

### (I) *Accounting firms*

Accounting firm engaged by the Company (domestic and London)	Name Office address	KPMG Huazhen LLP 8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC
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Accounting firm engaged by the Company (Hong Kong)	Name Office address	KPMG 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
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### (II) *Legal Advisors*

Legal advisor engaged by the Company (domestic)	Name Office address	Shanghai Allbright Law Offices 9/F, 11/F, 12/F, Shanghai Tower, 501 Middle Yincheng Road, Pudong New Area, Shanghai, the PRC
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Legal advisor engaged by the Company (overseas)	Name Office address	Clifford Chance 27/F, Jardine House, One Connaught Place, Central, Hong Kong
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### ***(III) Share registrars***

Share registrar for A Share	Name	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, New Pudong District, Shanghai, the PRC
Share registrar for H Share	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

### ***(IV) Sponsors***

Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period	Name	Guotai Junan Securities Co., Ltd.
	Office address	5/F, China Financial Information Center, 18 Dongyuan Road, Pudong New Area, Shanghai, the PRC
	Name of sponsor representatives as signatories	Cai Rui, Ding Yinghua
	Period of continuously performing supervision function	August 2, 2018 - December 31, 2019
Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period	Name	Huatai United Securities Co., Ltd.
	Office address	6th Floor, Block A, Fengming International Building, 22 Fengsheng Hutong, Xicheng District, Beijing, the PRC
	Name of sponsor representatives as signatories	Zhou Jiwei, Long Dingkun
	Period of continuously performing supervision function	August 2, 2018 - December 31, 2019

## IX. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(The accounting data and financial indicators contained in this report are prepared in accordance with the IFRS)

### (I) Key Accounting Data

Unit: Thousand Yuan Currency: RMB

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year change (%)
Total revenue and other gains	14,727,802	11,979,979	22.94
Profit before income tax	5,418,042	4,020,480	34.76
Profit of this period - attributable to shareholders of the Company	4,056,932	3,158,898	28.43
Net cash generated from operating activities	2,157,770	16,064,051	(86.57)
Total amount of other comprehensive income after tax this year	647,707	(249,229)	N/A

Item	As of the end of the Reporting Period	As of the end of the previous year	Year-on-year change (%)
Total assets	493,013,037	368,665,874	33.73
Total liabilities	374,810,235	263,916,270	42.02
Total equity attributable to shareholders of the Company	116,823,888	103,393,577	12.99
Total shareholders' equity	118,202,802	104,749,604	12.84
Total share capital (shares)	9,076,650,000	8,251,500,000	10.00

### (II) Key Financial Indicators

Key financial indicators	The Reporting Period	Corresponding period of the previous year	Year-on-year change (%)
Basic earnings per share (RMB/share)	0.49	0.44	11.36
Diluted earnings per share (RMB/share)	0.49	0.44	11.36
ROE (%)	3.82	3.58	6.70
Debt-to-assets ratio (%)	71.16	72.09	(1.29)
Net assets attributable to the Company's shareholders per share (RMB/share)	12.87	12.59	2.22

Note: Debt-to-assets ratio = (total liabilities - accounts payable to brokerage clients)/(total assets - accounts payable to brokerage clients)

### ***(III) Net Capital of the Parent Company and Risk Control Indicators***

Unit: Yuan Currency: RMB

<b>Item</b>	<b>As of the end of the Reporting Period</b>	<b>As of the end of the previous year</b>
Net capital	69,459,037,962.81	59,559,867,685.52
Net assets	107,347,247,644.72	94,797,087,323.61
Risk coverage ratio (%)	257.56	281.90
Net capital/net assets (%)	64.71	62.83
Net capital/liabilities (%)	34.33	44.32
Net assets/liabilities (%)	53.05	70.54
Value of proprietary equity securities and derivatives/net capital (%)	36.75	30.10
Value of proprietary non-equity securities and derivatives/net capital (%)	229.73	139.03
Core net capital	65,559,037,962.81	54,599,867,685.52
Supplementary net capital	3,900,000,000.00	4,960,000,000.00
Total risk capital provision	26,968,481,787.06	21,127,935,985.72
Total on-balance and off-balance assets	337,476,490,622.51	249,903,236,200.25
Capital leverage ratio (%)	21.69	24.57
Liquidity coverage ratio (%)	242.04	648.34
Net stable funding ratio (%)	143.74	140.95

### **X. DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS**

There is no difference between the net profit for the periods from January to June of 2019 and 2018 and the net assets as of June 30, 2019 and December 31, 2018 as set out in the combined financial statements prepared in accordance with the CASBE and in the combined financial statements prepared in accordance with the IFRS.



## SUMMARY OF THE COMPANY'S BUSINESS

### I. DESCRIPTIONS OF OUR PRINCIPAL BUSINESSES, OPERATION MODELS AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, cutting-edge digital platform and an extensive and engaging customer base. Our principal businesses comprise wealth management business, institutional services business, investment management business and international business. The Group constructs client-oriented organizational structure and mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and aims to become a leading integrated financial group with strong domestic advantages and global influence. In 2019, the Group has launched the two-pronged development strategy driven by wealth management and institutional services with technology empowerment, with a view to creating an open and forward-looking platform for the future.

#### 1. Wealth management business

We provide various customers with diversified wealth management services, including securities, futures and options brokerage, sales of financial products and capital-based intermediary business through the mobile APP “ZhangLe Fortune Path” (“漲樂財富通”) and professional PC platform, subsidiaries and securities and futures branches, Huatai International and its affiliated overseas subsidiaries, in the mode of online and offline, domestic and overseas linkage. For securities, futures and options brokerage, we mainly execute trades on behalf of our customers in stocks, funds, bonds, futures and options to provide trading services. For sales business for financial products, we mainly provide customers with a variety of sales services for financial products and asset allocation services, while the related financial products are managed by the Group itself or other financial institutions. For capital-based intermediary business, we provide diversified financing services such as margin financing and securities lending as well as stock-pledged repurchase. Key performance drivers of the wealth management business include fee and commission income, interest income, etc.

#### 2. Institutional services business

We integrate investment banking, institutional investor services and investment trading resources to provide various types of corporate and institutional clients with all-round comprehensive financial services via effective institutional sales, which mainly include investment banking business, prime brokerage business, research and institutional sales business and investment and trading business.

- (1) Investment banking business primarily consists of equity underwriting, debt underwriting, financial advisory, OTC business, etc. For equity underwriting business, we provide IPO and equity refinancing services for our clients. For debt underwriting business, we provide various types of bond financing services for our clients. For financial advisory business, we provide clients with mergers-oriented financial advisory services based on industrial layout in a strategic move. For OTC business, we provide clients with National Equities Exchange and Quotations listing and follow-on financing services, as well as relevant OTC businesses engaged in by Jiangsu Equity Exchange. Key performance drivers of the investment banking business include advisory fees, underwriting and sponsorship fees, etc.

- (2) The prime brokerage business mainly includes the provision of asset custody and fund services for various types of asset management institutions such as private funds and mutual funds, including settlement, liquidation, reporting and valuation. In addition, we also provide margin financing and securities lending, sales of financial products and other value-added services for clients of prime brokerage. Key performance drivers of the prime brokerage business include fees for fund custody and service business.
- (3) Research and institutional sales business mainly consists of research business and institutional sales business. For research business, we provide various professional research services for clients. For institutional sales business, we promote and sell securities products and services to clients. Key performance drivers of the research and institutional sales business include incomes from services for various research and financial products.
- (4) Investment and trading business mainly includes equity trading, FICC trading and OTC derivative transaction. The Group conducts equity, FICC and other financial instruments transactions with its own funds, and controls investment risks and achieves returns through various trading strategies and techniques. At the same time, in order to meet customers' needs for investment and financing as well as risk management, we also engage in market-making business and OTC derivatives business. In terms of equity trading, we invest and trade stocks, ETFs and derivatives with our own funds, and engage in market-making services for financial products. In terms of FICC trading, we invest and trade all kinds of fixed income and derivatives in the inter-bank and exchange bond markets with our own funds, and engage in market-making services in the inter-bank bond market. In terms of OTC derivative transaction, we provide and trade OTC financial products for customers, mainly including equity return swaps, OTC options and structured notes. Key performance drivers of the investment and trading business include various investment incomes from equity, FICC products, derivatives, etc.

### **3. Investment management business**

We accept fund entrustments from clients, develop and provide various financial products for our clients and manage their assets through our professional investment and research platform as well as our large client base, effectively satisfying our clients' investment and financing needs. Our investment management business mainly consists of asset management of securities companies, private equity fund management and asset management of fund companies. For asset management business of securities companies, we participate in the operation of asset management business of securities companies, including collective asset management business, targeted asset management business, specialized asset management business and public offering fund management (which is operated on a differentiated basis from the mutual fund management business of the fund companies under the Group), through our wholly-owned subsidiary Huatai Asset Management. For private equity fund management business, we operate private equity funds business, including investment and management of private equity funds, through our wholly-owned subsidiary Huatai Purple Gold Investment. For asset management business of fund companies, the Group holds non-controlling interests in two mutual fund management companies, namely China Southern Asset Management and Huatai-PineBridge, through which we participate in the operation of asset management business of fund companies. Key performance drivers of the asset management business include management fee, performance fee, investment income, etc.

#### **4. International business**

We enforce full-scope cross-border linkage and collaboration to better meet the diversified financial demands of domestic clients to “go global” and of overseas clients to “come into China”, with a view to establishing a cross-border integrated financial service platform. The Group operates international business covering Hong Kong and the United States through Huatai International, which is our wholly-owned subsidiary, and Huatai Financial Holdings (Hong Kong), AssetMark and Huatai Securities (USA), which are held by Huatai International.

The Group’s Hong Kong business is mainly operated by Huatai Financial Holdings (Hong Kong), a wholly-owned subsidiary of Huatai International, and mainly includes investment banking, private wealth management and retail brokerage, research and stock sales, FICC, equity derivatives and asset management. For investment banking business, we provide both Chinese and international customers with equity and debt underwriting as well as M&A advisory services. For private wealth management and retail brokerage business, we provide clients with brokerage and wealth management services covering different asset classes around the world. For research and stock sales business, we provide domestic and overseas integrated research and sales services covering all industries for global institutional customers. For FICC business, we provide FICC solutions such as sales, trading and market-making services for various institutional customers. For cross-border and structured financing business, we provide customized solutions to meet customers’ needs for leveraged buyout, strategic M&A, pre-listing financing and business expansion. For equity derivatives business, we carry out cross-border stock derivatives trading, design and sales business, and provide various equity capital-based intermediary services for our customers. For asset management business, we provide investment portfolio and fund management services for international investors.

The Group completed its acquisition of AssetMark in 2016. AssetMark is a leading TAMP in the United States, and provides comprehensive and advanced wealth management services and technology solutions to independent investment advisers and its customers as a third-party financial service institution.

In September 2018, Huatai Securities (USA), a foreign wholly-owned subsidiary of Huatai International, was incorporated in Delaware, the USA, aiming to continuously promote the development of international business. In June 2019, Huatai Securities (USA), as approved by Financial Industry Regulatory Authority, obtained a US broker trading license for carrying out broker dealer businesses in the United States, including securities underwriting, securities brokerage for institutional investors and M&A financial consulting services.

Key performance drivers of the international business include brokerage commission, underwriting sponsorship fee, advisory fee, interest income, asset management fee, etc.

## II. AWARDS AND HONORS

### (I) Key awards and honors of the Group

2019 Sustainable Development Finance Summit and Changqing Award Ceremony of Caijing Magazine:

The Company was awarded the “Sustainable Development Contribution Award” (“可持續發展貢獻獎”)

“2019 China Financial Market Award Ceremony” (“2019年中國融資大獎”) jointly held by China Financial Market and The Listed Companies Council of The Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, Chinese Securities Association of Hong Kong and The Hong Kong Institute of Financial Analysts and Professional Commentators Limited:

The Company was awarded “The Best Investor Relations Award” (“最佳投資者關係獎”)

### (II) Key awards and honors for business segments of the Group

Wealth  
management  
business

“2019 Annual Conference of Securities Companies in China” (“2019中國證券公司年會”) organized by Securities Times:

The Company was awarded “Junding Award for Full-Service Securities Broker in China” (“中國區全能證券經紀商君鼎獎”), “Junding Award for Retail Securities Broker in China” (“中國區零售證券經紀商君鼎獎”), “Junding Award for Securities Investment Advisory Team in China” (“中國區證券投資顧問團隊君鼎獎”)

“2018 Asian Private Banker China Wealth Awards” (“2018亞洲私人銀行家中國財富獎”) organized by Asian Private Banker:

The Company was awarded “Best Digital Wealth Management Platform in China” (“中國最佳財富管理科技平台”), “Best Wealth Manager in China” (“中國最佳財富管理機構”)

The data from Analysys:

“ZhangLe Fortune Path” ranked top in the industry in terms of NMAU by the end of the first half of 2019

“16th China’s Financial Annual Champion Awards” (“第十六屆中國財經風雲榜”) organized by hexun.com:

“ZhangLe Fortune Path” was awarded “Outstanding APP of Securities Companies of the Year of 2018” (“2018年度券商優秀APP”)

Institutional  
services  
business

“2019 Junding Award for Investment Bank in China” (“2019中國區投資銀行君鼎獎”) organized by Securities Times:

Huatai United Securities was awarded “2019 Junding Award for IPO Investment Bank in China” (“2019中國區IPO投行君鼎獎”), “2019 Junding Award for Stock Financing Project in China” (“2019中國區股票融資項目君鼎獎”), “2019 Junding Award for Asset-backed Securities Project in China” (“2019中國區資產證券化項目君鼎獎”)

“2019 International Pioneer Investment Bank” (“2019國際先鋒投行”) organized by International Financial News:

Huatai United Securities was awarded “International Pioneer Investment Bank” (“國際先鋒投資銀行”), “A Share IPO Pioneer Investment Bank” (“A股IPO先鋒投行”), “STAR Market Project Reserve Pioneer Investment Bank” (“科創板項目儲備先鋒投行”), “Pioneer Investment Bank with High Passing Rate of IPO Projects’ Approval” (“IPO審核通過率先鋒投行”),

“Pioneer Investment Bank of Bonds Underwriting” (“債券承銷先鋒投行”), “Pioneer Investment Bank of ABS Business” (“ABS先鋒投行”)

“The 12th New Fortune Best Investment Bank” (“第十二屆新財富最佳投行”) held by New Fortune:

Huatai United Securities won 28 Awards, including “Best Domestic Investment Bank” (“本土最佳投行”), “Best Equity Underwriting Investment Bank” (“最佳股權承銷投行”), “Best Bond Underwriting Investment Bank” (“最佳債權承銷投行”), “Best IPO Investment Bank” (“最佳IPO投行”), “Best Refinancing Investment Bank” (“最佳再融資投行”), “Best Mergers and Acquisitions Investment Bank” (“最佳併購投行”), “Best Investment Bank in Serving Overseas Markets” (“海外市場能力最佳投行”), “Most Innovative Investment Bank” (“最具創新能力投行”), etc.

Investment  
management  
business

The Shanghai Stock Exchange:  
Huatai Asset Management  
was awarded “Excellent  
Manager of Asset-backed  
Special Schemes in the  
Bond Market of the Year of  
2018” (“2018年度債券市場  
優秀資產支持專項計劃管  
理人”) and “Comprehensive  
Innovation Award for Asset  
Securitization of the Year of  
2018” (“2018年度資產證券化  
綜合創新獎”)

The Shenzhen Stock Exchange:  
Huatai Asset Management  
was awarded “Excellent  
Manager of Asset-backed  
Special Schemes in the  
Bond Market of the Year of  
2018” (“2018年度債券市場  
優秀資產支持專項計劃管  
理人”)

“16th China’s Financial  
Annual Champion Awards”  
 (“第十六屆中國財經風雲榜”)  
organized by hexun.com:

Huatai Futures was awarded  
“Innovation Awards  
in Futures Industry in  
2018” (“2018年度期貨  
業創新獎”) and “Gold  
Medal Investment and  
Research Team Awards in  
2018” (“2018年度金牌投研團  
隊獎”)

China Securities Journal:  
China Southern Asset  
Management was awarded  
“Golden Bull Award for  
Passive Investment Fund  
Company of the Year of  
2018” (“2018年被動投資金牛  
基金公司”)

Huatai-PineBridge Fund  
Management was awarded  
“Golden Bull Fund Company  
in Quantitative Investment”  
 (“量化投資金牛基金公  
司”), “Golden Bull Award  
for Passive Investment Fund  
Company” (“被動投資金牛基  
金公司”)

Shanghai Securities News:  
China Southern Asset  
Management was awarded  
“Gold Fund & Overseas  
Investment Return Fund  
Management Company in  
2018” (“2018年度金基金  
· 海外投資回報基金管  
理公司”) and “Gold Fund  
& Passive Investment Fund  
Management Company in  
2018” (“2018年度金基金  
· 被動投資基金管理公司”)

Huatai-PineBridge Fund  
Management was awarded  
“Gold Fund & Passive  
Investment Fund Management  
Company” (“金基金 · 被動投  
資基金管理公司”)

Securities Times:  
Huatai-PineBridge Fund  
Management was awarded  
“Top Ten Leading Fund  
Company in 2018” (“2018年  
度十大明星基金公司”)



International  
business

The Selection of “Annual Awards” hosted by PDI (Private Debt Investor), an internationally renowned private debt industry magazine:

Huatai International was awarded “The Best Private Debt Investor in Asia-Pacific Region of 2018” (“2018年度亞太地區最佳私募債投資機構”)

The Selection of “International Pioneer Investment Bank of 2019” (“2019國際先鋒投行”) hosted by International Finance News:

Huatai International was awarded “Pioneer Investment Bank of Initial Public Offering for Hong Kong Stocks” (“港股IPO先鋒投行”)

The Selection of “The Fifth Session of Financial Institution Awards” (第五屆“金融機構大獎”) hosted by Bloomberg Businessweek:

Huatai International was awarded “Risk Management Excellence Awards” (“風險管理卓越大獎”), “Corporate Financing Excellence Award” (“企業融資卓越大獎”), “Initial Public Offering Project Outstanding Awards” (“首次公開招股項目傑出大獎”) and “Annual Securities Company Outstanding Awards” (“年度證券公司傑出大獎”)

The paid-in capital of Huatai Financial Holdings (Hong Kong) amounted to HK\$8.8 billion, and its capital scale ranked top in Hong Kong

“2019 China Financial Market Award Ceremony” (“2019年中國融資大獎”頒獎典禮) jointly held by China Financial Market and The Listed Companies Council of The Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, Chinese Securities Association of Hong Kong and The Hong Kong Institute of Financial Analysts and Professional Commentators Limited:

Huatai Financial Holdings (Hong Kong) was awarded “Star Investment Banking Award in the Capital Market” (“資本市場明星投行獎”)

Cerulli Associates and other public information:

As of the end of the first quarter of 2019, AssetMark occupied a market share of 10.0% in TAMP industry in the United States, ranking the third

### **III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD**

#### **(I) A technology-driven pioneer in China's securities industry transformation**

The Group is one of the technology pioneers in China's securities industry. Over the years, it has maintained a high level of commitment to and investment in information technology, and is dedicated to building leading capacity for independent research and development of information technology as well as outstanding capacity for the innovation of digital products. The Group's R&D investment level and R&D personnel ratio are both in the leading position in the industry. The Group adheres to centering on customers' needs and pursues to use advanced financial technology to promote business development. At the same time, it improves operational efficiency of middle and back office to keep enhancing digital management. In the field of wealth management, the Group continued to implement the strategy of mobile finance and use big data technology to get insight into customers' demands, with a view to continuously optimizing customer experience and thus to effectively increasing customer size and customer activity. In the field of institutional services, the Group focused on increasing efforts in independent research and development in core areas such as artificial intelligence and high-speed calculation, so as to create leading digital products in such areas as intelligent trading, high-speed market, quantitative investment and research, integrated investment and management, digital virtual staff, etc. The Group also took the lead in the industry in launching a digital service system for institutional customers, which improved the ability to provide professional services to customers. The technical competency and talent team developed through independent research and development over the years have laid a solid foundation for the Group to build platform-based and systematic competitive advantages.

#### **(II) The open digital wealth management platform provides efficient professional services to more customers**

The Group has built one of the most active wealth management platforms in China's securities industry with over 13.28 million customers. Drawing on advanced wealth management service system and experiences at home and abroad, the Group accelerated the implementation of wealth management transformation from service, procedure, technology platform and other aspects. Online and offline resources have been blended to promote the efficiency of customer development and services. Since the launch of the mobile service platform in 2010, the Group has gradually established a large platform which clients gather on and serves clients through continuous upgrading and innovation of the mobile finance service model. As of the end of the Reporting Period, the cumulative download volume of "ZhangLe Fortune Path" reached over 47.96 million. According to the statistics of Analysys, the NMAU of "ZhangLe Fortune Path" exceeded 7.49 million as at the end of June 2019, ranking the first among all APPs of securities companies. The Group has developed and applied an internal wealth management work platform to identify customer needs, recommend investment solutions and realize automated and efficient precision marketing, providing investment advisers with comprehensive and intelligent customer service support. The Group actively proceeded the development of investment advisers team and capacity for wealth management services. According to statistics from the Securities Association of China, investment advisers of the Parent Company accounted for 31.40% of its total staff, maintaining the first place in the industry as of the end of the Reporting Period.



### **(III) First-class investment banking business that has taken full advantage of the opportunities arising from the new economy**

The new economy with technological innovation as the core has become a leading force in economic development and transformation. The launch of the SSE STAR Market has helped the capital market take the forefront in serving the innovation-driven economy. The first-class investment banking business is playing a more critical role in facilitating the transformation and upgrading of the real economy and in accelerating the change and reshaping of industry patterns. The Group has built a large customer base in key areas of technology and innovation such as Internet and software, healthcare, energy and environmental protection and other industries, and has developed strong relationships with leading enterprises in the industry. The Group continued to develop and deepen relationships with clients in emerging industries, and with the significant growth of the scale and influence of such clients, the investment banking business has also witnessed rapid growth. The Group has formed first-class competitive advantages in the industry in terms of financial advisory for M&A and restructuring as well as equity underwriting business. The Group has successfully executed a number of complex transactions and provided professional advice to help clients cope with cross-market challenges. Since 2012, the total number of M&A and restructuring transactions approved by the CSRC reached 124, ranking the first in the market. With the accelerating development of strategic emerging industries and the continuous transformation of traditional industries, the increasingly active M&A and financing activities will bring valuable opportunities to the Group. With the opening of the STAR Market, the investment banking business of the Group will be the engine that drives the transformation of all businesses, leads the building of an investment banking ecosystem throughout the full life cycle and full industry chain, and thus promotes the improvement and upgrading of each business line.

### **(IV) Comprehensive asset management platform with both scale and innovation advantages**

Relying on its large customer base, the Group has established one of the largest asset management platforms in the industry with product innovation and comprehensive service capabilities. The total amount of AUM of the asset management business ranked in the forefront of the industry, and a product system with considerable scale and wide-ranging categories is well built, which has created significant operational advantages and market influence. Centering on clients' demand, the Group continuously improved its product innovation ability, and constantly strengthened its active asset management ability, so as to provide customers with differentiated product supplies. Meanwhile, with its strength in financial technologies, the Group strengthened its asset management ability, taking a lead in the industry to launch an investment and research integrated management platform of FoF/MoM. The Group is a leader of ABS products, and has set a benchmark for the industry through constant innovation in underlying assets, transaction structure and other aspects. It has achieved a number of domestic first orders in the fields such as REITs of continuous issuance, ABS of e-commerce receivables, ABS denominated in foreign currency and ABS of aircraft leasing.

## **(V) Global layout to create new opportunities for development**

After several years of forward-looking exploration and practice, the Group has established a new layout for international development with regional connectivity and strategic synergy among mainland China, Hong Kong and the United States, and is continuously committed to better serving Chinese clients to go abroad and international investors to come into China. The Group has established a comprehensive international platform in Hong Kong through Huatai International, covering investment banking, wealth management, research, institutional sales and trading as well as asset management business, etc. By virtue of our customer base in mainland China and diversified onshore and offshore service capabilities, we have successfully implemented cross-border integrated development. The Group carried out businesses in the United States via AssetMark and Huatai Securities (USA). The Group maintained operational independence of AssetMark and learned from AssetMark's international leading business model and advanced technology platform to further develop its own wealth management business. Upon the completion of the acquisition of AssetMark in 2016, the platform assets of AssetMark continued to grow, which increased by nearly three quarters as of the end of the Reporting Period compared to the scale at the time of the acquisition. In June 2019, Huatai Securities (USA) obtained the broker-dealer license of the United States to carry out broker-dealer business in the United States, which will further drive the development of international business. In addition, the Group was listed on the London Stock Exchange as the first enterprise that issued GDR in the Westbound trading under Shanghai-London Stock Connect, which has enhanced its participation in the international capital markets and its international reputation, and has also laid a foundation for its future layout in the UK and European markets.

## **(VI) Comprehensive risk management leaning on expertise and technologies**

“Stability” is always an important element of the core corporate values of the Group. The Group has established a collectivized, professional and platform-based risk management system relying on the core principle of “high engagement, full coverage and deep penetration” which realized the coverage, penetration and concentrated and unified management of various specialized risk lines for subsidiaries, as well as the full coverage, monitoring, measurement, analysis and response for various risks in business processes, effectively ensuring the healthy development of the Company's businesses. At the same time, the Group attached great importance to the application of advanced technology to risk management, and independently developed a comprehensive risk management platform that covers all businesses, subsidiaries and branches, which realized concentrated monitoring and analysis of and control on cross-business and cross-subsidiary risk information, so as to continuously strengthen the effectiveness and promptness of risk monitoring and response.

## **(VII)First-tier talent team and diversified shareholding structure**

The market-oriented reform on human resource management is the source of vitality for promoting the Group's continuous and sustainable development. In recent years, the Group has established and improved the selection and appointment mechanism of talents based on their ability and performance as well as the market-oriented employment mechanism and the compensation incentive mechanism. The successive introduction of top-level talents, innovative talents, cross-industry talents and international talents has significantly improved the Group's core competitiveness of talents from different professions. The Group's senior managers have diversified backgrounds in financial and technology industries. The vision, concept and executive power of the management team have been leading the vigorous development of the Group's customer-oriented and technology-enabling business model. Since the ownership reform and the introduction of important strategic investors in 2018, the Group has established a more diversified shareholding structure. The diversified and balanced structure of shareholders and the Board has strengthened the transparency of corporate governance and would bring new concepts and support to the Group's future strategic development. In 2019, the Group initiated the reformation of professional manager system to further promote the development of marketization and professionalization.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. OPERATION DISCUSSION AND ANALYSIS

Unit: Thousand Yuan Currency: RMB

Segment	Segment revenue and other income	Segment expenses	Segment results	Segment profit margin (%)	Year-on-year change of segment revenue and other income (%)	Year-on-year change of segment expenses (%)	Year-on-year change of segment profit margin (%)
Wealth management business	7,315,468	(4,690,436)	2,625,032	35.88	5.98	13.81	Decrease of 4.42 percentage points
Institutional services business	3,112,740	(1,474,759)	1,637,981	52.62	169.72	(17.57)	Increase of 107.65 percentage points
Investment management business	1,925,537	(634,347)	2,096,074	108.86	28.28	26.07	Increase of 20.08 percentage points
International business	1,834,684	(1,789,936)	44,748	2.44	22.23	37.49	Decrease of 10.83 percentage points
Others (including offset)	539,373	(2,000,426)	(985,793)	(182.77)	(41.43)	65.13	Decrease of 219.91 percentage points
Segment total	14,727,802	(10,589,904)	5,418,042	36.79	22.94	18.63	Increase of 3.23 percentage points

#### **(I) Wealth management business**

##### *1. Market environment and industrial trend for wealth management business*

- (1) The market size of the wealth management market continued to expand, and professional institutions powered by mature service system will usher in development opportunities

With the transformation of China's economy towards high-quality development, the continuous build-up of national wealth, the increasingly mature concept of residents for wealth management and the continuous improvement in the asset allocation structure, the wealth management business promises tremendous development potentials, and capital market will become a significant market for high net worth individuals to obtain,

preserve and increase their wealth. According to the statistics of China Merchants Bank's private wealth report, as of the end of 2018, the total size of investable assets held by individuals in China was RMB190 trillion, representing an increase of 1.06% as compared to the end of 2017; the number of high net worth individuals with personal investable assets exceeding RMB10 million was 1.97 million, representing an increase of 5.35% as compared to the end of 2017. Against the backdrop of increasingly complex investment environment, increased demand of high net worth individuals for wealth management and continuous increase in penetration of wealth management industry, professional leading wealth management institutions are likely to continuously expand their competitive edges and serve multiple financial service demands throughout client's full lifecycle.

- (2) Changes in market competition trends and clients' demand continuously promoted the wealth management transition of securities companies

With further opening-up of the securities industry, the accelerated penetration of Fintech and the increasing intensification of market competition, the average brokerage rate for equity fund trading in the securities industry continued to decline. The traditional profitability and operation models of securities companies were facing subversive challenges. Therefore, a transition from traditional channel services to comprehensive wealth management business and comprehensive financial services demonstrated a major trend for the strategic transformation of securities companies. During the Reporting Period, the stock market index trended upwards in general. The Shanghai Composite Index rose 19.45%, the Shenzhen Component Index grew 26.78%, and the Shanghai and Shenzhen 300 Index grew 27.07%. In the context of growing uncertainty in the market climate and increasingly diversified investment varieties, the value of wealth management services provided by professional financial institutions will gain more recognition from clients. Under the general trend that the needs from clients for wealth management were more diverse, complex and individualized, financial institutions which rationally allocate assets based on an in-depth understanding of client needs while steadfastly transforming toward wealth management on a client-centric basis will secure a competitive market position in the future.

- (3) The increasingly extensive application of Fintech continuously boosted the efficiency of wealth management and improved user experience

With the deepening of the application of Fintech in the wealth management business, it has become a general direction for the industry that Fintech will empower securities companies to transform wealth management business, with more digital and intelligent wealth management services. In recent years, securities companies have increased their investment in technological innovation, focusing more on the use of digital channels to build a new platform-based and systematic mode for wealth management services. By enhancing Fintech empowerment to improve core competence, extend service boundary and optimise client experience, securities companies will satisfy the diversified needs of clients for wealth management in a more efficient,

more convenient and safer manner. The full utilization of Fintech as a way of providing clients with comprehensive wealth management services, exploring potential value of data and increasing client stickiness is becoming an inevitable choice for large domestic securities companies to achieve digital transformation and build differentiated competitive strengths and brand-new business models. The capability of applying Fintech into business operation will determine the core competitiveness of securities companies in the future.

## 2. *Operational measures and achievements of wealth management business*

### (1) Securities, futures and options brokerage business

During the Reporting Period, in adherence to the values centering on customers' demand, the Group adjusted and optimized the organizational structure and service system for wealth management, and took advantage of its strengths in Fintech and full-service business chain to accelerate the transformation of wealth management focusing on the enhancement of digital empowerment and service ability in asset allocation and building of financial product systems, service platforms and investment adviser teams. It leveraged Internet technology to build a wealth management service system featuring an integration of online and offline businesses as well as a refined customer service model, expanded new channels to acquire customers and continued to improve diversified financial products and asset allocation-related strategic products, so as to continuously improve its comprehensive customer service ability and customer experience. It also drew on the experiences of the operation management and service system, of AssetMark iterated the function upgrade of the wealth management service platform and propelled the transformation of its asset allocation-oriented investment advisory business to improve the service quality.

During the Reporting Period, the Group continuously devoted efforts in exploring emerging technologies and mining big data, and enriched and improved the service scenarios and operating strategies of its mobile platform "ZhangLe Fortune Path" to provide its customers with one-stop wealth management solutions. During the Reporting Period, "ZhangLe Fortune Path" was downloaded for 2,266,400 times. Since the "ZhangLe Fortune Path" was made available online, the accumulative downloads reached 47,963,500. According to the statistics of Analysys, the average NMAU of "ZhangLe Fortune Path" during the Reporting Period was 7,489,900, and the NMAU as of the end of the Reporting Period was 7,493,400, ranking the first among APPs of securities companies. During the Reporting Period, the number of new accounts opened on the mobile terminal of "ZhangLe Fortune Path" was 532,800, accounting for 99.32% of total new accounts. 88.57% of the trading customers traded through "ZhangLe Fortune Path". During the Reporting Period, "ZhangLe Fortune Path" continued to exert its function as a core platform carrier of the Company's wealth management business, successively launched several intelligent APPs including "Ask the Secretary to the Board" ("問董秘"), "Fast Stock Picking" ("快速選股") and "Smart Voice Assistant" ("智能語音助手") and provided "Regular Investment Plan" ("定投專區"), "Salary-related Wealth Management" ("工資理財") and other multi-scenario wealth management services.



The Group further strengthened its advantages in trading services based on advanced platforms. During the Reporting Period, according to the statistics of members of the Shanghai and Shenzhen Stock Exchanges, the Group's equity and fund trading volume totalled RMB11.09 trillion, ranking the first place in the industry. As of the end of the Reporting Period, according to internal statistics, the total assets of client accounts reached RMB3.01 trillion.

#### Data of agency sales amount

Currency: RMB

January – June 2019		January – June 2018	
Type of securities	Agency sales amount (in RMB100 million)	Type of securities	Agency sales amount (in RMB100 million)
Stocks	105,051.71	Stocks	76,029.99
Funds	5,886.93	Funds	4,391.85
Debentures	149,002.34	Debentures	106,612.14
Total	259,940.98	Total	187,033.98

Note: In view of the fact that Wind Information no longer collects and publishes the member trading volume data, the data of trading volume in January – June 2018 and January – June 2019 are cited from the Shanghai and Shenzhen Stock Exchange members' statistics in which the fund data do not include trading volume of money market funds on the Shanghai Stock Exchange.

During the Reporting Period, the Southbound Trading business was operated steadily and the number of clients increased steadily. For the Southbound Trading business under Shanghai-Hong Kong Stock Connect, there were 15,400 authorized users in total. For the Southbound Trading business under Shenzhen-Hong Kong Stock Connect, there were 17,000 authorized users in total. During the Reporting Period, focusing on providing core customers with professional trading tools, the stock option brokerage business continuously promoted the construction of the trading system. As a result, the business maintained a positive development trend with high risk management efficiency.

As of the end of the Reporting Period, for the futures brokerage business, there were 7 branches and 41 futures branches in total covering 4 municipalities directly under the Central Government and 16 provinces in China, being the agent of 64 types of futures. During the Reporting Period, Huatai Futures (excluding clearing members) realized an agency trading volume of 159,817,700 lots with a transaction amount of RMB14,381,841 million. During the Reporting Period, the Group's futures IB business developed smoothly, with 215 securities branches permitted to be engaged in futures IB business and the total number of futures IB business customers reaching 36,348 as of the end of the Reporting Period.

(2) Financial product sales business

During the Reporting Period, the Group focused its strategic goal on the transformation of wealth management and endeavoured to improve the brand value of financial products especially proprietary products, in order to enhance customers' investment gain generation experience and meet customers' multi-level demands for wealth management. Based on its huge customer base, the Group made full use of the advantages in outlet layout and the Internet platform, strengthened the investment research system's support for product allocation and guidance in customers' demands and further improved the full-process management model for financial products. During the Reporting Period, the holdings and sales volume of financial products increased steadily. In particular, the sales growth of mutual funds was relatively fast. According to internal statistics, the number of financial products held (excluding Tian Tian Fa) was 7,979 and the sales volume of financial products (excluding Tian Tian Fa) amounted to RMB167.744 billion.

Based on the tiered and graded customer requirements, the Group coordinated the creation and onboarding management of financial products, firmly implemented differentiated product strategies, kept enriching asset allocation strategies, comprehensively improved its product innovation capability and proactively built a diversified system of financial products and strategic products. It enhanced digital empowerment, upgraded the assessment system and management platform of financial products and promoted systematic product research and assessment and full-life cycle and full-operation tracking management of products. Moreover, it kept improving the after-sales service system, enhanced the mechanism for selecting the superior and eliminating the inferior among the managers and strictly controlled product compliance and risk management.

(3) Capital-based intermediary business

During the Reporting Period, the Group actively adjusted its operation strategies, focused its business philosophy on centering on customer needs, comprehensively deepened the full service business chain cooperation, intensified efforts in customer development and asset reserve, enriched the customer service dimensions, improved the customer service experience and continuously strengthened the brand image. The Group responded quickly to market changes and regulatory requirements, implemented refined business management and accurate risk control, strengthened risk pricing research and comprehensively enhanced its risk prevention and control capabilities in capital-based intermediary business. During the Reporting Period, the capital-based intermediary business of the Company achieved steady progress, the scale of margin financing and securities lending business increased significantly and the stock pledged repurchase business was effectively repositioned, indicating effective control of business risks. As of the end of the Reporting Period, the balance of margin financing and



securities lending business of the Parent Company was RMB54.839 billion, and the integral maintenance guarantee ratio was 316.98%. The pending repurchase balance of stock pledged repurchase business was RMB45.966 billion in total, with an average fulfillment guarantee ratio of 267.42%.

### *3. Prospect of wealth management business for the second half of 2019*

Wealth management business takes up significant responsibilities in gathering customer resources and client assets on a large scale, providing a solid base for customer value exploration and creation. In the second half of 2019, the Group will continue to strengthen its intelligent technology operation and management, further improve the customer-oriented service platform and the workflow platform for investment advisers, and optimize the business system integrating online and offline resources. Supported by the full-service business chain and relying on the professional investment adviser service, the Group will build research and investment-driven financial product service capabilities, and effectively guide the wealth management business from product sales to asset management and allocation for customers.

For brokerage and wealth management business, the Group will continue to adapt to market development, take advantage of its leading customer size and sound full-service business chain in the market, adhere to the bottom line of compliance, promote business development with the intelligent, digital, targeted and professional online and offline collaboration model, and continuously enrich the asset allocation strategy, so as to create a diversified system of financial products and strategic products and improve customer asset stickiness. We will take opportunities of the launch of the STAR Market to upgrade and improve the customer service system, and promote R&D of intelligent transaction strategies and transaction aided tools to effectively improve our ability to serve trading customers. We will enhance big data application to explore digital value in customer deal and behavior, match customers accurately with products and services through their profiles; energetically promote the building of a comprehensive service platform for investment advisers and actively build an integrated service system for investment advisers. For the options and futures brokerage business, the Group will keep exploring customers' demand for risk management in depth, which will drive the implementation and extension of innovation business.

For the financial product sales business, the Group will continue to strengthen the competence of systematic and professional investment research and management, promote the creation and output of its core capabilities of asset allocation, and improve the service to satisfy customers' financial needs. The Group will strengthen the construction of product allocation system, coordinate the creation, design, and introduction management of financial products, and enrich and improve the product portfolio system to create differentiated advantages of product lines in order to continuously expand the scale of financial products business and client coverage.

For the capital-based intermediary business, the Group will continue to focus on clients' demand to enrich the content of products and services, promote the innovation of business model and business process, strengthen the cooperation and explore business opportunities with strategic investors on the STAR Market, public fund companies, sponsors and investment companies and other institutions, and give full play to business synergies to continuously improve its risk management level and consolidate its superior market position.

## ***(II) Institutional services business***

### ***1. Market environment and industry trend of institutional services business***

- (1) Economic transformation and upgrading and the capital market reform and development have provided strategic opportunities for the in-depth development of institutional services business

With the economic transformation, the upgrading of industrial structure, especially the activation of new economic industry development, and the continuous deepening of the reform of the direct financing system in the capital market, institutional services business has been faced with a historical opportunity to take off, and providing a full range of high-quality integrated financial services for institutional clients will become an important embodiment of the core competitiveness of securities companies. With the normalization of IPO approval process, the loosening of follow-on offering regulation, the adjustment and optimization of mergers and acquisitions system, especially the establishment of the STAR Market and the reform and improvement of the registration-based IPO system and other basic systems of the capital markets, the investment banking business of securities companies will see strategic opportunities for high-level transformation, and business efficiency improvement and border widening will increase the income from the investment banking business of securities companies. In the future, the business boundaries of the securities industry are expected to be broadened by diversifying the financing channels of science and technology innovation enterprises and supporting resource integration of traditional industries, the types of institutional services of securities companies will be more diversified, and service innovation and product innovation around the real economy will also increase, bringing more business opportunities to securities companies which are able to better grasp macroeconomic trends and create long-term value for customers.

- (2) The development trend of the institutionalization of market participants and the increased concentration of institutional business have set higher standards for securities companies' institutional services business

With the continuous development of professional institutional investors such as mutual fund companies, private equity fund companies and insurance companies, continuous entry of domestic social security funds, pension funds and corporate annuities, accelerated entry of overseas long-term funds, and more indirect investments in the securities market by individual investors by means of asset management products, the market value of shares held by professional institutional investors has continuously increased and institutional investors are turning into the main force in the market. The development of institutional investors will reshape the structure of capital markets and the institutionalization of capital markets will be the direction for future development. In the recent years, guided by the policies of increasing openness in the capital markets, classified regulation of securities companies and support for excellence and limit to inferiority, large securities companies have had a head start in the transformation and development process of institutional services business taking advantage of its capital strength, service capabilities and institutional customer base, leading to an increasing market concentration of institutional services business. Systematic institutional service and differentiated institutional service capabilities will become the key competitiveness of securities companies.

- (3) Preventing risks is the lifeline for sustainable development of institutional services business of securities companies

With the slowdown in macroeconomic growth, the deepening of structural reform of the financial supply side, continuous development of multi-level capital markets, the increasing complexity of securities market instruments, and continuously enhanced linkage between domestic and overseas markets, the manifestation and transmission of financial risks become increasingly complicated. Securities companies must constantly improve their professionalism and risk management capacity to shoulder the important missions of maintaining the stability, health and sustainable development of the market, the industry and themselves.

Preventing and managing financial risks requires securities companies to continue to improve the professional and platform-based comprehensive risk management system to achieve centralized monitoring and analysis of risk information and whole-process control. Addressing financial risks requires securities companies to effectively take advantage of the financial derivatives market while maintaining strong capital strength. With the continuous innovation of financial derivatives and the increasing market expansion, the demand for derivatives is continuously unleashed. Based on the continuous improvement in professional capabilities such as valuation, pricing and trading, securities companies will seize new opportunities in the high-end development of institutional services business coupled with their unique risk management service value and differentiated financial product innovation and design capability.

## 2. Operational measures and achievements of institutional services business

### (1) Investment banking business

During the Reporting Period, with the “client-centric” business philosophy, the basis of the integrated investment banking platform and the full-service business chain system, the development direction of industry focus, regional layout and customer demand exploration, the Group strengthened domestic and overseas, in-exchange and OTC cross-market synergy, identified new development trends of the capital market, actively reinforced its layout in the field of scientific and technological innovation with the launch of the STAR Market, and comprehensively enhanced product service capability and quick response ability of comprehensive services.

#### Consolidated data

Currency: RMB

Categories of Issuance	Times of lead underwriting (time)		Lead underwriting amount (in RMB10 thousand)		Lead underwriting income (in RMB10 thousand)	
	Current Period	Accumulated over the years	Current Period	Accumulated over the years	Current Period	Accumulated over the years
Issue of new shares	1	169	44,662.82	11,881,525.00	3,853.08	500,029.48
Additional issue of shares	5	168	574,634.43	26,797,570.37	3,785.40	205,138.66
Allotment of shares	–	30	–	1,002,136.78	–	19,236.96
Issue of bonds	132	856	11,814,551.57	81,036,932.53	23,613.93	302,184.31
Total	138	1,223	12,433,848.82	120,718,164.68	31,252.41	1,026,589.41

Note: The above data are from the regulatory reports of the Company; preferred shares are included in the additional newly issued shares; bonds issuance is all-inclusive, which includes in treasury bonds, enterprise bonds, corporate bonds (including exchangeable bonds), convertible bonds, short-term financing bonds and medium-term notes, etc.

#### ① Equity underwriting business

During the Reporting Period, the equity underwriting business highly focused on key regions and industries, seized market opportunities in a forward-looking manner, constantly explored high-growth enterprises featuring core technologies and high market recognition in line with national strategies, and continuously improved the quality of systemic marketing and professional services to provide innovative solutions to customers. According to the statistics from Wind information, the Group’s equity lead underwriting amount (including the initial public offering, follow-on offering, warrants, preferred shares, convertible bonds, exchangeable bonds) was RMB47.424 billion, ranking the fifth in the industry.

② Bonds underwriting business

During the Reporting Period, the bonds underwriting business kept shaping a stable market development system, continued to improve customer hierarchical management, actively cultivated core customer groups, promoted innovation-driven strategies, gave full play to its all-license edge, and focused on the layout of its superior products, seeking an improvement on top of its solid position in the industry. According to the statistics from Wind information, the Group's lead-underwriting amount of full variety bonds was RMB155.987 billion, ranking the seventh in the industry.

③ Financial advisory business

During the Reporting Period, in terms of the M&A and restructuring, the financial advisory business continued to lead the market with innovation, focused on grasping M&A opportunities with industry development motivations behind at home and abroad, continuously improved its capabilities in industry research, discovery of transaction opportunities and deal making, and actively engaged in landmark projects, further improving its business reputation. During the Reporting Period, we had 6 M&A and restructuring transactions approved by the CSRC, ranking the first in the industry; the transaction amount was RMB27.368 billion, ranking the fourth in the industry.

④ OTC business

During the Reporting Period, the NEEQ business actively adapted to market conditions and strategic deployment adjustments, and promoted the reform of investment banking service system based on the whole industry chain. As of the end of the Reporting Period, the Group provided supervision services for 40 listed companies, 2 targeted placements for 2 listed companies with a total amount raised of RMB68 million, and financial advisory services for a listed company. Jiangsu Equity Exchange, a holding subsidiary of the Group, continued to improve its basic functions to actively explore markets, steadily promote the innovation of new financing products, continue to construct featured segments and expand its equity custody business, providing a full range of comprehensive financial services for enterprises. As of the end of the Reporting Period, the Group has had 4,694 enterprises listed and displayed, 129 enterprises under custody, 245 membership units, and 92,606 investors of all types. During the Reporting Period, it raised RMB1,092 million for enterprises through financing.

(2) Prime brokerage (PB) business

During the Reporting Period, the Group continued to advance the construction of PB business system and the improvement of system functions, reshaped the customer-oriented full-service chain system, provided customers with full life-cycle services, deepened the intelligent operation and management, built a service platform for internal and external

customers, optimised the organizational structure, built a multi-level talent system, further tapped client needs and cooperation potential, and kept expanding business development boundary, so as to continuously improve its service efficiency and customer experience. As of the end of the Reporting Period, the Group had 3,186 fund products in custody and the total size of fund in custody reached RMB104.008 billion. There were 3,974 fund products we provide fund administration services to (including 833 products from our asset management subsidiary), of which the service scale reached RMB1,034.110 billion (including the business scale of asset management subsidiary of RMB918.879 billion).

(3) Research and institutional sales business

During the reporting period, the Group actively adjusted the organizational structure of the research business, continued to introduce outstanding talents in the industry, strengthened service collaboration with external expert pools, improved the value mining system focusing on the industry chain research, and continuously improved customer service quality to further enhance our market influence. The Group made greater efforts to promote the synergy of researches on A-share market and Hong Kong market, built a unified institutional client platform, and established and improved the cross-border research service system, to meet the bidirectional and multi-level needs for professional research consultancy service from customers at home and abroad. With respect to the institutional sales business, relying on the advantages of the full-service business chain, the Group gave full play to synergies, actively integrated business resources, reshaped the customer service system, dug deep into various business needs, and continuously expanded the depth and breadth of docking with institutional investors, so as to create a one-stop comprehensive financial service model and meet the diversified financing needs of institutional investors. During the Reporting Period, the Group actively carried out various forms of research activities, issued 2,456 research reports, and organized 7,358 customer roadshows, 147 teleconferences to interpret market hot spots and industry trends, 25 special sessions on investment strategy, and joint researches on 504 listed companies. During the Reporting Period, the volume of sub-position transactions for the public fund was approximately RMB320.735 billion.

(4) Investment and trading business

① Equity trading business

During the Reporting Period, the Group made ongoing efforts to resolutely promote business transformation to a trading business model, actively explored diversified strategic means, and explored innovative profit models such as macro hedging business. Relying on the big data system, the Group improved the comprehensive market monitoring system, deepened the research and tracking of industry chain, actively explored the rules of market operation, captured market fluctuations and supported the development of trading business. Meanwhile, the Group kept track of the establishment of the STAR Market for the



layout of relevant investment trading business. The Group attached great importance to the research & application of advanced technologies such as big data and artificial intelligence, and gathered a professional team for investment and research on big data to focus efforts on the development of big data trading business to promote scale trading and profits.

② FICC trading business

During the Reporting Period, the Group actively promoted the upgrading of customer-oriented FICC service system with transaction pricing as the core capacity, and pushed forward business linkage and cooperation, so as to give full play to FICC products and trading advantages to meet customer needs. With respect to the fixed-income proprietary investment business, the Group comprehensively used a variety of trading strategies, and recorded steady growth in the performance of proprietary investment business thanks to the accurate judgment on the rotation of general categories of assets and valuation repair. As for bulk commodity business and foreign exchange business, the Group actively promoted business model research and trading system construction, continuously improved product creation and product investment capabilities, expanded trading product categories, and made substantial development in cross-border business.

③ OTC derivatives trading business

During the Reporting Period, the Group proactively strengthened market trend research, continuously enhanced business innovation capabilities and created, designed and promoted cross-market, diversified and differentiated financial derivatives based on customers' risk management needs, continuously expanded the depth and breadth of business coverage, and actively built a customer-focused OTC derivatives business system, contributing to further enhanced profitability. As of the end of the Reporting Period, the Group had 405 income swap transaction businesses with a notional principal of RMB10.255 billion. As of the end of the Reporting Period, the Group had 192 OTC option trading businesses with total notional principal of RMB11.551 billion. During the Reporting Period, the Group issued 2,398 private placement products through the China Securities Internet System and OTC market, with a total amount of RMB31.669 billion.

3. *Prospect of institutional services business for the second half of 2019*

The institutional services business is an advanced business area for creating differentiated core strengths and first-class investment banking, as well as a key to consolidating and enhancing the Group's industry leading position. In the second half of 2019, the Group will continue to reshape its institutional client service system, optimize client tiering and grading, accelerate the construction of various platforms, and actively build an institutional service ecosystem centering on transactions and products to develop sustainable core competitiveness in institutional services business.



For investment banking business, we will actively grasp the market and policy opportunities, further implement the “client-centric” principle, establish a three-dimensional marketing development system, increase the reserve of quality clients and target enterprises, and increase the depth and breadth of services for incremental clients to provide clients with comprehensive and integrated high-quality financial services by capitalizing on the opportunities of the STAR Market. For equity underwriting business, we will continue to focus on development in key regions and go deep into the industry, while actively grasping the business opportunities in the STAR Market and attracting more quality customers. For bonds underwriting business, we will continue to realize full coverage of different categories of customers, strengthen professional layout, and enhance the marketing and development of key regions, key products and key issuers. For financial advisory business, we will continue to explore domestic and overseas M&A opportunities based on industry logic, strengthen industry research, value discovery and deal-making capability, provide consulting services covering the public market and private market, and enhance cross-market and integrated client service capabilities.

For prime brokerage business, we will actively build an integrated professional institutional service platform, continue to promote the construction of intelligent business operation system, optimize service paths and processes, continuously increase the capacity and efficiency of operational service, while continuously innovating and diversifying business services and strengthening business advantages and service professionalism to increase market competitiveness and influence.

For research and institutional sales business, we will continue to improve the integrated domestic and overseas business system and promote the construction of an intelligent data platform, aiming to increase the platform-based management and lean management of full process; develop synergic patterns and docking mechanism of institutional investor service, fully tapping the needs of various institutional clients, and striving to improve the capability of comprehensive financial services for institutional clients.

For investment trading business, we will firmly build a transaction-centric business model, comprehensively construct a customer-oriented service system, promote platform construction and strategy innovation for investment transactions, and strive to build differentiated competitiveness, so as to further propel the diversification of profit model. For the equity trading business, we will continue to promote the construction of big data system platform, continuously improve the investment transaction capability based on platform support and technology empowerment, and gradually establish a sustained and stable business profit model. For the FICC trading business, we will constantly improve the product trading strategy database, improve the investment capacity and the creation and design of products, continuously optimize product structure, actively provide guidance for customer demands, and actively explore profit models of cross-border, on-exchange and OTC transactions. For the OTC derivatives trading business, we will constantly enhance product design, pricing, trading and risk hedging capabilities, further match institutional services system with customer needs, continuously enrich product structure and innovate trading models.

### ***(III) Investment management business***

#### ***1. Market environment and industry trend of investment management business***

- (1) Asset management business entered into a new stage of returning to the origin with normative development

With the implementation of new regulations on asset management and complementary regulatory rules, and under the trend of strengthening unified and coordinated supervision, the asset management business will continue to undergo dechannelizing, charge of product valuation methodology and elimination of regulatory arbitrage. The competition patterns of the asset management industry have been reshaped at an accelerated pace, and the active management ability will become the core competitiveness of asset management institutions in the future. According to the statistics from Asset Management Association of China, as of the end of the first quarter of 2019, the total amount of asset management business of fund management companies and their subsidiaries, securities companies, futures companies and private fund management institutions was approximately RMB51.40 trillion, among which, the amount of private asset management business of securities companies and their subsidiaries was RMB13.27 trillion. For the asset management business of large comprehensive securities companies, we will integrate business resources, enhance business innovation, improve product layout, and continuously improve active management capabilities based on the in-depth understanding of client needs and structural changes as well as the collaboration of full-service business chain and integrated professional advantages, so as to build a professional asset management platform and provide customers with multi-level and multi-faceted investment and wealth management solutions.

- (2) Private equity fundraising market and investment market remained sluggish with intense industry competition and increasingly prominent oligarchy

With the advancement of domestic economic restructuring, the implementation of new regulations on asset management and further intensification of private equity supervision, the private equity market is facing severe challenges. The amount of new fundraising and investment cases in the market has declined dramatically, the fundraising market and investment market remained sluggish and the market has become more and more concentrated towards oligarchy. At the same time, as a result of financial deleveraging and fluctuations in the capital market, withdrawal from equity investment projects becomes more difficult. According to the statistics from Zero2IPO Research Center private placement department, in the first half of 2019, 917 new funds were raised in the private equity fundraising market, with a fundraising amount of RMB480.366 billion; and there were 1,472 investment cases in the private equity investment market, with an investment amount of RMB194.814 billion. In the long run, under the state policies of vigorously developing the new economy and emphasizing financial supply side reform and particularly the background of the establishment of the STAR Market, the private equity investment

business faces both development opportunities and challenges, with promising vast space for future business growth. For the private equity investment business under securities companies, with professional investment management capability and full business chain advantages, we will actively create new business features and differentiated competitive advantages, thus effectively improving the efficiency of serving real economy.

## *2. Operational measures and achievements of investment management business*

### *(1) Asset management business of securities companies*

During the Reporting Period, Huatai Asset Management, a wholly-owned subsidiary of the Group, strictly followed the new asset management rules. Capitalizing on the advantage of full-service business chain resources, it gave full play to its role of acquiring and pricing financial assets and creating financial products based on client needs and continuously improved its active management capabilities, providing clients with integrated financial service solutions covering the whole lifecycle and full business chain. According to the statistics from the Asset Management Association of China as of the end of the first quarter of 2019, the private asset management scale of Huatai Asset Management averaged RMB849.106 billion on a monthly basis, ranking the second in the industry, while its private active asset management averaged RMB233.452 billion on a monthly basis, ranking the fourth in the industry. According to the statistics from Wind information, the issuance scale of enterprises' ABS (asset securitization) of Huatai Asset Management during the Reporting Period was RMB44.784 billion, ranking the second in the industry.

During the Reporting Period, securities companies made efforts to optimize the size and innovate the growth in respect of asset management business, and continued to improve active investment management capabilities and product creation capabilities, with a view to constantly building up their core competitiveness. The collective asset management business developed steadily, further enriching the product line and continuously strengthening the comprehensive financial service capability. A total of 126 collective asset management plans were under management and the total management scale was RMB142.702 billion. In respect of the single asset management business, we actively promoted business transformation and proactively controlled tunnel business scale. Positive earnings were achieved with regard to entrusted investment management accounts. A total of 614 single asset management plans were under management and the total management scale was RMB670.826 billion. In respect of specialized asset management business, we continued to maintain its development advantage, with the issuance number and scale of enterprise asset securitization projects ranking in the forefront of the industry. A total of 93 specialized asset management plans were under management and the total management scale was RMB105.352 billion. In respect of the public fund management business, we actively built product lines covering different risk levels to meet clients' differentiated needs in asset allocation. A total of 8 public fund products were under management and the total management scale was RMB7,855 million.

The table below sets forth the scale and income of the securities companies' asset management business:

Currency: RMB

Item	January – June 2019		January – June 2018	
	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)	Entrusted scale (in RMB100 million)	Net income (in RMB10 thousand)
Collective asset management business	1,427.02	63,520.85	1,105.30	66,842.83
Single asset management business	6,708.26	16,184.49	7,181.78	13,453.14
Specialized asset management business	1,053.52	5,899.02	803.19	3,529.81
Public fund management business	78.55	1,187.64	9.14	479.87

Note: The above data are from the regulatory statements.

## (2) Private equity fund management business

During the Reporting Period, the Group regulated its private equity fund management business in accordance with a series of regulatory policies and regulations, through which it actively adjusted to the regulatory changes. We improved the comprehensive investment service system of “fund raising, investment, management and disposal” (募投管退), and constantly enhanced strengths for more professional business development. As of the end of the Reporting Period, Huatai Purple Gold Investment and its second-tier subsidiaries, as the administrators, had a total of 25 private equity investment funds filed with the Asset Management Association of China. The amount of the funds subscribed totalled RMB47.335 billion and the amount of paid-in contribution totalled RMB41.136 billion. During the Reporting Period, the above private equity investment funds had a total of 23 investment projects, among which 22 were equity investment projects and 1 was debt investment project; total investment amount was RMB704,716,700, among which RMB674,716,700 was for equity investment projects and RMB30 million was for debt investment projects.

## (3) Asset management business of fund companies

During the Reporting Period, with adherence to equal emphasis on compliance management and business development and following the principle of net value management, fund companies under the Group actively responded to regulatory trends and market changes and further promoted the construction and optimization of intelligent systems, with investment management capabilities continuing to strengthen and assets under management improving toward good quality. As for asset management business of China Southern Asset Management, as of the end of the Reporting Period, the total assets managed by China Southern Asset Management amounted to RMB882.736 billion. Specifically, China Southern Asset Management managed a total of 192 funds in its mutual funds

business, the total asset size of which amounted to RMB602.458 billion, and the total asset size of private funds business amounted to RMB280.278 billion. As for asset management by Huatai-PineBridge, as of the end of the Reporting Period, the total assets managed by Huatai-PineBridge amounted to RMB117.711 billion. Specifically, Huatai-PineBridge managed a total of 57 funds in its mutual funds business, the total asset size of which amounted to RMB103.082 billion, and the total asset size of private funds business amounted to RMB14.629 billion. (The profit or loss from equity investments of China Southern Asset Management and Huatai-PineBridge were included under other segments in the segment report)

(4) Asset management business of futures companies

During the Reporting Period, complying with the industry supervision trend, Huatai Futures, a holding subsidiary of the Group, continuously improved compliance risk control and management, proactively built client-oriented organizational framework and mechanism, strengthened system construction and application of big data and enhanced the Fintech empowerment and made energetic efforts to drive the transformation to active management business, with a new high scaled in the net value of products. As of the end of the Reporting Period, Huatai Futures managed a total of 25 asset management plans which were in the duration period. The total asset management scale was RMB912,705,100, and the futures equity scale was RMB166,321,300.

(5) Alternative investment business

The Group carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. During the Reporting Period, Huatai Innovative Investment continued to improve its internal management system and mechanism, actively demonstrated and prepared for co-investment business on the STAR Market according to regulatory requirements and business layout, and completed the first co-investment project on the STAR Market in the market. As of the end of the Reporting Period, there were 5 subsisting investment projects with an investment scale of RMB223.5 million. The investment attributes include investment by qualified domestic limited partners, equity investment, co-investment on the STAR Market and others.

3. *Prospect of investment management business for the second half of 2019*

The investment management business provides a professional platform for the Group's financial product innovation and client asset management. It plays the dual strategic roles of asset manager and product supplier, and shoulders the mission of building a competitive financial product line and assisting in the transformation of wealth management. In the second half of 2019, the Group will continue to fully rely on the resource advantage of the full business chain to create a diversified product system to meet the differentiated needs of clients, expand the scale of quality and influential products and businesses, actively build new advantages in investment management business and continuously strengthen its leading position in the industry.



In respect of the asset management business of securities companies, we will intensify risk control capability in an all-round way, continue to take root in the full business chain, be more client-oriented, actively create a “basically-configured + characteristic” diversified product system, build diversified product sequences with different risk-return properties, constantly improve active investment management capabilities and investment performance, and keep consolidating and enhancing our market position and brand value. We will strictly follow the new asset management rules, focus on advancing the transformation of collective asset management schemes, continuously step up innovation in ABS business based on the first-mover advantage of ABS business, actively create innovative products in the public fund management business, and constantly improve business structure and enhance differentiated competitiveness.

In respect of private equity fund management business, we will continue to grasp the opportunities of industrial and capital market reform, strengthen our focus on and development in key industries, research and lay out emerging industries and high-end industries in a forward-looking manner, actively promote the implementation of new fund projects, continue to improve business layout, and constantly strengthen core advantages. We will accelerate the construction of the unified business operation and back-office support system, and realize the unified operation and management of funds through systemization, platformization and digitization.

In respect of the asset management business of fund companies, we will continue to enhance risk prevention and control and talent team building, keep optimizing the investment system, improve innovative fund products, actively grasp the opportunities on the STAR Market, effectively expand the scope of market and client services, promote the deep integration of Fintech and business, and focus on improving investment management capabilities, to effectively enhance our overall asset management scale.

In respect of the asset management business of futures companies, we will, on the basis of strengthened internal management and compliance risk control, implement the full business chain development strategies, continuously promote all-dimensional collaboration, intensify efforts for research and application of Fintech, actively explore a diversified and active management and development model, and focus on improving investment management capabilities.

In respect of alternative investment business, we will explore and build a new investment management and business development model, prudently promote new businesses such as co-investment on the STAR Market, actively capture investment opportunities and steadily improve capital usage efficiency and return on assets.

#### ***(IV) International business***

##### ***1. Market environment and industry trend of international business***

- (1) The two-way opening up of capital market accelerates the internationalization of securities industries, and clients' demand for cross-border services promotes the international service capabilities of securities companies

With the relaxation of the restrictions on the foreign shareholding in the securities industry, the increase of investment quota for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the revision and improvement of the rules and regulations of QFIIs and RQFIIs, the inclusion of A-shares into MSCI Index, FTSE Russell and other important Market Index and increase of weight of such shares, official launch of Shanghai-London Stock Connect and implementation of SSE-JPX ETF Connectivity products, the two-way opening up of capital market has accelerated constantly, the interconnection between domestic and overseas markets has continued to deepen, and the internationalization of securities companies has also further advanced. Currently, as clients' demands for cross-border integrated financial services are growing, and the global asset allocation continues to increase, international business has become a front field for large securities companies to expand development space, increase new profit growth points and promote business structure upgrading. The comprehensive and multi-regional international business platform can help securities companies seize the growing cross-border business opportunities, constantly promote cross-border business service for clients, meet the cross-border financial needs from the Group's clients, and continuously enhance the influence of the Group's international services.

- (2) Good growth momentum of the "independent" channel of the US wealth management industry is favorable for the long-term development of the TAMP market

From the perspective of the overall industry development, the current wealth management industry in the US mainly consists of the "independent" channel (registered investment advisers, hybrid and the independent broker-dealers, insurance broker-dealer advisers, etc.) and the "traditional" channel (national and regional broker-dealers, bank broker-dealers and wirehouse advisers, etc.). In the wealth management industry, the market share of the "independent" channel grows faster than that of the "traditional" channel and such trend sustains. From the perspective of business profit model, the market consensus and the intensified supervision by regulators will promote independent investment advisers to charge management fees in place of commissions. According to the statistics of PriceMetrix, 67% of the investment advisers' revenue came from management fees in 2018, which was a record level relative to commissions. From the perspective of business development trend, the funds from investors are being transferred to investment products with lower cost and fees. The TAMP industry can keep empowering and fueling the wealth management business through leading Fintech development, which can bring the cost advantage of scale



to customers and help them grasp booming development opportunities. According to the statistics of Cerulli, from 2012 to 2017, the CAGR of the TAMP market was 13.4%, which was significantly higher than that of the overall investment advisory market, which was 8.7% for the same period.

## *2. Operational measures and achievements of international business*

During the Reporting Period, as the Group's holding platform for international business, Huatai International capitalised on its advantage of being part of the full business chain system of the Group, effectively promoted cross-border linkage of resources and pushed forward the building of a cross-border financial product platform covering the primary and secondary markets, providing a full range of cross-border integrated financial services for domestic and foreign customers.

### *(1) Business in Hong Kong*

In respect of the investment banking business of Huatai Financial Holdings (Hong Kong), the Company fully leveraged its advantages in domestic and foreign integration and cross-border linkage to further expand financing channels for customers, and actively provide overseas equity services and bond services. In respect of the individual wealth management and the retail brokerage business, the Company focused on the layout in Fintech, intensified efforts for the building of a product system and platform, gave full play to the advantages of the Group's customer system, deepened the domestic and foreign linkage, actively carried out product sales, and realized steady growth of the number of customers and business revenue. In respect of the research and stock sales business, the Company actively expanded research coverage, comprehensively integrated sales resources, deepened A+H research integration and cross-border sales team cooperation, to further enhance market influence. In respect of the FICC business, the Company focused on risk hedging management, continuously improved operation systems, strengthened its ability in product design, transaction and sale, continued to enhance its investment management capabilities and provided overseas financial products for customers at home and abroad. In respect of the cross-border and structured financing business, the Company strictly controlled credit risks and enhanced linkage with investment banking to provide financial support for clients' cross-border investments. In respect of the equity derivatives business, the Company built a cross-border derivative business platform and focused on deepening cross-border and derivatives capital-based intermediary business to meet customers' demands for financing and requirements for risk management. In respect of asset management business, the Company vigorously developed cross-border businesses and actively developed various products to provide customers with diversified investment portfolios and fund management services.

During the Reporting Period, Huatai Financial Holdings (Hong Kong) maintained healthy and balanced business development. As of the end of the Reporting Period, Huatai Financial Holdings (Hong Kong) had a paid-in capital of HK\$8.8 billion, the scale of which was among the forefront of the

industry in Hong Kong. As for securities trading, Huatai Financial Holdings (Hong Kong) achieved the total assets under custody of HK\$18.988 billion and the trading volume of HK\$29.234 billion; as for securities advisory service, it proactively provided research reports and advisory services for customers; as for corporate finance advisory service, it participated in 3 IPO projects and 23 bond issue projects, with a total amount of trading and issuance of about HK\$16.806 billion; as for financing for securities deposits, the number of credit fund account reached 1,516; as for providing assets management, it achieved a total amount of funds under custody of HK\$438.750 billion (including the scale of funds under custody of AssetMark). During the Reporting Period, Huatai Financial Holdings (Hong Kong) completed 3 financial advisory projects and 6 structured investments and financing projects.

(2) AssetMark

AssetMark is a mission-driven company dedicated to making a difference in the lives of independent investment advisers and the investors they serve. The highlights of AssetMark's core business include fully integrated compelling technology, personalised and scalable services and curated investment platform. Such clear business strategies guided AssetMark to define its short-term and long-term goals. AssetMark designs and aligns its strategies to things that matter most to advisers and that differentiate it in the marketplace. According to Cerulli Associates and other public information, as of the end of the first quarter of 2019, AssetMark's market share in the US TAMP industry was 10.0%, ranking the third in the industry.

During the Reporting Period, AssetMark completed its acquisition of Global Financial Private Capital. As of the end of the Reporting Period, the total platform assets reached US\$56.051 billion, representing an increase of approximately 24.96% from the end of 2018; the AssetMark platform served an aggregate of 7,899 independent investment advisers, representing an increase of approximately 4.30% from the end of 2018; the total investor households served by AssetMark platform exceeded 150,000, which grew by approximately 16.00% from the end of 2018. During the Reporting Period, there were 715 independent investment advisers that were newly added to the AssetMark platform.

(3) Huatai Securities (USA)

With the US broker-dealer license approved by the Financial Industry Regulatory Authority in June 2019, Huatai Securities (USA) was eligible to conduct broker-dealer business in the US, including securities underwriting, securities brokerage for institutional investors, M&A and financial advisory, etc. During the Reporting Period, Huatai Securities (USA) participated in AssetMark's IPO projects as a joint bookrunner.

### 3. *Prospect of international business for the second half of 2019*

International business shoulders the strategic mission of deepening cross-border development of the full business chain, being the key to expanding room for development and creating new profit growth point. The Group firmly adheres to the international strategic layout. In the second half of 2019, the Group will continue to give full play to the advantage of domestic resources, absorb and learn from the advanced experience from overseas institutions, deepen cross-border linkage to effectively accumulate client resources and assets, provide integrated and characteristic package services in the global resource layout and asset allocation, and build an international business platform featured by business connectivity, resource sharing and strategic synergy.

Huatai International will maximize resource integration via the international business holding platform, focus on strengthening the construction and layout of its overseas business, improve integrated operation and management capability, closely focus on customers' needs for financial services, strengthen the cross-border linkage of the full business chain resources in different categories and levels, improve the professional service system and service ability, and deeply expand room and potential for international business development.

Huatai Financial Holdings (Hong Kong), in respect of investment banking business, will strengthen the cross-border linkage, strengthen its industry research and deal discovery capabilities, deeply explore and accumulate project resources, actively expand business types and service modes, and continuously improve cross-border investment and financing capabilities. In respect of the research and stock sales business, it will continuously deepen A+H research integration and actively expand its customer coverage and business coverage; focus on developing the capital-based intermediary business for cross-border derivatives to meet customers' need for cross-border financial services; build a creation, design and trading platform for FICC cross-border products to provide customers with integrated solutions for cross-border investing and financing, trading and risk management; give full play to its advantage of cross-border business license, actively seize business opportunities, increase its capital and improve profitability. As for private banking and retail business, it will deepen domestic and foreign synergy, improve product and service capabilities, attract customers with featured products and services, and continue to promote the development and launch of "ZhangLe Global", an offshore mobile terminal for wealth management for bigger customer base.

AssetMark will apply its corporate values to all aspects of business development in adherence to its core strategy, and continue to strengthen investment in technology platforms, investment products and strategies, customer service system, etc. AssetMark will continue to deepen cooperation with the existing investment advisers, increase platform assets, and further expand the investment consulting customer base by leveraging sales techniques. AssetMark will explore new business in areas including cash management, business consulting and trading to further expand business opportunities in the Registered Investment

Advisory (“RIA”) market, retirement service and the high-net-worth segment, etc. In addition, AssetMark will continue to selectively focus on strategic M&A opportunities to promote extensive growth.

**(V) *Business innovation and its effects on the Company’s business performance and future development and risk control***

During the Reporting Period, the Company constantly made business innovation, promoted innovative new businesses, new products, services and management modes, and constantly improved its innovation ability. The development of innovative businesses is a supplement to current product lines and business scope, which can effectively create more room for business development, expand client and revenue sources, enhance profitability, as well as optimise customer structure and business model, meeting customers’ diversified business needs and further enhancing brand influence.

In innovation business operation, the Company adhered to the principle of “satisfying market needs, pursuing legally viable approaches, enhancing risk control and ensuring efficiency”. In the light of the risk characteristics of innovation business, the Company further improved risk control measures for innovative businesses, prevented the risks of lacking the awareness of such business, unreasonable business design and unsound control mechanism, and ensured that all innovative businesses could be carried out constantly and steadily on the premise that related risks are measurable, controllable and bearable.

The Company took the initiative to develop business on the STAR Market and comprehensively analyzed and identified business risks relating to the characteristics of the STAR Market. As for the management of co-investment activities of its subsidiaries in the alternative investment, the Company conducted detailed risk evaluation on co-investment projects, made the overall business plan and upper limit of the investment size, and improved risk control measures in respect of prior project review, regular tracking and valuation, exit when the ban is lifted, etc. Regarding the margin financing and securities lending business on the STAR Market, the Company researched and improved relevant risk control measures in the whole process covering appropriateness management on investors, collateral and underlying securities management, business scale management, credit account management and mark-to-market and position liquidation management, and promoted technical upgrading of related systems to control the risks of relevant businesses on the STAR Market.

During the Reporting Period, the Company was approved to conduct new businesses including treasury bonds and futures market making. The Company would conduct new businesses in accordance with the provisions of national laws and regulations, administrative rules and related regulatory systems. At the same time, the Company incorporated new businesses into the comprehensive risk management system, pertinently formulated and implemented a corresponding risk control system and risk limits.

## II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

### (I) Main businesses analysis

#### 1. Analysis table of the changes in relevant items of the income statement and the cash flow statement

Unit: Thousand Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Change percentage (%)
Total revenue and other income	14,727,802	11,979,979	22.94
Total expenses	(10,589,904)	(8,926,853)	18.63
Profit before income tax	5,418,042	4,020,480	34.76
Profit for the year attributable to the shareholders of the Company	4,056,932	3,158,898	28.43
Net cash generated from operating activities	2,157,770	16,064,051	(86.57)
Net cash used in investing activities	(2,291,118)	(7,534,163)	(69.59)
Net cash generated from/(used in) financing activities	16,886,224	(9,040,936)	N/A
Net increase/(decrease) in cash and cash equivalents	16,752,876	(511,048)	N/A

#### 2. Revenue and other income

As of June 30, 2019, the Group recorded revenue and other income of RMB14,728 million, representing a year-on-year increase of 22.94%, which was mainly attributable to the increase in fee and commission income and net investment gains, in which:

- (1) Fee and commission income recorded a year-on-year increase of 25.73% to RMB6,403 million, accounting for 43.47% and mainly due to the increase in commission income from brokerage business and fee income from asset management.
- (2) Interest income recorded a year-on-year decrease of 12.87% to RMB4,217 million, accounting for 28.63% and mainly due to the decrease in income from capital-based intermediary business.
- (3) Net investment gains recorded a year-on-year increase of 119.70% to RMB3,431 million, accounting for 23.30% and mainly due to the increase in investment gains from the Group's self-operated businesses.
- (4) Other income and gains recorded a year-on-year increase of 39.28% to RMB677 million, accounting for 4.60% and mainly due to the increase in income from commodity sales.

Composition of revenue and other income of the Group during the Reporting Period is as follows:

Unit: Thousand Yuan Currency: RMB

Item	January 1 – June 30, 2019		January 1 – June 30, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission income	6,402,718	43.47%	5,092,311	42.50%	1,310,407	25.73%
Interest income	4,216,609	28.63%	4,839,701	40.40%	(623,092)	(12.87)%
Net investment gains	3,431,400	23.30%	1,561,825	13.04%	1,869,575	119.70%
Other income and gains	677,075	4.60%	486,142	4.06%	190,933	39.28%
Total revenue and other income	<u>14,727,802</u>	<u>100.00%</u>	<u>11,979,979</u>	<u>100.00%</u>	<u>2,747,823</u>	22.94%

### 3. Total expenses

As of June 30, 2019, the Group's total expenses were RMB10,590 million, representing a year-on-year increase of 18.63%, mainly due to the increase in staff costs and fee expenses, in which:

- (1) Fee and commission expenses amounted to RMB1,940 million, representing a year-on-year increase of 62.25%, mainly due to the increase in expenses from the increase in fee and commission income;
- (2) Interest expenses amounted to RMB2,949 million, representing a year-on-year decrease of 16.47%, mainly due to the decrease in financing scale and costs;
- (3) Staff costs amounted to RMB3,329 million, representing a year-on-year increase of 25.32%, mainly due to the increase in the corresponding staff performance bonus of the Group;
- (4) Other expenses mainly include depreciation and amortisation expenses, tax and surcharge as well as (reversal of)/provision for asset impairment loss and other operating expenses, among which, other operating expenses were RMB1,605 million, representing a year-on-year increase of 44.16% during the Reporting Period, which was mainly attributable to the increase in business cost of futures physical transactions.



Unit: Thousand Yuan Currency: RMB

Item	January 1 – June 30, 2019		January 1 – June 30, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission expenses	(1,939,967)	18.32%	(1,195,669)	13.40%	(744,298)	62.25%
Interest expenses	(2,948,673)	27.84%	(3,530,126)	39.55%	581,453	(16.47)%
Staff cost	(3,328,518)	31.43%	(2,655,916)	29.75%	(672,602)	25.32%
Depreciation and amortisation expenses	(546,224)	5.16%	(296,752)	3.32%	(249,472)	84.07%
Tax and surcharges	(77,051)	0.73%	(72,611)	0.81%	(4,440)	6.11%
Other operating expenses	(1,604,817)	15.15%	(1,113,237)	12.47%	(491,580)	44.16%
Impairment losses on financial assets	(146,721)	1.39%	(60,509)	0.68%	(86,212)	142.48%
Other asset impairment reversal/(losses)	2,067	(0.02)%	(2,033)	0.02%	4,100	(201.67)%
Total expenses	(10,589,904)	100.00%	(8,926,853)	100.00%	(1,663,051)	18.63%

#### 4. Analysis of revenue and other income and expenses

##### (1) Analysis of segment revenue and other income

Unit: Thousand Yuan Currency: RMB

Business segment	Segment revenue and other income for the current period	Percentage of total segment revenue and other income for the current period (%)	Segment revenue and other income for the same period of last year	Percentage of total segment revenue and other income for the same period of last year (%)	Increase or decrease in percentage of total segment revenue and other income as compared to the same period of last year
Wealth management business	7,315,468	49.67	6,902,869	57.62	Decrease of 7.95 percentage points
Institutional services business	3,112,740	21.14	1,154,083	9.63	Increase of 11.51 percentage points
Investment management business	1,925,537	13.07	1,501,065	12.53	Increase of 0.54 percentage point
International business	1,834,684	12.46	1,501,002	12.53	Decrease of 0.07 percentage point
Others (including offset)	539,373	3.66	920,960	7.69	Decrease of 4.03 percentage points



During the Reporting Period, on a combined basis, the Group recorded revenue and other income of RMB14,728 million, representing a year-on-year increase of 22.94%. Among the principal business segments, revenue and other income from wealth management, institutional services, investment management and international business increased by RMB413 million, RMB1,959 million, RMB424 million and RMB334 million, respectively.

In terms of income structure, due to market recovery, the Group's self-operated investment business increased remarkably, which caused the soar of the income from and proportion of institutional services business. Wealth management business, institutional services business, investment management business and international business grew with transformation of wealth management continuously driven by the Group's active implementation of the two-pronged strategy.

(2) Analysis on segment expenses

Unit: Thousand Yuan Currency: RMB

Business segment	Segment expenses for the current period	Percentage of total segment expenses for the current period (%)	Segment expenses for the same period of last year	Percentage of total segment expenses for the same period of last year (%)	Increase or decrease in percentage of total segment expenses as compared to the same period of last year
Wealth management business	(4,690,436)	44.29	(4,121,185)	46.17	Decrease of 1.88 percentage points
Institutional services business	(1,474,759)	13.93	(1,789,183)	20.04	Decrease of 6.11 percentage points
Investment management business	(634,347)	5.99	(503,154)	5.64	Increase of 0.35 percentage point
International business	(1,789,936)	16.90	(1,301,869)	14.58	Increase of 2.32 percentage points
Others (including offset)	(2,000,426)	18.89	(1,211,462)	13.57	Increase of 5.32 percentage points

During the Reporting Period, on a combined basis, the Group recorded expenses of RMB10,590 million, representing a year-on-year increase of 18.63%. Among the principal business segments, expenses for wealth management, institutional services, investment management and international business increased by RMB569 million, RMB(314) million, RMB131 million and RMB488 million, respectively.

## 5. Cash flow analysis

Unit: Thousand Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Amount of increase or decrease	Percentage of increase or decrease (%)
Net cash generated from operating activities	2,157,770	16,064,051	(13,906,281)	(86.57)
Net cash used in investing activities	(2,291,118)	(7,534,163)	5,243,045	(69.59)
Net cash generated from/(used in) financing activities	16,886,224	(9,040,936)	25,927,160	N/A
Net increase/(decrease) in cash and cash equivalents	16,752,876	(511,048)	17,263,924	N/A

During the Reporting Period, the net increase in cash and cash equivalent of the Group was RMB16,752,876 thousand, among which:

- (1) Net cash generated from operating activities was RMB2,157,770 thousand, mainly due to the increase in the financial instruments at fair value through profit or loss and amounts sold under repurchase agreements.
- (2) Net cash used in investing activities was RMB2,291,118 thousand, mainly due to the purchase of debt investment at amortised cost.
- (3) Net cash generated from financing activities was RMB16,886,224 thousand, mainly due to the issuance of debt instruments by the Group.

6. *Detailed description of significant changes in components or sources of the Company's profit*

Unit: Thousand Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Year- on-year change (%)	Principal reason
Total revenue and other income	14,727,802	11,979,979	22.94	Increase in fee and commission income and investment gains
Total expenses	(10,589,904)	(8,926,853)	18.63	Increase in staff cost
Operating profit	4,137,898	3,053,126	35.53	Increase in total revenue and other income
Profit before income tax	5,418,042	4,020,480	34.76	Increase in total revenue and other income
Profit for the year	4,100,101	3,206,485	27.87	Increase in profit before income tax
Among which: profit for the year attributable to shareholders of the Company	4,056,932	3,158,898	28.43	Increase in profit before income tax
Total assets	493,013,037	368,665,874	33.73	Increase in the balance of customer funds and amount of financial investment
Total liabilities	374,810,235	263,916,270	42.02	Increase in the balance of customer funds and active liabilities
Total shareholders' equity	118,202,802	104,749,604	12.84	Issuance of GDR and profit realization of the Group

## (II) Analysis of key items of consolidated statement of financial position

### 1. General Description of Consolidated Statement of Financial Position

Unit: Thousand Yuan Currency: RMB

Item	June 30, 2019		December 31, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Non-current assets</b>						
Property and equipment	4,433,290	0.90%	3,548,153	0.96%	885,137	24.95%
Investment properties	570,394	0.11%	586,334	0.16%	(15,940)	(2.72)%
Goodwill	2,284,201	0.46%	2,099,412	0.57%	184,789	8.80%
Other intangible assets	5,521,415	1.12%	5,462,012	1.48%	59,403	1.09%
Interest in associates	13,507,879	2.74%	12,527,828	3.40%	980,051	7.82%
Interest in joint ventures	630,276	0.13%	649,833	0.18%	(19,557)	(3.01)%
Debt investment at amortised cost	14,701,476	2.98%	13,854,878	3.76%	846,598	6.11%
Financial assets at fair value through other comprehensive income	11,326,938	2.30%	10,098,382	2.74%	1,228,556	12.17%
Financial assets held under resale agreements	551,940	0.11%	2,812,194	0.76%	(2,260,254)	(80.37)%
Financial assets at fair value through profit or loss	5,695,740	1.16%	5,155,176	1.40%	540,564	10.49%
Refundable deposits	9,068,223	1.84%	7,836,506	2.12%	1,231,717	15.72%
Deferred tax assets	188,524	0.04%	225,135	0.06%	(36,611)	(16.26)%
Other non-current assets	242,173	0.05%	259,751	0.07%	(17,578)	(6.77)%
<b>Total non-current assets</b>	<b>68,722,469</b>	<b>13.94%</b>	<b>65,115,594</b>	<b>17.66%</b>	<b>3,606,875</b>	<b>5.54%</b>
<b>Current assets</b>						
Accounts receivable	6,331,069	1.28%	3,090,165	0.84%	3,240,904	104.88%
Other receivables and prepayments	1,455,772	0.30%	1,555,090	0.42%	(99,318)	(6.39)%
Margin accounts receivable	56,931,236	11.55%	46,188,885	12.53%	10,742,351	23.26%
Debt investment at amortised cost	3,295,936	0.67%	2,419,286	0.66%	876,650	36.24%
Financial assets held under resale agreements	26,160,265	5.30%	40,744,371	11.05%	(14,584,106)	(35.79)%
Financial assets at fair value through profit or loss	198,083,467	40.18%	117,089,156	31.76%	80,994,311	69.17%
Financial assets at fair value through other comprehensive income	191,366	0.04%	358,361	0.10%	(166,995)	(46.60)%
Derivative financial assets	1,179,958	0.24%	1,933,958	0.52%	(754,000)	(38.99)%
Clearing settlement funds	3,801,600	0.77%	3,023,370	0.82%	778,230	25.74%
Cash held on behalf of brokerage clients	77,602,011	15.74%	58,947,013	15.99%	18,654,998	31.65%
Cash and bank balances	49,257,888	9.99%	28,200,625	7.65%	21,057,263	74.67%
<b>Total current assets</b>	<b>424,290,568</b>	<b>86.06%</b>	<b>303,550,280</b>	<b>82.34%</b>	<b>120,740,288</b>	<b>39.78%</b>
<b>Total assets</b>	<b>493,013,037</b>	<b>100.00%</b>	<b>368,665,874</b>	<b>100.00%</b>	<b>124,347,163</b>	<b>33.73%</b>

Item	June 30, 2019		December 31, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Current liabilities</b>						
Short-term bank borrowings	429,366	0.11%	3,015,791	1.14%	(2,586,425)	(85.76)%
Short-term debt instruments issued	22,592,154	6.03%	21,124,000	8.00%	1,468,154	6.95%
Placements from other financial institutions	7,437,326	1.98%	5,813,487	2.20%	1,623,839	27.93%
Accounts payable to brokerage clients	83,209,102	22.20%	59,492,176	22.54%	23,716,926	39.87%
Employee benefits payable	1,886,889	0.50%	2,869,042	1.09%	(982,153)	(34.23)%
Other payables and accruals	72,486,204	19.34%	53,793,086	20.38%	18,693,118	34.75%
Contract liabilities	57,914	0.02%	7,442	–	50,472	678.20%
Current tax liabilities	544,510	0.15%	284,436	0.11%	260,074	91.43%
Financial assets sold under repurchase agreements	97,060,852	25.90%	40,095,054	15.19%	56,965,798	142.08%
Financial liabilities at fair value through profit or loss	3,181,680	0.85%	2,874,584	1.09%	307,096	10.68%
Derivative financial liabilities	2,397,186	0.64%	776,102	0.29%	1,621,084	208.88%
Long-term bonds due within one year	26,893,733	7.18%	24,844,616	9.41%	2,049,117	8.25%
Long-term bank loans due within one year	12,281	–	15,820	0.01%	(3,539)	(22.37)%
<b>Total current liabilities</b>	<u>318,189,197</u>	<u>84.89%</u>	<u>215,005,636</u>	<u>81.47%</u>	<u>103,183,561</u>	<u>47.99%</u>
<b>Net current assets</b>	<u>106,101,371</u>	<u>–</u>	<u>88,544,644</u>	<u>–</u>	<u>17,556,727</u>	<u>19.83%</u>
<b>Total assets less current liabilities</b>	<u>174,823,840</u>	<u>–</u>	<u>153,660,238</u>	<u>–</u>	<u>21,163,602</u>	<u>13.77%</u>
<b>Non-current liabilities</b>						
Long-term bonds	44,419,848	11.85%	38,046,114	14.42%	6,373,734	16.75%
Long-term bank borrowings	1,678,983	0.45%	1,682,949	0.64%	(3,966)	(0.24)%
Long-term employee benefits payable	5,749,376	1.53%	5,045,990	1.91%	703,386	13.94%
Deferred tax liabilities	1,814,777	0.48%	1,810,176	0.69%	4,601	0.25%
Financial liabilities at fair value through profit or loss	2,405,695	0.64%	2,325,405	0.88%	80,290	3.45%
Other payables and accruals	552,359	0.15%	–	–	552,359	–
<b>Total non-current liabilities</b>	<u>56,621,038</u>	<u>15.11%</u>	<u>48,910,634</u>	<u>18.53%</u>	<u>7,710,404</u>	<u>15.76%</u>
<b>Net assets</b>	<u>118,202,802</u>	<u>100.00%</u>	<u>104,749,604</u>	<u>100.00%</u>	<u>13,453,198</u>	<u>12.84%</u>

Item	June 30, 2019		December 31, 2018		Increase/decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Shareholders' equity</b>						
Share capital	9,076,650	7.68%	8,251,500	7.88%	825,150	10.00%
Reserves	87,221,742	73.79%	75,725,973	72.29%	11,495,769	15.18%
Undistributed profits	20,525,496	17.36%	19,416,104	18.54%	1,109,392	5.71%
Total equity attributable to shareholders of the Company	116,823,888	98.83%	103,393,577	98.71%	13,430,311	12.99%
Non-controlling interests	1,378,914	1.17%	1,356,027	1.29%	22,887	1.69%
<b>Total shareholders' equity</b>	<b>118,202,802</b>	<b>100.00%</b>	<b>104,749,604</b>	<b>100.00%</b>	<b>13,453,198</b>	<b>12.84%</b>

As of June 30, 2019, total non-current assets of the Group amounted to RMB68,722 million, representing an increase of RMB3,607 million as compared to the beginning of the year, which was mainly due to an increase of RMB2,616 million in the debt investment at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

As of June 30, 2019, total non-current liabilities of the Group amounted to RMB56,621 million, representing an increase of RMB7,710 million as compared to the beginning of the year, which was mainly due to an increase of RMB6,374 million in the long-term bonds.

As of June 30, 2019, total current assets of the Group amounted to RMB424,291 million, representing an increase of RMB120,740 million as compared to the beginning of the year, which was mainly due to an increase of RMB81,871 million in the debt investment at amortised cost and financial assets at fair value through profit or loss, an increase of RMB10,742 million in the margin accounts receivable and an increase of RMB18,655 million in the cash held on behalf of brokerage clients.

As of June 30, 2019, the total current liabilities of the Group amounted to RMB318,189 million, representing an increase of RMB103,184 million as compared to the beginning of the year, which was mainly due to an increase of RMB56,966 million in the financial assets sold under repurchase agreements, an increase of RMB23,717 million in the accounts payable to brokerage clients and an increase of RMB18,693 million in the other payables and accruals.

## 2. *Major restricted assets as of the end of the Reporting Period*

As of the end of the Reporting Period, major restricted assets of the Group totalled RMB117,433,946 thousand, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, debt investment at amortised cost and cash and bank balances. Except for the above assets, no prime assets of the Group were seized, detained, frozen, mortgaged or pledged, could be realised only under a certain condition, could not be realised or could not be used to pay off the debts. There was no circumstance or arrangement under which the prime assets were occupied, used or benefited or the disposal of them was limited.

### 3. *Structure and quality of assets*

As of June 30, 2019, total shareholders' equity of the Group amounted to RMB118,203 million, representing an increase of RMB13,453 million as compared to the beginning of the year, which was mainly due to the increase in the Group's GDR fund and profit.

The asset structure of the Group continued to be optimised and the assets maintained good quality and liquidity. As of June 30, 2019, total assets of the Group amounted to RMB493,013 million, representing an increase of RMB124,347 million or 33.73% as compared to the beginning of the year. Specifically, cash and bank balances and clearing settlement funds accounted for 10.76% of the total assets; margin accounts receivable accounted for 11.55% of the total assets; cash held on behalf of brokerage clients accounted for 15.74% of the total assets; financial assets held under resale agreements accounted for 5.42% of the total assets; property and equipment accounted for 0.90% of the total assets; and financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, debt investment at amortised cost, accounts receivable, other receivables and prepayment accounted for 48.90% of the total assets. Most of the assets have strong cashability. The Group's assets have strong liquidity and the asset structure is reasonable. As of June 30, 2019, the ratio of current assets to current liabilities was 1.48 (excluding the impact of customer funds).

As of June 30, 2019, the Group obtained funds through borrowings and debt financing instruments. As of the end of the Reporting Period, total principal of the placements from other financial institutions of the Group amounted to RMB93,155 million. Details are shown as follows:

Unit: Thousand Yuan Currency: RMB

<b>Borrowings and debt financing plans</b>	<b>As of June 30, 2019</b>
Placement from China Securities Finance Corporation Limited	—
Short-term borrowings	429,197
Short-term financing funds payable	22,518,627
Bonds payable	70,207,142
Total	<u>93,154,966</u>

Borrowings and debt-financing with a financing maturity of more than one year were RMB43,785 million, accounting for 47.00%. Among them, plans with a financing maturity of one to two years were RMB7,868 million, and two to five years were RMB35,918 million. Borrowings and debt-financing with a financing maturity of less than one year were RMB49,370 million, accounting for 53.00%.



As of June 30, 2019, the Group's borrowings and debt financing with fixed interest rate were RMB89,599 million. In particular, the balance of short-term borrowings was RMB429 million; the balance of income receipts with fixed interest rate was RMB16,780 million; the balance of corporate bonds was RMB51,972 million; the balance of subordinated debts was RMB13,796 million; and the balance of foreign debts was RMB6,621 million.

As of June 30, 2019, cash and cash equivalents of the Group amounted to RMB57,572 million, of which RMB cash and cash equivalents accounted for 69.41%.

As of June 30, 2019, among the Group's short-term bank borrowings, RMB132 million were pledge borrowings and RMB297 million were credit borrowings.

#### *4. Analysis of profitability*

During the Reporting Period, the total revenue and other income of the Group amounted to RMB14,728 million. The profit for the year attributable to the Shareholders of the Company amounted to RMB4,057 million. In the face of volatile market environment, the Group continued to promote the strategic transformation, maintained steady development of various businesses and constantly explored new business growth points. As a result, the Group maintained steady growth in the operating revenue and net profit.

#### *5. Explanations on the changes in the scope of consolidation of the statements*

- (1) Changes in the scope of consolidation as a result of business combination involving enterprises not under common control

On April 17, 2019, the Group completed acquisition of Global Financial Private Capital, LLC, which became an indirect holding subsidiary of the Group and was included in the scope of consolidated financial statements. Three new subsidiaries of the Group have been included in the consolidated statements during the period.

- (2) Changes in the scope of consolidation as a result of a decrease of structured entities included into the consolidation scope

The Group consolidated the structured entities where the Group concurrently serves as the manager or investment adviser and investor, and where the Group will be, upon comprehensive assessment, significantly affected by variable returns due to the returns attributable to it for its investment and remuneration as the manager of the structured entities (mainly refers to asset management plan). The structured entities of the Group, which were included in the consolidated statement during the year, decreased by 2 as compared with the last year.

- (3) Changes in the scope of consolidation as a result of deregistration of subsidiary

During the current period, the Group's subsidiaries, AlphaPeak Services, LLC (acquired in the current period) and Huatai Rising (Shanghai) Investment Co., Ltd. were deregistered according to law.

6. *Analysis of income tax policy*

During the Reporting Period, the Company's income tax was subject to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Enforcement Regulations of Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》). The calculation and payment methods of the income tax shall be subject to the Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Corporate Income Tax on Trans-regional Business Operations (SAT Announcement [2012] No. 57) (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》(國家稅務總局公告[2012] 57號)). The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The Company enjoys the preferential policy of calculating and deducting research and development expenses, and the profit tax rate applicable to the Hong Kong subsidiaries of the Company is 16.5%. Other overseas subsidiaries of the Company are subject to income taxes at tax rates applicable in their jurisdictions.

7. *Analysis of the financing channels and financing capacity*

**Financing channels** In terms of the financing methods, the Company has two financing channels: equity financing and debt financing. In terms of financing maturity, the Company's short-term financing channels mainly included credit lending via interbank market, bond repurchasing via interbank market and stock exchange market, issuing short-term financing bills, short-term corporate bonds, short-term subordinated debt and income credential, carrying out income rights financing in relation to margin financing and securities lending from banks and other financial institutions, and asset securitization, etc.; the Company's medium and long-term financing channels included issuing corporate bonds, long-term subordinated debt, non-publicly offered corporate bonds and equity refinancing, etc. After years of effective efforts, the Company explored and established a short, medium and long-term financing platform with new-type financing instruments and multiple financing channels, which played a key role in the rapid development process of the Company's business.

Liquidity  
management  
policies and  
measures

The Company always attaches importance to liquidity management. As for funds management, it adhered to the principle of “full amount concentrated, allocated in a unified way, valued by classification and monitored timely”. In terms of management and development strategies, it paid attention to matching business scale with liabilities. Based on reasonable asset allocation and diversified debt financing, the Company ensured reasonable matching of the duration and scale of assets and liabilities as well as its proper liquidity. The Company followed the general principles of comprehensiveness, prudence, predictiveness for liquidity risk management according to the centralized management and hierarchical prevention and control management model, established a liquidity risk management system based on comprehensive risk management framework, as well as a sound liquidity risk management system appropriate to the Company’s strategy, and implemented liquidity risk management policy with the preference for “steadiness and safety”, which means the Company ensured that there would be no liquidity risks which would cause significant impacts on its sustainable operation, and thus to fully guarantee the steady and safe development of its businesses.

In order to ensure its liquidity, the Company has adopted various measures mainly including: 1) constantly improving the capital planning system, strengthening the management of capital position and cash flow monitoring, so as to ensure the security of daytime liquidity; 2) strengthening the management for the matching between durations of assets and liabilities and establishing high quality current asset reserves, in order to enhance the diversity and stability of financing; 3) continuously improving the liquidity management platform, and realizing the effective identification, measurement, monitoring and control of liquidity risks through the information system, in order to ensure that the liquidity risks are measurable, controllable and tolerable; 4) analysing supervisory indicators of cash flows and liquidity risk of the Company under certain stress scenarios to evaluate its tolerance for liquidity risks and analysing the stress test results to constantly improve the Company's response capacity for liquidity risks; 5) organising the formulation, exercise and evaluation of liquidity risk contingency plan, in order to improve the Company's emergency response capability for liquidity risks; and 6) improving the liquidity risk reporting system, so as to ensure that the management is able to keep abreast of the level and management situation of the Group's liquidity risks.

Analysis of financing capability and financing strategy The Company operated normatively with sound reputation as well as strong capital strength, profitability and debt repayment ability, maintained good cooperation relationships with commercial banks, had sufficient bank credit with the credit line increasing steadily, and possessed strong short-term and medium-to-long term financing abilities. As a listed securities dealer, the Company can also meet the fund demand for long-term development by means such as equity refinancing.

Taking into consideration both liquidity and profitability, the Company held a certain amount of fixed-income products. Interest rate changes will bring direct impact to the interest income of the cash and the market price and investment gains of the bond investment held by the Company. Margin financing and securities lending and other capital-based intermediary businesses, corporate debt financing and other businesses which directly relate to interest rates may directly impact corresponding interest income and financing interest expenses. At the same time, the Company's stock investment was also indirectly affected by interest rate changes. In addition, as the Company has registered overseas subsidiaries whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, and the changes of exchange rate will have certain impact on the Company's financial situation.

To maintain the liquidity of the Company's assets and rate of return, the Company's own capital was uniformly managed by Capital Operation Department in accordance with a sound management system and corresponding business processes. The Company optimised the distribution of assets and liabilities structure by timely adjusting all kinds of asset structure, strengthened the research on the interest rate and exchange rate market, and used appropriate interest rate, exchange rate and other derivative financial tools to avoid risks and reduce the influence of these factors.

Contingencies and their impacts on the financial situation of the Company

As at the end of the Reporting Period, the Company's contingencies mainly included the Company's provision of counter guarantee to the Bank of China Limited for the USD400 million of foreign debt issued by Hong Kong subsidiary, and contingent liabilities resulting from pending litigation and arbitration. The above matters had minor effect on the Company's financial situation.

### ***(III) Analysis of investments***

#### ***1. Overall analysis of external equity investments***

As of the end of the Reporting Period, long-term equity investments of the Group amounted to RMB14.138 billion, representing an increase of RMB0.960 billion or 7.28% as compared to RMB13.178 billion as at the beginning of the period. For details of the overall situation of the Group's external equity investment, please refer to Note 20 headed "Interest in associates" and Note 21 headed "Interest in joint ventures" in the financial statements in this report.

- (1) The Company had no significant equity investment
- (2) The Company had no significant non-equity investment

(3) Financial assets measured at fair value

Unit: Thousand Yuan Currency: RMB

Item	Balance at the end of last period	Balance at the end of current period	Investment gains during the Reporting Period	The changed amount of fair value during the Reporting Period
Financial assets at fair value through other comprehensive income	10,456,743	11,518,304	1,320	705,570
Financial assets at fair value through profit or loss	122,244,332	203,779,207	2,349,296	2,730,718
Derivative financial instruments	1,157,856	(1,217,228)	(221,000)	(1,098,841)

2. Information about the use of raised funds

(1) Overview of the use of raised funds

① Overview of the use of funds raised from the issuance of A Shares

(a) Information about the use of funds raised from the Initial Public Offering of A Shares

Under the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) (《關於核准华泰證券股份有限公司首次公開發行股票的批覆》(證監許可[2010]138號)) issued by the CSRC, the Company publicly issued 784,561,275 ordinary shares in RMB to the public on February 9, 2010, each stock of which was RMB1.00 at an offering price of RMB20.00, and the total amount of funds raised was RMB15,691,225,500.00. The raised funds after deducting the underwriting fee and sponsoring fee of RMB130,000,000.00 amounted to RMB15,561,225,500.00, which were all in place on February 12, 2010, and verified by Jiangsu Talent Certified Public Accountants with the capital verification report of “Tian Heng Yan Zi (2010) No. 009”. As of December 31, 2012, all the principal of the funds raised from the IPO was used up and the accumulative amount of RMB15.681 billion of the raised funds (including interest of raised funds of RMB119.8082 million) were used. All of the accounts designated for the use of raised funds of the Company had been cancelled with settlement of interests.

(b) Information about the use of funds raised from the Non-Public Offering of A Shares

Upon the Approval for the Non-Public Offering of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) (《關於核准华泰證券股份有限公司非公開發行股票的批覆》(證監許可[2018]315號)) issued by the CSRC, the Company completed the non-public offering of 1,088,731,200 ordinary shares (A

Shares) in July 2018, each stock of which was RMB1.00 at an offering price of RMB13.05 and the total amount of funds raised was RMB14,207,942,160.00. After deducting the issuing fees of RMB74,736,488.79 related to the non-public offering (including underwriting and sponsorship fee, attorney fee, accountant fee, information disclosure fee, issuance registration fee, stamp duty and other fees), the net funds raised were RMB14,133,205,671.21, which were all in place on July 31, 2018 and were verified by KPMG Huazhen LLP with the KPMG capital verification report (Yan Zi No. 1800286). As of the end of the Reporting Period, interest income of the Company on the basis of the net funds raised from the non-public offering of A Shares was RMB48,996,950.36.

As of the end of the Reporting Period, the Company, with respect to its non-public offering of A Shares, has used raised funds of: RMB4,800,000,000.00 for further expanding credit trading businesses such as margin financing and securities lending and stock pledge; RMB7,967,959,300.00 for expanding the investment of fixed-income products and increasing the reserves of high-quality liquid assets of the Company; RMB500,000,000.00 for capital increase in Huatai Purple Gold Investment; RMB300,000,000.00 for increasing investment in information system and continuous improvement of informatization work; RMB425,003,207.50 for other working capital arrangements. Apart from the above usages, the surplus of the Company's proceeds of RMB193,740,396.87 (including interest of raised funds and outstanding issuing fees relating to the non-public offering) was not used and was put into the special bank account of the Company. As of June 30, 2019, planned usage of the Company's funds raised from non-public offering of A Shares was consistent with that disclosed in the prospectus without any change. The Company will continue to put the raised funds into operation according to the development strategy, market conditions and usage plan of funds raised from non-public offering of A Shares.

② Overview of the use of funds raised from the issuance of H Shares

Approved by the CSRC, the Company completed the issuance of H Shares in 2015. Funds raised from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG capital verification report (Yan Zi No. 1501031) was issued.

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the initial public offering of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, on the basis of the total funds raised from the issuance of H Shares, the Company further obtained interest income and exchange gains/



losses of RMB65,218,778.58. As of the end of the Reporting Period, RMB30,053,430,189.78 (including interest of raised funds and exchange gains/losses) of funds raised from H Share issuance was used in total.

As of the date of this report, the Company, with respect to its IPO for listing on the Hong Kong Stock Exchange and the issuance of new shares by partially exercising the over-allotment option, has used the proceeds of: RMB18,352,613,762.96 for capital-based intermediary businesses such as developing margin financing and securities lending; RMB3,058,768,960.49 for expanding investment and transaction businesses; RMB3,058,768,960.49 for capital increase in Huatai Purple Gold Investment and Huatai Asset Management; RMB3,058,768,960.49 for expanding overseas businesses; and RMB2,524,509,545.35 for the working capital and other general corporate purposes. Apart from the above usages, the surplus of the Company's proceeds of RMB599,478,193.74 (including interest of raised funds and exchange gains/losses) was not used and was put into the bank account of the Company. As of June 30, 2019, planned usage of the Company's funds raised from H Share issuance was consistent with that disclosed in the prospectus, without any change. The Company will continue to put funds raised from H Share issuance into operation according to the development strategy, market conditions and usage plan of funds raised from H Share issuance.

③ Overview of the use of funds raised from the issuance of GDRs

Under the Approval for Issuance and Admission of Global Depository Receipts on the London Stock Exchange plc by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1993) (《關於核准华泰证券股份有限公司發行全球存托憑證並在倫敦證券交易所上市的批覆》(證監許可[2018]1993號)) issued by the CSRC, in June 2019, the Company completed the issuance of 82,515,000 GDRs in total at an offering price of US\$20.50 per GDR, and the total amount of funds raised was US\$1,691,557,500.00. After deducting the issuing fees of US\$41,213,371.70 related to the GDRs, the net funds raised were US\$1,650,344,128.30, which was converted into RMB11,304,465,209.22 at the central parity of RMB against USD as at the date when the proceeds were received. The abovementioned proceeds have been all in place as at June 28, 2019 and have been verified by KPMG Huazhen LLP with the KPMG capital verification report (Yan Zi No. 1900393). As of June 30, 2019, the funds raised from the issuance of GDRs have not been used, and the account balance was US\$1,691,557,500.00.

## Overview of the use of raised funds

Unit: Ten Thousand Yuan Currency: RMB

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds used in the Reporting Period	Total amount of raised funds used accumulatively	Total amount of raised funds yet to be used	Usage and whereabouts of raised funds unused
2019	GDR issuance	1,130,446.52	–	–	1,130,446.52	Support endogenous and extensive growth of international business, continue to invest in the existing main businesses, replenish working capital and meet general enterprise purposes
2018	Non-public offering (A Shares)	1,420,794.22	13,448.51	1,399,296.25	19,374.04	Investment in Hong Kong subsidiaries and for other working capital arrangements
2015	Initial public offering (H Shares)	3,058,768.96	702.22	3,005,343.02	59,947.82	Used as working capital and for other purposes
2010	Initial public offering (A Shares)	1,556,122.55	–	1,568,103.37	–	–
Total	–	7,166,132.25	14,150.73	5,972,742.64	1,209,768.38	–
Notes to the overview of the use of raised funds			–			

(2) There was no commitment in raised funds of the Company during the Reporting Period

(3) There was no change in raised funds of the Company during the Reporting Period

### 3. Projects not funded by raised funds

During the Reporting Period, the Company did not have any project funded by non-raised funds whose total investment was more than 10% of the audited net assets of the Company as at the end of the previous year.

**(IV) There was no sales of significant assets or equities by the Company during the Reporting Period**

**(V) There was no bankruptcy or restructuring, merger or division, major disposal, acquisition, replacement or stripping of assets or restructuring of other companies by the Company during the Reporting Period**

**(VI) Analysis of key subsidiaries**

Unit: Ten Thousand Yuan Currency: RMB

Company name	Share-holding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Operating revenue	Total profit	Net profit
Huatai United Securities Co., Ltd.	99.92%	(01A, 02, 03, 04), 17A, 18A, 24A, 25A and 26A, 5/F, CTS Building, Central Square, Central Area, Futian District, Shenzhen, the PRC	September 5, 1997	Liu Xiaodan	010-56839300	99,748.00	432,516.52	51,148.66	11,886.05	8,942.32
Main businesses: securities underwriting and sponsorship (excluding treasury bonds, non-financial corporate debt financing instruments and financial bond underwriting); financial advisory for securities trading and investment related activities; other businesses approved by the CSRC.										
Huatai Securities (Shanghai) Asset Management Co., Ltd.	100%	21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone	October 16, 2014	Cui Chun	021-28972188	260,000.00	732,839.42	124,468.83	89,118.99	67,426.31
Main businesses: securities asset management; publicly offered securities investment funds management. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).										
Huatai Purple Gold Investment Co., Ltd.	100%	180 Hanzhong Road, Nanjing, the PRC	August 12, 2008	Jiang Jian	025-83389999	600,000.00	1,044,758.45	112,621.86	107,770.22	80,917.33
Main businesses: equity investment, debt investment, other fund investments associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment, and financial consulting. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).										

Share-holding percentage of the Company	Company name	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Operating revenue	Total profit	Net profit	
100%	Huatai International Financial Holdings Company Limited	Room 5808-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong	April 5, 2017	Wang Lei	852-36586000	HK\$ 2,710,182.83 8,800,000,002.00	819,626.55	118,817.85	5,424.74	(2,183.80)	
Main businesses: holding company.											
100%	Huatai Innovative Investment Co., Ltd.	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing, the PRC	November 21, 2013	Wang Lei	021-28972228	350,000.00	89,709.20	6,638.70	1,590.76	1,590.76	
Main businesses: project investment, investment management, sale of precious metal, hotel management; the followings are permitted to be operated only by branches: accommodation, catering services, sale of foods, fitness services, swimming pool, laundry collection, typing and copying, motor vehicle public parking services, conference services, undertaking exhibitions, tourism information consultation, ticket agent service. (1. Public fund-raising shall not be conducted without approval by relevant authorities; 2. trading activities of securities products and financial derivatives shall not be publicly carried out; 3. no loans shall be granted; 4. no guarantee shall be provided to any other enterprises except for its invested enterprises; promises shall not be made to investors that the principal of their investments will not be subject to any loss or that they will get a minimum return; enterprises shall independently select business items and carry out operations according to law; businesses that need to be approved by law shall be carried out in accordance with the approved contents upon the approval of relevant authorities; business activities classified as prohibited or restricted items by industrial policies of this city shall not be carried out.)											
60%	Huatai Futures Co., Ltd.	20/F, Li Feng Building, 761 Dongfeng Eastern Road, Yuexiu District, Guangzhou, the PRC	July 10, 1995	Wu Zufang	020-83901155	160,900.00	1,977,339.33	273,682.77	87,937.25	9,904.39	7,090.54

Company name	Share-holding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Net assets	Operating revenue	Total profit	Net profit
Jiangsu Equity Exchange Co., Ltd.	52%	11/F, 188 Lushan Road, Nanjing, the PRC	July 4, 2013	Hu Zhi	025-89620288	20,000.00	36,048.79	28,663.29	1,234.00	80.11	80.11
Main businesses: provision of premises, facilities and services for approved listing, registration, custody, trading, financing, settlement, transfer, dividend distribution and pledge of equity interests, bonds, assets and related financial products and financial derivatives of unlisted companies, organization and monitoring of trading activities, issuance of market information, trading of listed products in the trading market as an agent, and provision of consultation services for market participants. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).											
China Southern Asset Management Co., Ltd.	45%	32-42/F, Fund Mansion, 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen, the PRC	March 6, 1998	Zhang Haibo	0755-82763888	30,000.00	782,684.77	489,798.76	191,770.85	67,037.80	46,360.42
Main businesses: fund raising, fund sales, asset management and other businesses approved by the securities regulatory authority under the State Council.											
Huatai-PineBridge Fund Management Co., Ltd.	49%	17/F, Building I, Shanghai Zendai Wudaokou Square, Lane 1199, Minsheng Road, China (Shanghai) Pilot Free Trade Zone	November 18, 2004	Jia Bo	021-38601777	20,000.00	125,375.63	102,761.60	36,347.69	12,865.42	9,677.10
Main businesses: fund raising, fund sales, asset management and other businesses approved by the CSRC.											

Company name	Share-holding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Operating revenue	Total profit	Net profit
Bank of Jiangsu Co., Ltd.	5.54%	26 Zhonghua Road, January 22, Nanjing, the PRC	2007	Xia Ping	025-52890919	1,154,445.00	204,701,043.90	2,191,670.00	875,207.30	803,215.80
Main businesses: deposits taking from the general public; granting short-term, medium-term and long-term loans; handling domestic settlements; handling acceptance and discounting of negotiable instruments; issuing financial bonds; acting as an agent for the issue, honoring and underwriting of government bonds and underwriting of short-term commercial papers; buying and selling government bonds, financial bonds, corporate bonds; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for receipts/payments and insurance business, wealth management, fund sales, precious metal sales, receipts/payments and custody of collective fund trust scheme; provision of safe deposit boxes; handling entrusted deposits and loans; bank card services; foreign currency deposits; foreign currency loans; foreign exchange remittances; currency exchange; settlement and sales of foreign exchange, acting as an agent for forward settlement and sales of foreign exchange; international settlement; proprietary trading and agency for trading of foreign exchange; interbank foreign exchange lending; trading or acting as an agent for trading in foreign currency securities other than stocks; credit investigation, consultation and witness services; online banking, and other services approved by the banking regulatory bodies and relevant authorities. (Businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).										

*Note: The financial data of Bank of Jiangsu Co., Ltd. was extracted from the interim report of Bank of Jiangsu Co., Ltd. for the year of 2019.*



## ***(VII) Structured entities controlled by the Company***

The structured entities consolidated by the Group mainly refer to the asset management plans with the Group as the manager or investment adviser and the investor. The Group carries out a comprehensive assessment of whether the Group will be significantly affected by variable returns due to the return which the Group is entitled to for the shares held by it and its remuneration as the manager or investment adviser of the asset management plan, and according to which, determines whether the Group is the main responsible party for the asset management plan. As at June 30, 2019, the Group has consolidated 30 structured entities with assets reaching RMB76,110,679,381.40 in total. The amount of the trading financial assets in the balance sheet, which embodied the equity of the Group in the above consolidated structured entities, was RMB9,444,113,806.46.

## ***(VIII) Potential risks and risk prevention measures***

### ***1. Introduction to risk management***

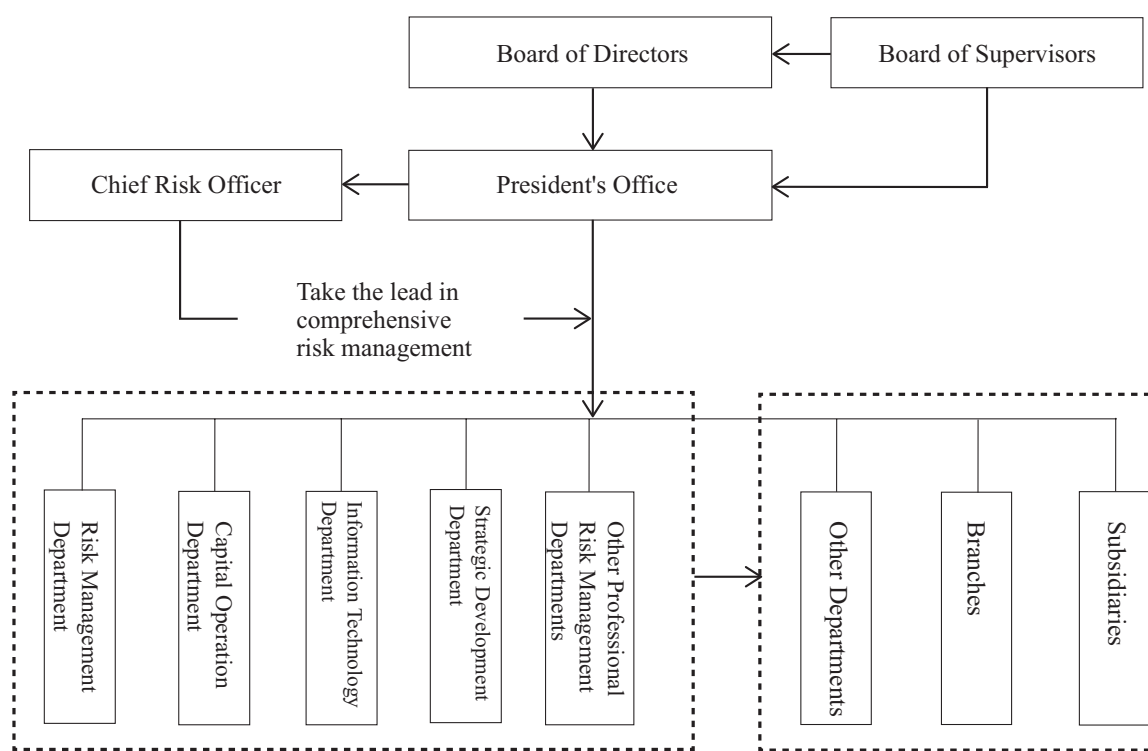
The Company attached great importance to risk management. According to regulatory requirements and its current business development, the Company established a relatively sound overall risk management system by taking “high engagement, full coverage and deep penetration” as the principle. The Company has a sound and effective risk management structure with clearly-defined responsibilities and staff at all levels performing their individual duties effectively. The Company worked out a clear risk appetite and tolerance system, which integrated flexibly with development strategies, thereby forming a multi-level risk management system covering the all businesses. In addition, the Company promoted the construction of a collectivized technology-driven risk-management system and built centralized, time-based, quantitative and penetrable pillars for risk management technologies, to improve the effect of risk management of the Group and further strengthen the Group’s ability in overall risk identification, quantitative evaluation and control. The Company included its subsidiaries in the overall risk management system, explored effective risk management patterns for subsidiaries, vigorously deepened the management thinking of centralized and unified professional risk lines, and built a professional risk management system meeting the business development requirements of the Group. The overall risk management system of the Company ran effectively, which practically guaranteed the continuous and healthy development of the Company’s businesses.

During the Reporting Period, taking collectivized risk management and professional business support as the main line, the Company comprehensively promoted various risk management tasks. In respect of risk indicator system, the Company further improved the multi-level indicator and limit system covering group-level risk appetite, tolerance, professional risk and business risk, promoted the mechanism for breakdown and implementation of risk indicators and dynamically monitored risk indicators and gave a timely warning by systematic means. In respect of professional risk management, the Company upgraded the market risk measurement engine of the Group and strengthened unified monitoring and analysis of transaction businesses of the Group; improved the construction framework of internal assessment system for credit risk of the Group and deepened the building of risk management systems for the same customers; enhanced in-process monitoring and process management mechanism of operational



risk and made efforts to prevent business risks throughout the business lines. In respect of collectivized management, the Company took consolidated and penetrative management as the starting point to continuously deepen management of subsidiaries and kept promoting data concentration construction for subsidiaries and urging them to implement various requirements for comprehensive risk management. In respect of system building, the Company deeply promoted building of risk management systems of the Group and continuously improved the Group's professional ability in coverage and penetration, risk identification and measurement and asset analysis and evaluation. In respect of innovative business management, the Company intensified efforts to assess and control innovative business risks to promote sound business development.

## 2. Risk management structure



The risk management structure of the Company covers five major parts: the Board and Compliance and Risk Management Committee; Board of Supervisors; President's Office and Risk Control Committee; Risk Management Department and various professional risk management departments; other departments, all branches and subsidiaries.

The Board is ultimately responsible for the overall risk management and is responsible for reviewing and approving the fundamental system relating to the overall risk management of the Company, approving the risk appetite, risk tolerance and significant risk boundaries of the Company, and reviewing periodic risk assessment reports of the Company. The Compliance and Risk Management Committee is set up by the Board to undertake risk management responsibilities, including reviewing and making recommendations on overall risk management targets and fundamental policies; evaluating and making recommendations on the risks of major decisions that require the Board's review, as well as the solutions to these risks; reviewing and making recommendations on risk assessment reports that require the Board's review.

The Board of Supervisors of the Company is responsible for supervising overall risk management, supervising and examining the Board and President's Office on the performance of their duties of risk management and urging them to make rectifications. Based on the authorization and approval of the Board and the operation targets of the Company, the President's Office is specifically responsible for the implementation of risk management and assumes primary responsibility for overall risk management. Upon the authorization of the President's Office, the Risk Control Committee under the President's Office is mainly responsible for the decision-making on risk management matters in the course of operation and authorizing risk undertakings in various business lines. Chief Risk Officer of the Company is responsible for leading the overall risk management of the Company.

The Company appoints the Risk Management Department to perform the overall risk management duties and take the lead in managing market risk, credit risk and operational risk of the Company; appoints the Capital Operation Department to take the lead in managing the liquidity risk of the Company; appoints the Information Technology Department to take the lead in managing the information technology risk of the Company; and appoints the Strategic Development Department to take the lead in managing the reputation risk of the Company. Other departments, branches and subsidiaries of the Company are responsible for handling various risks in their respective lines, implementing policies, procedures and measures formulated by the Company and the leading professional risk management departments, accepting guidance from various leading risk management departments and decomposing the management and solutions of various risks. The Audit Department includes overall risk management into auditing matters, makes independent and objective review and evaluation on the adequacy and effectiveness of the overall risk management, and is responsible for taking the lead or entrusting external professional institutions to evaluate the overall risk management system of the Company at regular intervals.

### **3. *Market risk***

Market risk refers to the risk of asset loss of the Company resulting from fluctuations in risk factors such as stock prices, interest rates, exchange rates and commodities.

During the Reporting Period, the Company has taken a number of measures to prevent market risks. In respect of equity securities investment, the Company adhered to the de-directional investment concept for transaction businesses, hedged exposure risks with stock index futures, actively grasped transaction opportunities while maintaining market neutral, and paid attention to the market liquidity of investment targets and high dispersion of assets held. In respect of fixed-income securities investment, the Company leveraged interest rate derivatives such as interest rate swap and treasury bond futures to effectively hedge market risks, and earned excess earnings via various carry trades while controlling the overall investment portfolio duration and basis point value. In respect of derivatives business, the Company adopted market neutral strategy for both OTC derivatives business and market making business for exchange-traded options. While strictly controlling Delta risk, the Company enriched the transaction structure and optimized the transaction strategies to effectively manage Gamma and Vega positions and created profit opportunities based on controllable risks. As for targets of OTC derivatives business, while meeting regulatory requirements, the Company established strict management standards for pool entry, liquidity and concentration of targets to effectively prevent market risks.

## Market Value at Risk (VAR) of the Company

Currency: RMB

**Forward-looking Period: 1 day; Confidence: 95%; Historical Analogical Method; Unit (in RMB Ten Thousand Yuan)**

	<b>The Company</b>		<b>The Group</b>	
	<b>As at the end of mid-2019</b>	<b>As at the end of mid-2018</b>	<b>As at the end of mid-2019</b>	<b>As at the end of mid-2018</b>
Equity-sensitive Financial Instruments	3,040	17,456	5,591	19,898
Interest-sensitive Financial Instruments	4,201	2,221	4,209	2,752
Commodity-sensitive Financial Instruments	290	—	912	154
Overall Portfolio Risk Value	5,317	15,641	6,650	17,374

Source: Internal statistics of the Company

### **4. Credit risk**

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer).

During the Reporting Period, with the market recovery, the risk of financing business was mitigated and effective progress was made in the claims to be pursued. Besides, the Company insisted on strict selection of customers and underlying securities to strictly control credit risks. In terms of investment business, in the context of frequent bond defaults, the Company, based on the construction of credit analysis management system (CAMS), further improved the internal rating system of the Group and steadily promoted unified management for credit line of issuers covering the entire Group, in order to enhance its risk identification and control capabilities. In terms of trading business, the Company implemented unified management for the line of credit to counterparties at the group level, enhanced systematic control and strictly controlled the business risk exposure. In terms of guarantee settlement business, the Company tightened up the front-end control of customer access and design for risk indicators, and strengthened the solving ability of risk events and control risk transmission. Meanwhile, by consolidating the construction of the unified credit risk management system, the Company further improved its ability to respond to complex external credit environment and provide strong risk control guarantee for the development of all credit businesses.

## **5. *Liquidity risk***

Liquidity risk refers to the risk in which the Company cannot obtain sufficient funds at reasonable costs in time to meet due debts, perform other payment obligations and provide sufficient capital for the operation of normal businesses.

During the Reporting Period, the Company constantly improved the capital use system, strengthened capital position management and ensured daytime liquidity safety. Based on the principle of due prudence, the Company set up an analysis framework for liquidity indicators including cash flow and set appropriate risk limits, daily monitoring the framework through the information technology system to improve the efficiency of identifying and managing liquidity risk. The Company regularly and occasionally analyzed the cash flow and liquidity indicators under stressful scenarios, evaluated the Company's ability to bear liquidity risk, analyzed the stress test results, and persistently raised the Company's pressure resistance against liquidity risk. The Company, according to the risk appetite, built adequate liquidity asset reserves and maintained sufficient liquidity assets with high quality to meet liquidity needs under stressful scenarios in a timely manner. The Company improved the liquidity risk reporting system to ensure that the management is able to keep abreast of the liquidity risk level and its management status. During the Reporting Period, the Company's liquidity coverage ratio (LCR) and net stable funding rate (NSFR) continued to meet regulatory requirements and were under great control.

## **6. *Operational risk***

Operational risk refers to the risk of losses caused by inadequate or problematic internal procedures, staff, system and external events.

During the Reporting Period, the Company's operational risk management system, which was based on policy with mechanism and process control as the core, system control as the pillar, and three managerial tools as the auxiliary, remained efficient operation. With the increasingly complex internal and external environments and business models, the Company has taken and planned to take the following countermeasures, including but not limited to: increase the propaganda of operational risk culture and improve the adequacy and effectiveness of identification and assessment of operational risk through targeted trainings; carry out self-inspection on the effectiveness of control measures through internal and external events, to identify control loopholes in time; speed up the establishment of risk identification mechanism, improve the ability to identify insufficient control and require early warning of potential risks; strengthen the in-depth analysis of cross-departmental operational risk events, improve control measures through multiple channels, and reduce the probability of similar operational risk events; continue to promote the application of operational risk tools in the Group, and promote horizontal comparison and improve key control mechanism through the analysis of common risks of all business lines of the Group.

## **7. *Compliance risk***

Compliance risk refers to exposure to property loss or business reputation loss as a result of bearing legal responsibility, supervisory measures or disciplinary sanctions imposed on securities companies due to violation of laws, regulations and standards by operational management or professional conduct performed by securities companies or their employees.

During the Reporting Period, the Company continued to improve the compliance management system, optimized the compliance management mechanism, accelerated the transformation of compliance risk management from passive response to active control; revised the measures for the administration of securities investment behavior of staff members, optimized the reporting and monitoring mechanism of securities accounts, and strengthened the training and control of securities investment behavior of staff members; conducted anti-money laundering training and inspection, on site, by video and other forms, for relevant business departments and branches, optimized the anti-money laundering work process and system control, updated stock customer information and improved money-laundering risk management; carried out prudent compliance reviews, performed evaluation on the compliance of new businesses, and promoted compliance operation of related businesses or products; strengthened the building of compliance culture of the Group, held regular joint meetings of compliance chiefs of subsidiaries, and published compliance journals at the Group level to all subsidiaries so as to improve the synergy of compliance management; improved the management on the evaluation of compliance personnel in branch offices, and optimized the customer complaint handling mechanism; implemented the building of state-owned enterprises under the rule of law, promoted publicity and education on the rule of law, and improved the effectiveness of publicity and education on the rule of law.

## **8. *Information technology risk***

Information technology risk mainly refers to exposure to losses caused by the failure of the information system to continuously ensure the stable, efficient and safe operation of transaction and business management in terms of business realization, timely response, solving capacity and data encryption, resulting from abnormal operation or data damage or leakage out of various internal or external reasons.

The business lines and the middle and back office management of the Company are highly depended on the information technology system, which has become the key support to the operation of businesses of the Company. During the Reporting Period, the Company continued to increase investment in information technology, constantly upgrade the management system for information technology risks, and strengthened targeted management measures, further improving the effectiveness of risk management. The Company upheld the bottom line of technical compliance, kept enhancing quality control on information technology, intensified identification of information technology

risks and solving ability of such risk events, and continuously improved the internal control mechanism for information technology, which has further enhanced the risk management for information technology, ensured the safe, stable and reliable operation of the Company's information system and effectively prevented the information technology risk.

## **9. *Reputational risk***

Reputational risk mainly refers to exposure to negative judgements from relevant media caused by the Company's operation, management and other conducts or external events.

During the Reporting Period, the Company carried out appropriate and effective reputational risk management and continued to strengthen the normalized mechanism for media communication, which have created a good public sentiment environment for the Company's business development. The Company continued to improve its disposal system and processes for reputational risk events and strengthened collectivized management for reputational risks. At the same time, the Company reinforced prior management for reputational risks to raise its resistance to reputational risks.

## MAJOR EVENTS

### I. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETINGS, MEETINGS OF THE BOARD OF DIRECTORS AND MEETINGS OF THE BOARD OF SUPERVISORS

Meeting	Convening date	Inspection indexes of the websites designated for publishing the resolutions	Date of disclosure for publishing the resolutions
2018 Annual General Meeting	June 26, 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>	June 27, 2019

Meetings of the Board are as follows:

Meeting	Convening date	Meeting form	Resolutions
The 20th Meeting of the Fourth Session of the Board	March 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No.228, Middle Jiangdong Road, Nanjing	<ol style="list-style-type: none"> <li>1. To consider the 2018 Work Report of the President of the Company;</li> <li>2. To consider the 2018 Final Financial Report of the Company;</li> <li>3. To consider the 2019 Financial Budget Report of the Company;</li> <li>4. To consider the proposal on the 2018 profit distribution of the Company;</li> <li>5. To consider the 2018 Work Report of the Board of the Company;</li> <li>6. To consider the resolution on the 2018 Annual Report of the Company;</li> <li>7. To consider the resolution on the 2018 Compliance Report of the Company;</li> <li>8. To consider the resolution on the 2018 Risk Management Report of the Company;</li> <li>9. To consider the resolution on the 2018 Internal Control Evaluation Report of the Company;</li> <li>10. To consider the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2018;</li> <li>11. To consider the resolution on the 2018 Social Responsibility Report of the Company;</li> <li>12. To consider the proposal on the estimated ordinary transactions with related parties of the Company for 2019;</li> <li>13. To consider the proposal on the estimated investment amount for the proprietary business of the Company for 2019;</li> <li>14. To consider the resolution on the re-appointment of the accounting firm by the Company;</li> </ol>



Meeting	Convening date	Meeting form	Resolutions
			<ul style="list-style-type: none"> <li>15. To consider the resolution on change of accounting policies of the Company;</li> <li>16. To consider the resolution on providing guarantees for the overseas issued bonds of the Company;</li> <li>17. To consider the resolution on general mandate for domestic and overseas debt financing Instruments of the Company;</li> <li>18. To consider the resolution on formulation of the Basic System for Anti-Money Laundering and Anti-Terrorism Financing of Huatai Securities Co., Ltd. (Trial);</li> <li>19. To consider the resolution on the Key Work Plan for Promoting the Establishment of First-Class Enterprises by Huatai Securities (2019);</li> <li>20. To consider the resolution on appointment of securities affairs representative of the Company;</li> <li>21. To consider the resolution on the organizational structure of the headquarters and adjustment of the duties of relevant departments;</li> <li>22. To consider the Report on Performance Assessment and Remuneration of Directors of the Company for 2018;</li> <li>23. To consider the Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Management of the Company for 2018;</li> <li>24. To consider the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>25. To consider the resolution on amendments to the Rules of Procedures of General Meetings of Huatai Securities Co., Ltd.;</li> <li>26. To consider the resolution on amendments to the Rules of Procedures of Board Meetings of Huatai Securities Co., Ltd.;</li> <li>27. To consider the resolution on amendments to the Decision-Making System for External Guarantee of Huatai Securities Co., Ltd.;</li> <li>28. To consider the resolution on amendments to the Management System for Raised Funds of Huatai Securities Co., Ltd.;</li> </ul>

Meeting	Convening date	Meeting form	Resolutions
			<p>29. To consider the resolution on amendments to the Terms of Reference of the Special Committees of the Board of Directors of Huatai Securities Co., Ltd.;</p> <p>30. To consider the resolution on formulation of the Terms of Reference of the CEO and the Executive Committee of Huatai Securities Co., Ltd.;</p> <p>31. To consider the resolution on amendments to the Terms of Reference of the Secretary to the Board of Directors of Huatai Securities Co., Ltd.;</p> <p>32. To consider the resolution on amendments to the Administration Measures for Information Disclosure of Huatai Securities Co., Ltd.;</p> <p>33. To consider the resolution on amendments to the Management and Confidentiality System for Insider Registration of Huatai Securities Co., Ltd.;</p> <p>34. To consider the resolution on amendments to the Internal Reporting System for Material Information of Huatai Securities Co., Ltd.;</p> <p>35. To consider the resolution on implementation of professional manager system for the senior management;</p> <p>36. To consider the resolution on convening the 2018 General Meeting of the Company;</p> <p>37. Debriefing of the Work Report of Independent Directors of the Company for 2018;</p> <p>38. Debriefing of the Report on Performance of Duties by the Audit Committee of the Board of the Company for 2018;</p> <p>39. Debriefing of the Work Report of the Chief Compliance Officer of the Company for 2018;</p> <p>40. Debriefing of the Work Report on Anti-money Laundering of the Company for 2018;</p> <p>41. Review of the Report on Net Capital and Other Risk Control Indicators of the Company for 2018.</p>

<b>Meeting</b>	<b>Convening date</b>	<b>Meeting form</b>	<b>Resolutions</b>
The 21st Meeting of the Fourth Session of the Board	April 29, 2019	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228 Middle Jiangdong Road, Nanjing	<ol style="list-style-type: none"> <li>1. To consider the resolution on the First Quarterly Report of the Company for 2019;</li> <li>2. To consider the resolution on amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>3. To consider the resolution on postponing the 2018 Annual General Meeting of the Company.</li> </ol>
The 22nd Meeting of the Fourth Session of the Board	May 28, 2019	By means of teleconference.	To consider the resolution on increasing the registered capital of Huatai Innovation Investment Co., Ltd., a wholly-owned subsidiary of the Company.
The 23rd Meeting of the Fourth Session of the Board	June 4, 2019	By means of teleconference.	To consider the resolution on adjustments to the proposal on the 2018 profit distribution of the Company.

Meetings of the Board of Supervisors are as follows:

The 10th Meeting of the Fourth Session of the Board of Supervisors	March 29, 2019	By means of on-site meeting. Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228 Middle Jiangdong Road, Nanjing	<ol style="list-style-type: none"> <li>1. To consider the 2018 Work Report of the Board of Supervisors;</li> <li>2. To consider the proposal on the 2018 Profit Distribution of the Company;</li> <li>3. To consider the resolution on the 2018 Annual Report of the Company;</li> <li>4. To consider the resolution on the 2018 Annual Internal Control Evaluation Report of the Company;</li> <li>5. To consider the Special Report on the Deposit and Actual Use of Raised Funds for 2018;</li> <li>6. To consider the resolution on change of accounting policies of the Company;</li> <li>7. To consider the Report on the Performance Assessment and Remuneration of Supervisors of the Company for 2018;</li> <li>8. Debriefing of the Report on Internal Audit of the Company for 2018;</li> <li>9. Debriefing of the internal audit work plan of the Company for 2019.</li> </ol>
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Meeting	Convening date	Meeting form	Resolutions
The 11th Meeting of the Fourth Session of the Board of Supervisors	April 29, 2019	By means of on-site meeting. Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228 Middle Jiangdong Road, Nanjing	To consider the resolution on the First Quarterly Report of the Company for 2019.
The 12th Meeting of the Fourth Session of the Board of Supervisors	June 4, 2019	By means of teleconference.	To consider the resolution on adjustments to the proposal on the 2018 profit distribution of the Company.

## II. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALIZATION FROM CAPITAL RESERVE

### *(I) Proposal of profit distribution or capitalization from capital reserve to share capital for the first half of the year*

Whether to make profit distribution or capitalization of capital reserve into share capital	No
Number of bonus share per 10 shares (share)	—
Amount of cash dividend per 10 shares (Yuan) (including tax)	—
Number of shares converted per 10 shares (share)	—
Description of proposed profit distribution or capitalization from capital reserves	
When reviewing the interim report, the Board of Directors of the Company did not draft any proposal of profit distribution or proposal of capitalization from capital reserve to share capital.	

### III. PERFORMANCE OF UNDERTAKINGS

***(I) Undertakings that de facto controllers, shareholders, related parties and acquirers of the Company, the Company and other undertaking-related parties made or remained effective during the Reporting Period***

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Any deadline for performance or not	Strictly Performed in a timely manner or not
Other undertakings made to minority Shareholders of the Company	To solve horizontal competition	Guoxin Group	Guoxin Group and its subsidiaries or associated companies will not engage in or conduct any business activities which may compete with the primary business of Huatai Securities in any way (including but not limited to self-operated, joint-ventured or associated) at any time in the future (except for Jintai Futures Co., Ltd.). For any opportunities to conduct, engage in or invest in any business that may compete with the operations of Huatai Securities available to Guoxin Group and its subsidiaries or associated companies, Guoxin Group will give such opportunities to Huatai Securities (except for Jintai Futures Co., Ltd.).	Issuing date: June 27, 2014; expiry date: in a long term	No	Yes

#### IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

##### Description of appointment and removal of accounting firm

As considered and approved at the 2018 Annual General Meeting of the Company, the Company reappointed KPMG Huazhen LLP to provide audit services for the accounting statements and internal control of the Company and its holding subsidiaries for 2019, and issue audit reports on A Shares and internal control; and appointed KPMG to provide audit services for H Shares of the Company and issue audit reports on H Shares. The audit service fee totalled not more than RMB5.5 million.

#### V. BANKRUPTCY AND RESTRUCTURING

The Company was not involved in any bankruptcy or restructuring during the Reporting Period.

#### VI. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was not involved in any material litigation or arbitration during the Reporting Period.

##### ***(I) Litigation and arbitration disclosed in ad hoc announcements without subsequent development***

Summary and type of event	Inspection indexes
Debt disputes between Huatai United Securities, Stone Group (四通集團) and Stone Group Financial Company (四通集團財務公司)	Retrievable in the 2011-2018 annual reports
Debt disputes between Huatai United Securities and Beijing Huazi Syndicated Group (北京華資銀團集團)	Retrievable in the 2011-2018 annual reports
A considerable overloss in futures account of Zhang Xiaodong, a client of Huatai Futures	Retrievable in the 2013-2018 annual reports

##### ***(II) Litigation and arbitration not disclosed in ad hoc announcements or with subsequent development***

Unit: Yuan Currency: RMB

During the Reporting Period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities and amount	Progress of litigation (arbitration)	Result and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
(Entrust) Chengdu Branch of Bank of Tianjin Co., Ltd.	Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司)		Debt dispute	See the notes below	70,324,829	No	See the notes below	See the notes below	See the notes below
Xiamen Bank Co., Ltd.	Shenzhen Branch of Bank of Ningbo Co., Ltd.		Bill dispute	See the notes below	-	No	See the notes below	See the notes below	See the notes below

1. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd.: The interest of corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 (“12 Shengda bond” (12 聖達債), bond code: 1280443) failed to fully pay off the interest and redeem the principal to Huatai Securities on time. Huatai Securities and other creditors jointly entrusted Chengdu Branch of Bank of Tianjin Co., Ltd. to raise litigation at Sichuan Higher People’s Court on June 7, 2016 according to the decision made at the meeting of bondholders, requesting Sichuan Shengda Group Co., Ltd. to repay the principal amounts and interests. The total principal amount was RMB300 million with the interest at a coupon rate of 7.25% accrued from December 6, 2014 till the date of settlement, and the penalty interest at an annual interest rate of 3.625% accrued from December 6, 2015 till the date of settlement (of which the principal of RMB50 million was attributable to Huatai Securities). As of December 31, 2018, the principal, interest and penalty interest receivable by Huatai Securities from Sichuan Shengda Group Co., Ltd. were RMB50 million, RMB14,758,200 and RMB5,566,600, respectively. The case has been settled through mediation. Sichuan Shengda Group Co., Ltd. agreed to pay the amounts above, confirming that Chengdu Branch of Bank of Tianjin Co., Ltd. is entitled to the priority of claim for the money from disposal of the pledge and that relevant personnel are jointly responsible for liquidation. At present, Sichuan Leshan Intermediate People’s Court, the executive court, is disposing the pledge, among which, 10 million shares of “GWACG” (“長城動漫”, stock code: 000835) went through the second auction on November 21, 2018, and the second largest shareholder of GWACG won the equity with RMB42.68 million. In February 2019, Huatai Securities received the auction proceeds of approximately RMB7.01 million. The disposal of the other two pledges is still in progress.
2. Bill dispute of Huafu Xiamen Bank No. 1 Targeted Assets Management Plan of Huatai Securities (華泰證券華福廈門銀行1號定向資產管理計劃): In October 2016 and March 2017, Xiamen Bank Co., Ltd., the client of Huafu Xiamen Bank No. 1 Targeted Assets Management Plan of Huatai Securities (hereinafter referred to as “Huafu Xiamen Bank No. 1 (華福廈門銀行1號)”), filed a lawsuit of contract dispute at Fujian Higher People’s Court for the bill dispute of Huafu Xiamen Bank No. 1, with Shenzhen Branch of Bank of Ningbo Co., Ltd. as the defendant. The total amount of the underlying bill was RMB950 million. During the Reporting Period, the relevant case has been trialed in conjunction at Fujian Higher People’s Court on March 13, 2018 with Huatai Asset Management participating in the lawsuit as a third party. On June 26, 2018, Fujian Higher People’s Court issued the verdict, sentencing Shenzhen Branch of Bank of Ningbo Co., Ltd., the defendant, to pay a total of RMB950 million and liquidated damages to Xiamen Bank within 10 days from the effective date of the verdict. On August 17, 2018, the Shenzhen Branch of Bank of Ningbo appealed to the Supreme People’s Court, requesting the Supreme People’s Court to revoke the first-instance judgment and dismiss all the claims of Xiamen Bank. On February 13, 2019, the Supreme People’s Court officially accepted the appeal from Shenzhen Branch of Bank of Ningbo, and the relevant case has entered into the second instance procedure.

As a manager of Huafu Xiamen Bank No. 1 Targeted Assets Management Plan, Huatai Asset Management was regarded as a third person, and was not required to bear any liability of compensation. The lawsuit had no adverse effect on the profits of Huatai Asset Management during or after the period.



### ***(III) Punishment and public denouncement suffered by the Company during the Reporting Period***

On February 19, 2019, Sichuan Securities Regulatory Bureau made the Decision on Ordering the Securities Branch of Huatai Securities Co., Ltd. in Jinyang Road, Chengdu to Increase the Frequency of Internal Compliance Inspections (Administrative Supervision Measures Decision [2019] No. 5) (《關於對華泰證券股份有限公司成都晉陽路證券營業部採取責令增加內部合規檢查次數措施的決定》(行政監管措施決定書[2019]5號)) on the securities branch of the Company in Jinyang Road, Chengdu, with the primary contents being: the practices of marketing personnel of the securities branch were not under proper management, the securities branch did not conduct any inspections on the warning information of the risk monitoring on the marketing personnel of the corporate risk management platform, and the securities branch did not check or handle the violation clues found in the return visits to customers, which reflected the incompleteness of internal control of the securities branch. The securities branch was ordered to make rectifications on such issues within a time limit, and to conduct internal compliance inspections on a quarterly basis during the period from January 1, 2019 to December 31, 2019 with a compliance inspection report submitted to the Sichuan Securities Regulatory Bureau within 10 working days after each inspection.

The Company has instructed the Sichuan Branch to conduct a rectification, and the Sichuan Branch has organized the securities branch to rectify the issues found in the inspection and conducted compliance accountability on relevant personnel involved in the incidents. The Sichuan Branch has also issued a notice for compliance inspections, made arrangement for the quarterly internal compliance inspections, and organized the securities branch to set up an internal compliance inspection team to conduct internal compliance inspections on a quarterly basis.

## **VII. PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS**

During the Reporting Period, none of the Directors, Supervisors, senior management, Shareholders holding over 5% of equity interest or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, banned from accessing to the market, identified as unsuitable persons, punished by other administrative departments or publicly condemned by a stock exchange.

For details of punishment on and rectification of the Company during the Reporting Period, please refer to “(III) Punishment and public denouncement suffered by the Company during the Reporting Period” under “Material litigations and arbitrations” under this section in this report.

## **VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD**

During the Reporting Period, the Company and its de facto controllers maintained good faith with no such cases as non-performance of effective court judgment or overdue of relatively large liability.

## **IX. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPLICATION**

During the Reporting Period, the Company did not implement any equity incentive plan or employee stock ownership plan.

AssetMark Holdings, LLC, a subsidiary of the Group, granted a share-based compensation to all senior management of its subsidiary AssetMark Financial Holdings, Inc. on November 1, 2016. The share-based compensation is profit incentive share-based payment calculated based on the Class C ordinary shares of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in three years from the grant date of the Class C ordinary shares and are exercisable within a period of 4 to 8 years upon the expiration of such restriction period.

## **X. MAJOR RELATED-PARTY TRANSACTIONS**

For details of the related-party transactions under relevant accounting standards, please refer to note 52 to the financial statements of this report headed “Related party relationships and transactions”. The Company confirmed that the related-party transactions were not categorised in the “connected transactions” or the “continuing connected transactions” (as the case may be) as defined in Chapter 14A of the Hong Kong Listing Rules, and were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

## **XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF**

### ***(I) The Company was not engaged in any material custody, contracting or leasing***

During the Reporting Period, the Company was not engaged in any custody, contracting or leasing.

## (II) Guarantees

Unit: 100 Million Yuan Currency: RMB

Guarantors	Relationship between guarantor and the Company	Guaranteed party	Amount guaranteed	External guarantee of the Company (excluding guarantee to subsidiaries)				Whether the guarantee has been duly performed	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether a counter guarantee or not	Whether a related-party guarantee or not	Related relationship
				Date of guarantee (Signing date of agreement)	Starting date of guarantee	Expiry date of guarantee	Type of guarantee						
Huatai Securities (counter guarantee)	Headquarter of the Company	Bank of China (providing guarantee for the wholly-owned subsidiaries of the Company, and is the guaranteed party of the counter guarantee)	30	September 24, 2014	September 24, 2014	May 7, 2020	Guarantee with joint and several liabilities	No	No	-	Yes	No	
Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries)													-
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries)													30
Guarantees of the Company for its subsidiaries													
Total amount of guarantees for subsidiaries during the Reporting Period													56.03
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)													165.23
Total guarantee amount of the Company (including the guarantees for subsidiaries)													
Total guarantee amount (A+B)													195.23
Percentage of the total guarantee amount to net assets of the Company (%)													16.71
Among which:													
Amount of guarantees provided for shareholders, actual controllers and their associated parties (C)													-
Amount of debt guarantees provided directly or indirectly for the guaranteed parties with an asset-liability ratio of over 70% (D)													103.23
Excess amount of the total guarantee over 50% of the net assets (E)													-
Total amount of the three guarantees mentioned above (C+D+E)													103.23
Undue guarantees with joint and several liabilities								Bearing the principal, interest and other expenses of the bonds					

## 1. Guarantees Provided by the Company

- (1) Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) completed the first foreign bond issuance on October 8, 2014. In order to enhance the debt service guarantee for the first foreign bond and reduce the issuing rate, the authorized person of the Company authorized at the Company's 2013 Annual General Meeting determined to have the Bank of China Macao Branch provide a guarantee for the first foreign bonds with a standby L/C. At the same time, according to the resolution at the ninth meeting of the third session of the Board, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first foreign bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling equivalent US Dollars of RMB3 billion. It was a guarantee with joint and several liabilities and the guarantee period would last six months upon expiration of the standby L/C.
- (2) In January 2015, Huatai Asset Management officially commenced business. In order to ensure that all risk control indicators of Huatai Asset Management remain in conformity with the regulatory requirements, as considered and approved at the sixteenth meeting of the third session of the Board of the Company and the 2014 Annual General Meeting, the Company provided a net capital guarantee with the maximum amount of RMB1.2 billion to Huatai Asset Management and promised that it would provide cash within the said limit unconditionally should such business need arises in Huatai Asset Management. As considered and approved at the thirty-fifth meeting of the third session of the Board of the Company and the second Extraordinary General Meeting for 2016, the Company provided a net capital guarantee with the maximum amount of RMB5.0 billion to Huatai Asset Management and promised that it would provide cash within the said limit unconditionally should such business need arises in Huatai Asset Management.
- (3) In 2017, as considered and approved at the fifth meeting of the fourth session of the Board and the 2016 Annual General Meeting of the Company, the Company provided an additional net capital guarantee with the maximum amount of RMB1.9 billion to Huatai Asset Management. The additional net capital guarantee of RMB1.9 billion has not been utilized during the Reporting Period.

- (4) In 2018, as considered and approved at the sixteenth meeting of the fourth session of the Board, the Company provided a net capital guarantee with the maximum amount of RMB2.0 billion to Huatai United Securities. The net capital guarantee of RMB2.0 billion has not been utilized during the Reporting Period.
- (5) During the Reporting Period, as considered and approved at the twentieth meeting of the fourth session of the Board, the Company (as the guarantor) enter into a guarantee agreement with Citicorp International Limited (as the trustee) for the provision of an unconditional and irrevocable guarantee of USD500 million for the USD bonds issued by Pioneer Reward Limited, a subsidiary of Huatai International.

## 2. Guarantees Provided by the Subsidiaries

During the Reporting Period, Huatai International and Huatai Financial Holdings (Hong Kong) had provided guarantees for the benefits of their subsidiaries in connection with their business operations, which mainly supported financing guarantee, guarantees for medium-term notes, and guarantees for transactions with counterparties involving the signing of International Swaps and Derivatives Association Agreements (ISDA Agreements) and Global Master Securities Lending Agreements (GMSL Agreements). The aggregate guaranteed amount was approximately RMB6.895 billion as at June 30, 2019.

- 3. The aforesaid amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% was RMB10.323 billion, including: 1) the US\$500 million guarantee provided by the Company to Pioneer Reward Limited, a subsidiary of Huatai International, for the issuance of dollar bonds; 2) the guarantee provided by Huatai International and Huatai Financial Holdings (Hong Kong) for the benefits of their subsidiaries in connection with their business operations.

### ***(III) Other material contracts***

Currency: RMB

<b>Name of contract</b>	<b>Contracting parties</b>	<b>Signing date</b>	<b>Transaction price</b>	<b>Performance</b>
General construction contract for Huatai Securities Square	Huatai Securities Co., Ltd. and China Jiangsu International Economic and Technological Cooperation Group Co., Ltd. (中國江蘇國際經濟技術合作公司)	July 30, 2010	RMB986,019,300	In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Co., Ltd. entered into the General Construction Contract for Huatai Securities Square. In December 2018, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB66,249,300 under the general construction contract and main sub-contracts thereof. By the end of the Reporting Period, the Company has paid RMB955,973,900 in total under the general construction contract.
Construction contract for smart facilities at Huatai Securities Square	Huatai Securities Co., Ltd. and Shanghai Haode Tech Co., Ltd. (上海浩德科技股份有限公司)	March 6, 2012	RMB213,821,100	In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at Huatai Securities Square at a total contract price of RMB198,899,700. A supplementary agreement was signed on February 15, 2016 and the total contract price was changed to RMB213,000,000. In December 2018, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB7,659,600 under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB202,102,100 in total under the construction contract for smart facilities.

Name of contract	Contracting parties	Signing date	Transaction price	Performance
Construction contract for interior decoration of the second bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司)	May 21, 2013	RMB141,060,400	On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of Huatai Securities Square at a contract price of RMB117,584,500. A supplementary agreement was signed on July 14, 2016 and the contract price was changed to RMB122,000,000. In December 2017, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB1,410,600 under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB137,533,900 in total under the construction contract for interior decoration of the second bid section.
Construction contract for interior decoration of the first bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and China State Construction Engineering Corporation Ltd. (中國建築集團有限公司)	May 21, 2013	RMB140,028,600	On May 21, 2013, the Company and China State Construction Engineering Corporation Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of Huatai Securities Square at a contract price of RMB78,771,800. Supplementary Agreement (2) was signed on July 9, 2015 to change the total contract price to RMB98,000,000 and Supplementary Agreement (3) was signed on July 14, 2016 to change the total contract price to RMB120,071,300. In December 2017, as settled and audited by Jiangsu Suyu Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB1,400,300 under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB136,525,400 in total under the construction contract for interior decoration of the first bid section.



Name of contract	Contracting parties	Signing date	Transaction price	Performance
Construction contract for interior decoration of the third bid section of Huatai Securities Square	Huatai Securities Co., Ltd. and Shenzhen Shenzhuangzong Decoration and Construction Industrial Co., Ltd. (深圳市深裝總裝飾工程工業有限公司)	October 2013	RMB132,444,300	In October 2013, the Company and Shenzhen Shenzhuangzong Decoration and Construction Industrial Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of Huatai Securities Square at a contract price of RMB131,586,300. A supplementary agreement was signed on February 3, 2016 and the total contract price added RMB3,466,300 to RMB135,052,600. In December 2018, as settled and audited by Jiangsu Suya Jincheng Construction Management Consultation Co., Ltd., the transaction price was the settlement audit price. During the Reporting Period, the contract was duly performed and the Company paid RMB7,214,800 under the construction contract for interior decoration of the third bid section. By the end of the Reporting Period, the Company has paid RMB122,728,100 in total under the construction contract for interior decoration of the third bid section.

## **XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANIES**

### ***(I) Targeted Poverty Alleviation Planning***

- (1) Basic strategies: alleviating and overcoming poverty in targeted areas
- (2) General objectives: to help poor counties get rid of poverty soon, and to make due contribution in respect of building a moderately prosperous society in all respects by 2020 in order to overcome poverty by fully capitalising on the Company's advantages on talents, intelligence, resources and capital.
- (3) Main missions: to help targets of poverty alleviation and areas in poverty proactively in developing industries with characteristics and advantages by integrating local resources, to enhance the development capability of such targets and areas with the help of the capital market and to continue to strengthen the internal momentum of economic development.

(4) Protective measures:

1) Establishing poverty alleviation work stations that offer financial services

Establishing poverty alleviation work stations that offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to deepen the connection between the Company and the poverty alleviation targets.

2) Setting up branches

Setting up branches in poor areas when conditions are mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.

3) Providing multi-layered capital market poverty alleviation services

① Meeting the cultivation and incubation demand of listing guidance of enterprises in poor counties precisely, recommending eligible quality enterprises to seek financing by listing proactively, providing assistance to enterprises in county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.

② Participating proactively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes and types and in different growth stages.

③ Carrying out trainings on financial knowledge.

4) Providing industry poverty alleviation services

① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small and medium sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening financing channels.

② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the actual industry development conditions of the poor counties.

5) Providing poverty alleviation services regarding consumption

Helping poor counties to broaden their sales channels of special agricultural products by using the China Securities' inter-connection business platform on poor alleviation regarding consumption actively in order to increase farmers' income and boost industrial development.

6) Providing poverty alleviation services regarding education

Organising outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.

7) Providing employment and poverty alleviation services

Under the same condition, employing fresh graduates from poor families with established archives and cards in poor counties that are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.

8) Providing community services for poverty alleviation

① Operating activities of aiding impoverished groups specifically, organising compassionate people to offer donations of money and materials to poor villages and poor families with established archives and cards.

② Operating multi-type community activities such as caring for the construction of Children's Home to promote the development of poor counties' public undertakings.

9) Actively introducing local characteristic resources

Integrating the practice of the Company itself with that of poor areas, actively introducing ecology, tourism, education, and other local characteristic resources such as founding patriotic education bases at former revolutionary districts.

10) Selecting staff to take temporary posts

In line with the demands of poverty-stricken areas, the Company selected professionals who abided by the CCP disciplines with a sense of responsibility and strong organizational and coordination skills to take temporary posts in the poor neighborhoods to carry out targeted poverty alleviation.

***(II) Outline of Targeted Poverty Alleviation during the Reporting Period***

In the first half of 2019, Huatai Securities supported the national strategy of poverty alleviation as usual, assumed social responsibilities proactively, and made a contribution to the development of poverty-stricken areas. The Company continued its efforts in the campaign themed "One Company Helps One County" ("一司一縣") in Jinzhai County in Anhui Province, as well as help in the initiative of "Five Parties Linking Together" ("五方掛鉤") in Jiangsu Province, and dispatched a squad to assist in the targeted poverty alleviation in Xiaolizhai Village, Fengxian County, Xuzhou. Huatai Futures, a subsidiary of the Company, entered into targeted poverty alleviation

contracts with Jiangcheng County in Yunnan Province and Maigaiti County in Xinjiang Uygur Autonomous Region, respectively. Huatai Futures also carried out the all-round cooperation with Jiangcheng County in various aspects, including professional assistance via futures services, joint striving for moderate prosperity, poverty alleviation through consumption, industrial assistance, educational assistance, and talent support.

The Company started a new chapter of poverty alleviation through developing industries. In the first half of the year, the Company invested more than RMB3 million to help develop industries in such poverty-stricken areas as Xinghe County in Inner Mongolia Autonomous Region, Qin'an County in Gansu Province, Jiangcheng County in Yunnan Province, and Maigaiti County in Xinjiang Uygur Autonomous Region. In particular, the Company donated RMB2 million to Xinghe County in Inner Mongolia Autonomous Region, for the construction of quinoa processing workshops and other poverty alleviation projects in relation to industry development, and the project proceeds were distributed to the collective economy of counties and villages to help poor households out of poverty. Huatai Futures also donated RMB1.117 million to Qin'an County in Gansu Province, Jiangcheng County in Yunnan Province, Maigaiti County in Xinjiang Uygur Autonomous Region and other areas for poverty alleviation through developing industries. Huatai Futures helped impoverished households in Maigaiti County to build solar greenhouses, which ensured that the local households in poverty achieved the goal of poverty alleviation on time. Besides, the Company purchased featured agricultural products worth RMB387,000 in Jinzhai County, which aided the county with market expansion so as to boost sales, and thus increasing local farmers' income.

The Company adopted new moves in poverty alleviation through financial services. When offering help, the Company focused on exploiting its professional strengths to help poverty-stricken areas to enhance their internal drivers of economic development. In January 2019, the Company organised professionals specialising in internal risk control and industry research to conduct a risk assessment for key investment projects in Jinzhai County, and assisted the government of Jinzhai County to measure the feasibility of relevant projects. In June 2019, Jiangxi Branch and the subsidiary engaged in investment banking were invited to participate in the financial knowledge lecture on the STAR Market held by the people's government of Poyang County, answering the questions raised by the enterprises and public institutions in Poyang County. Furthermore, the Company actively communicated with the financing vehicles in Fengxian County to understand their status and demands and provided them with investment and financing training. The Company carried out targeted poverty alleviation through financial services and financial knowledge publicity in order to prevent illegal fund raising in developing villages identified by Jiangsu Province while providing fundamental securities services to local enterprises in Fengxian County and lending a hand in attracting businesses and investment.

The Company attained new accomplishments in poverty alleviation. The Company allied with the Amity Foundation to launch the second phase of the campaign themed "Commonweal Heart of Huatai – Funding Program for Children in Need" ("益心華泰 • 困境兒童資助計劃") on the public welfare platform of Tencent, through which the Company raised one-year living allowance for 150 children in need at schools covered by the "Homes of Our Children" ("關愛兒童之家") project and the elementary schools located in Yangtze river source region in Yushu Prefecture, Qinghai Province. On May 31, 2019, the Company achieved the fundraising goal of RMB396,000, representing an

increase of 50% over last year. To serve the children left behind with more precise and professional assistance through the “Commonweal Heart of Huatai – For Tomorrow” Program (“益心華泰 • 一個明天”), the project team conducted a survey on the volunteer service needs of the schools beforehand, and selected 25 volunteers whose majors and specialties matched the schools’ needs from the 66 volunteers who signed up for the program to furnish volunteer service in the schools. From May 27 to May 31, 2019, some HTSC employees from all over the country volunteered to conduct diverse courses for the children in Jinzhai County and Yuexi County in Anhui Province, Enshi City in Hubei Province and Suqian City in Jiangsu Province.

### ***(III) Achievements of Targeted Poverty Alleviation***

Unit: Ten Thousand Yuan Currency: RMB

Index	Number and implementation information
I. General information	314.92
Of which: 1. Funds	314.92
II. Input	
1. Poverty alleviation in communities	
1.1 Investment in targeted poverty alleviation	313.70
1.2 Public funds for poverty alleviation	1.22
III. Awards (content and level)	

2018 Outstanding Contribution Award in Jiangsu Province Poverty Alleviation

### ***(IV) Follow-up Targeted Poverty Alleviation Plans***

In the critical period of poverty alleviation, the Company will continue solid work in the one-on-one poverty alleviation and public welfare with its whole heart.

The Company will advance “One Company Helps One County” (“一司一縣”) campaign. In this regard, the Company will leverage the intellect of its talents to the fullest extent to help attract businesses and investment as well as capital operation for Jinzhai County as a think tank. The Company will organize Party members to attend Party Cadre Academy in Jinzhai County for training and recommend the patriotic education resources of Jinzhai County. Via the charity project named “Commonweal Heart of Huatai – For Children, For Tomorrow” (“益心華泰 • 為了明天關愛兒童”), the Company will keep an eye on the life of stay-at-home children in the county and carry out various public welfare activities.

The Company will propel the initiative of “Five Parties Linking Together” (“五方掛鉤”) in respect of one-on-one assistance. The Company will actively undertake key livelihood projects to regenerate the environment of schools, build cultural squares and improve the living environment. Furthermore, it will dock with e-commerce platforms to better facilitate poverty alleviation through e-commerce and consumption. The Company will also assist local financial regulatory authorities and the local branches of People’s Bank of China in providing better investment and financing services for enterprises, preventing illegal fund raising, and promoting publicity of targeted poverty alleviation through financial services.

### **XIII.CONVERTIBLE CORPORATE BONDS**

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

### **XIV.ENVIRONMENT INFORMATION**

#### ***(I) Description of the environmental protection of enterprises excluding attention units discharging pollutants***

Neither the Company as a financial enterprise nor its major subsidiaries are on the list of attention units discharging pollutants issued by the environmental protection department. The Company will entrust qualified third-party organizations to inspect the headquarters office in terms of wastewater, exhaust gases and noises. According to the 2018 annual environmental assessment reports, the levels of exhaust gases, water quality and noises are in line with the national standards. The Company’s annual environmental assessment in 2019 will be conducted in the second half of the year.

To protect the ecology, prevent pollution, and fulfill its environmental responsibilities, the Company has adopted many measures to promote energy conservation and environmental protection:

<b>Key measures</b>	<b>Details</b>
Advocate the concept of garden-like office	The greening rate of the Company’s office area is higher than that of average office areas for business. Around the concept of garden-like office, the Company created a multi-level landscape to optimise the environment of the office with more comfort, in addition to the greening in central area.
Encourage green commuting	The Company’s underground garage is equipped with charging piles for new energy vehicles and electric motorcycles to encourage employees to practice green commuting.



<b>Key measures</b>	<b>Details</b>
Make full use of renewable energy	The Company makes full use of renewable energy by installing an air-conditioning system applying such technologies featuring energy conservation and environmental protection as solar photovoltaic power generation system, solar water heating system, sunlight induced lighting device system, ground source heat pump system, ice storage, floor air supply system and rainwater reuse, which brings positive social benefits to the low carbon economy. At the same time, all pieces of equipment are monitored to ensure that all types of equipment systems are stable, safe and reliable, and meet the requirements for energy conservation and environmental protection management.
Promote eco-friendly decoration	In aspects of curtain wall, interior decoration, landscape, etc., the Company adopted green, novel and eco-friendly practices. For example, it used econ-friendly and new decorative materials, breathing double-layer curtain wall and LOW-E glass. The design value of internal lighting system with an energy-saving time control module is close to the target value of a green building. The Company required all decorative materials suppliers to provide corresponding test reports, and did on-site batch sampling for tests. The decorative materials could not be used before they met the environmental protection standards, by which the Company provided a safe and comfortable office environment for employees.

## **XV. CORPORATE GOVERNANCE**

As a public company listed in both domestic and overseas, the Company has standardised its operation in strict compliance with the requirements of relevant laws, regulations and normative documents applicable in places where the shares of the Company are listed. The Company is committed to continuously maintaining and improving corporate image in the market. During the Reporting Period, the Company was in strict compliance with the requirements of the Company Law (《公司法》), the Securities Law (《證券法》), the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》), and the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), together with the Corporate Governance Code (《企業管治守則》) and the Corporate Governance Report (《企業管理報告》) set out in Appendix 14 to the Hong Kong Listing Rules (《香港上市規則》), and other relevant laws and regulations as well as the Articles of Association of the Company. In order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed, which features the separation among the Shareholders' general meeting, the Board, the Board of Supervisors and senior management. Under such structure, each of the parties at various levels perform its respective functions and is held accountable for respective responsibilities and authorization, ensuring the prudent and standardised operation of the Company.



***(I) Corporate governance policies and the Board's responsibilities for corporate governance***

The Company followed all the principles in the Corporate Governance Code (《企業管治守則》) and the Corporate Governance Report (《企業管治報告》) as set out in the Appendix 14 to Hong Kong Listing Rules (《香港上市規則》) to be its own corporate governance policies. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

- (1) to formulate and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and the senior management;
- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (5) to review the Company's compliance with the Corporate Governance Code (《企業管治守則》) and disclosure in the Corporate Governance Report (《企業管治報告》).

***(II) Compliance with the provisions under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules***

During the Reporting Period, the Company convened 1 Shareholders' general meeting, 4 meetings of the Board of Directors, 3 meetings of the Board of Supervisors, 4 meetings of the Audit Committee, 1 meeting of the Compliance and Risk Management Committee, 1 meeting of the Development Strategy Committee, and 1 meeting of the Remuneration and Appraisal Committee. The total number of meetings convened was 15. The convening and holding and voting procedures of the general meeting, meetings of the Board of Directors and the meetings of the Board of Supervisors were legal and valid. During the Reporting Period, by continuously enhancing investor relationship management and information disclosure, the Company applied standardised and professional investor relationship management, disclosed truthful and accurate information in a complete, timely and fair manner and continuously improved the transparency of its operation and management.

On December 21, 2016, in the first meeting of the Fourth Session of the Board, the Company elected Mr. Zhou Yi as the Chairman of the Fourth Session of the Board and continued to appoint Mr. Zhou Yi as the president of the Company. According to provision of A.2.1 of the Corporate Governance Code (《企業管治守則》), the roles of the chairman and chief executive shall be separate and shall not be assumed by the same person at the same time. Given the fact that Mr. Zhou Yi has been supervising daily operation and management of the Company, formulating strategies of the Company and its businesses, determining or nominating senior management of the Company since he joined the Group in August 2006, the Board believes that Mr. Zhou Yi

simultaneously assuming the duty of effective management and business development is in the best interest of the Company. As a result, the Board believes that the Company's arrangement is appropriate even in the circumstance inconsistent with the provision of A.2.1 of Corporate Governance Code (《企業管治守則》). Despite the above situations, the Board believes that the management structure of the Company is effective and has enough checks and balances for the operation of the Company.

The Company has been striving for continuous improvement of corporate governance structure and system establishment. The Company has strengthened its corporate governance with gradual standardisation of corporate governance structure. There is no deviation of the actual performance of its corporate governance from the Company Law (《公司法》) and relevant requirements of the CSRC. Meanwhile, save as disclosed above, the Company was in full compliance with all the codes and provisions of the Corporate Governance Code (《企業管治守則》) as well as the Corporate Governance Report (《企業管治報告》). It also complies with substantially all of the recommended best practices as set out in the Corporate Governance Code (《企業管治守則》).

### ***(III) Securities transactions by Directors, Supervisors and relevant employees***

During the Reporting Period, the Company adopted the Model Code as the code of conduct for securities transactions by Directors, Supervisors and relevant employees of the Company. According to the domestic regulatory requirements, the Company convened the thirteenth meeting of the Third Session of the Board on November 25, 2014 to consider and approve the Administrative System Regarding the Shares of the Company Held by Directors, Supervisors and Senior Management in order to regulate the holding and trading in the shares of the Company by Directors, Supervisors and senior management. On March 6, 2015, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the Administrative System, which were considered and approved at the sixteenth meeting of the Third Session of the Board. The compulsory provisions contained in the Administrative System are stricter than those under the Model Code. Having made all enquiries with Directors, Supervisors and senior management, all Directors, Supervisors and senior management of the Company confirmed that they had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on corporate governance and operation of the Company in order to ensure the relevant provisions under the Hong Kong Listing Rules are well observed and to protect the interests of the Shareholders. There was no breach of guidelines by relevant employees during the Reporting Period to the knowledge of the Company.

### ***(IV) Independent Non-executive Directors***

The Company has appointed a sufficient number of independent non-executive Directors with, among other things, appropriate professional qualifications or accounting or related financial management expertise in accordance with the Hong Kong Listing Rules. The Company has appointed five independent non-executive Directors, namely Mr. Chen Chuanming, Mr. Liu Hongzhong, Mr. Lee Chi Ming, Ms. Liu Yan and Mr. Chen Zhibin.

## **XVI. AUDIT COMMITTEE AND AUDITING**

The Audit Committee was established under the Board in accordance with the requirements of the CSRC, the Shanghai Stock Exchange and the Hong Kong Listing Rules. The Audit Committee of the Fourth Session of Board of the Company is composed of independent Directors and Directors assigned by Shareholders. As of the end of the Reporting Period, the Audit Committee of the Company is composed of three members, namely Mr. Lee Chi Ming, Mr. Chen Yongbing and Mr. Chen Zhibin, more than half of whom are independent Directors and Mr. Lee Chi Ming is the chairman (convener) of the Audit Committee. The Audit Committee is responsible for the communication, supervision and verification of internal and external audits of the Company and provides professional advice to the Board.

During the Reporting Period, the Audit Committee of the Board of the Company convened four meetings, as detailed below:

1. The first meeting of the Audit Committee of the Fourth Session of the Board for 2019 was convened by way of face to face and video conference on January 24, 2019, at which staff from KPMG Huazhen LLP introduced their schedule of audit work, focus of annual audit and pre-audit work in 2018.
2. The second meeting of the Audit Committee of the Fourth Session of the Board for 2019 was convened by way of communication on February 28, 2019, which considered and approved the Resolution on the Auditing Plan of the Company for 2018.
3. The third meeting of the Audit Committee of the Fourth Session of the Board for 2019 was convened in Nanjing on March 28, 2019, at which the Final Financial Report of the Company for 2018, the Financial Budget Report of the Company for 2019, the Proposal on the Profit Distribution Plan of the Company for 2018, the Resolution on the Annual Financial Statements of the Company for 2018, the Proposal on the Annual Report of the Company for 2018, the Resolution on the Internal Control Assessment Report of the Company for 2018, the Special Report on the Company's Deposit and Actual Use of the Fund Raised in 2018, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2019, the Proposal on the Reappointment of the Company's accounting firm, the Resolution on Change of Accounting Policies of the Company, the Report on Performance of Duties of Audit Committee under the Board of the Company for 2018, the Special Audit Report on Connected Transactions of the Company for 2018, and the Work Plan for the Internal Audit of the Company for 2019 were considered and approved, and the Audit Committee reviewed the important matters involved in the "Key Audit Matters" as set out in the annual audit report of the Company for 2018, and attended the briefing in relation to the internal audit report of the Company for 2018.
4. The fourth meeting of the Audit Committee of the Fourth Session of the Board for 2019 was convened by way of communication on April 26, 2019, at which the Resolution on the Financial Statements for January to March 2019 of the Company was considered and approved.

The interim financial report of the Company for 2019 prepared according to the International Financial Report Standards has been reviewed by KPMG in accordance with International Standards on Review Engagements. On August 28, 2019, the Audit Committee reviewed and confirmed the Interim Results Announcement of the Group for the six months ended June 30, 2019, the Interim Report for 2019 and unaudited interim financial statements for the six months ended June 30, 2019 prepared according to the requirements of International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

## **XVII. DETAILS OF OTHER MAJOR EVENTS**

### ***(I) Changes in accounting policies, accounting estimates and accounting methods from the previous accounting period, reasons for the changes and their impact***

For the content of and reasons for changes in accounting policies, please refer to the relevant content in “Section IX Financial Report”, “V. Significant Accounting Policies and Accounting Estimates” and “36. Changes in Significant Accounting Policies and Accounting Estimates” in this report.

### ***(II) Others***

#### **1. Establishment, relocation and cancellation of securities branches and branches during the Reporting Period**

##### **(1) Establishment of branches during the Reporting Period:**

<b>No.</b>	<b>Name</b>	<b>Location</b>	<b>Business scope</b>
1	Northwest Branch (Note)	Xi'an, Shaanxi Province	Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending; agency sale of financial products; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only).

Note: During the Reporting Period, the Company received the Approval for the Establishment of Northwest Branch in Xi'an, Shaanxi Province by Huatai Securities Co., Ltd. (Su Zheng Jian Xu Ke Zi [2019] No. 6) 《關於核准华泰證券股份有限公司在陝西省西安市設立西北分公司的批覆》(蘇證監許可字[2019]6號)) from Jiangsu Securities Regulatory Bureau. The Company is currently undergoing the establishment of such branch and relevant business registration, for which the Securities and Futures Business License has not yet been obtained.

(2) Relocation of branches during the Reporting Period:

<b>No.</b>	<b>Name of Branch before Relocation</b>	<b>Name of Branch after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
1	Shenzhen Branch	Shenzhen Branch	8A, Fund Mansion, No. 5999, Yitian Road, Lianhua Street, Futian District, Shenzhen, the PRC	January 11, 2019
2	Tianjin Branch	Tianjin Branch	Block HI on 1/F, and Block E-I on 5/F, North Finance Building, No. 5, Youyi Road, Hexi District, Tianjin, the PRC	January 22, 2019
3	Hunan Branch	Hunan Branch	Rooms 1301-1305 and 1313-1316, Building 4 and 5, Huayuanhua Center, No. 36, 2nd Section, Xiangjiang Middle Road, Tianxin District, Changsha, Hunan Province, the PRC	March 1, 2019
4	Fujian Branch	Fujian Branch	Unit 10D, Block A, Tefang Portman Wealth Center, No. 81, Zhanhong Road, Siming District, Xiamen, the PRC	March 7, 2019

(3) Relocation of securities branches during the Reporting Period:

<b>No.</b>	<b>Name of Securities Branch before Relocation</b>	<b>Name of Securities Branch after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
1	Securities Branch in Jinyang Road, Chengdu	Securities Branch in Jinhui West 2nd Street, Chengdu	Room 2103, 21/F, Unit 1, Building 10, Tianfu Xingu, No. 399 West Section, Fucheng Avenue, Hi-tech Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone	January 7, 2019
2	Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Rooms 209-211, 2/F, Caizhi Building, No. 9 Erwei Road, Dongli Development Zone, Tianjin, the PRC	January 8, 2019

<b>No.</b>	<b>Name of Securities Branch before Relocation</b>	<b>Name of Securities Branch after Relocation</b>	<b>Address after Relocation</b>	<b>Issue Date of License</b>
3	Securities Branch in Zhihui Square, Qiaoxiang Road, Shenzhen	Securities Branch in Fund Mansion, Shennan Avenue, Shenzhen	8B, Fund Mansion, No. 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen, the PRC	January 11, 2019
4	Securities Branch in Wuluo Road, Wuhan	Securities Branch in Wuluo Road, Wuhan	Room 1F-21 on 1/F and Room 5-13 on 15/F, Building 3, Disiman International Center, No. 421 Wuluo Road, Wuchang District, Wuhan, the PRC	February 22, 2019
5	Securities Branch in Liuyi Middle Road, Fuzhou	Securities Branch in Wuyi North Road, Fuzhou	19/F, Building 3#, Zonshine Center, No. 153 Wuyi North Road, Shuibu Street, Gulou District, Fuzhou, the PRC	February 27, 2019
6	Securities Branch in Zhuzilin 4th Road, Shenzhen	Securities Branch in Zhuzilin 4th Road, Shenzhen	Units 10H, 10I and 10J, China Economy and Trading Mansion, No. 18 Zizhu 7th Road, Zhulin Community, Xiangmihu Street, Futian District, Shenzhen, the PRC	March 13, 2019
7	Securities Branch in Xiahe Road, Xiamen	Securities Branch in Xiahe Road, Xiamen	Rooms 201 and 202, Block B, CCRE Building, No. 668 Xiahe Road, Siming District, Xiamen, the PRC	March 20, 2019
8	Securities Branch in High-tech Park, Xinbei District, Changzhou	Securities Branch in Taihu East Road, Changzhou	No. 1-10, 11, 12, 26, 27 and 28 Fuchen Garden, Taihu East Road, Xinbei District, Changzhou, the PRC	March 28, 2019

No.	Name of Securities Branch before Relocation	Name of Securities Branch after Relocation	Address after Relocation	Issue Date of License
9	Securities Branch in Rushan Road, Pudong New Area, Shanghai	Securities Branch in Century Avenue, Pudong New Area, Shanghai	Unit 05, 1/F, No. 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone	April 8, 2019
10	Securities Branch in Xingang East Road, Guangzhou	Securities Branch in Middle Guangzhou Avenue, Guangzhou	Room 103, No. 307 Middle Guangzhou Avenue, Yuexiu District, Guangzhou, the PRC	May 7, 2019
11	Securities Branch in Shichang Road, Shengze Town, Wujiang	Securities Branch in Guangzhou Road, Shengze Town, Wujiang	Room 107, Huiying Mansion, Financial Business Center, North Side of Chenjiaqiao Village Road, Xincheng District, Shengze Town, Wujiang District, Suzhou, the PRC	May 15, 2019
12	Securities Branch in Qiushi Road, Hangzhou	Securities Branch in Qiushi Road, Hangzhou	Rooms 501B and 805, North Building, Gongyuan Mansion, No. 8 Qiushi Road, Xihu District, Hangzhou, Zhejiang province, the PRC	May 23, 2019
13	Securities Branch in Huancheng West Road, Nantong	Securities Branch in Gongnong Road, Nantong	Rooms 2404-2405, South Building, Harmony City, No. 57 Gongnong Road, Nantong, the PRC	June 10, 2019
14	Securities Branch in Beijing East Road, Huaiyin, Huai'an	Securities Branch in Chengde North Road, Huaiyin, Huai'an	Rooms 2, 3 and 4, Building 2, Chengde Mansion, Huaiyin District, Huai'an, the PRC	June 10, 2019

- (4) During the Reporting Period, the Company did not have any securities branches or branch offices cancelled.



## 2. Huatai Purple Gold Investment and its subsidiaries

### (1) Major changes of industrial and commercial registration

During the Reporting Period, Huatai Purple Gold Investment was assigned with part of the contribution from Beijing Huatai Ruilian Merger and Acquisition Fund Center (Limited Partnership) (北京華泰瑞聯併購基金中心(有限合夥)), Jiangsu Huatai Ruilian Merger and Acquisition Fund (Limited Partnership) (江蘇華泰瑞聯併購基金(有限合夥)), Nanjing Huatai Ruilian Merger and Acquisition Fund No. 1 (Limited Partnership) (南京華泰瑞聯併購基金一號(有限合夥)), Nanjing Huatai Ruilian Merger and Acquisition Fund No. 2 (Limited Partnership) (南京華泰瑞聯併購基金二號(有限合夥)), Nanjing Huatai Ruilian Merger and Acquisition Fund No. 4 (Limited Partnership) (南京華泰瑞聯併購基金四號(有限合夥)), Shenzhen Qianhai Ruilian Investment Center No.1 (Limited Partnership) (深圳前海瑞聯一號投資中心(有限合夥)), Shenzhen Qianhai Ruilian Investment Center No.7 (Limited Partnership) (深圳前海瑞聯七號投資中心(有限合夥)), Shanghai Jingrui Investment Center (Limited Partnership) (上海京瑞投資中心(有限合夥)), Nanjing Ruilian Investment Center No.1 (Limited Partnership) (南京瑞聯一號投資中心(有限合夥)), Nanjing Ruilian Investment Center No.2 (Limited Partnership) (南京瑞聯二號投資中心(有限合夥)), Nanjing Ruilian Investment Center No.3 (Limited Partnership) (南京瑞聯三號投資中心(有限合夥)) and Beijing Ruilian Jingshen Investment Center (Limited Partnership) (北京瑞聯京深投資中心(有限合夥)), all of which are held by Huatai Ruilian Fund Management Co., Ltd. or its holding entity, and Huatai Purple Gold Investment became a general partner of above joint ventures.

During the Reporting Period, Huatai Purple Gold Investment was converted from a limited partner of Yili Suxin Investment Fund (Limited Partnership) (伊犁蘇新投資基金合夥企業(有限合夥)) to a general partner, and served as an executive partner and manager.

### (2) Investment and contribution

Huatai Purple Gold Investment initiated the establishment of Jiangsu Purple Gold Hongyun Health Industry Investment (Limited Partnership) (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)) on March 29, 2019. As of the end of the Reporting Period, Huatai Purple Gold Investment, as the manager, executive partner and general partner, subscribed for a contribution of RMB290 million, accounting for 20% of the total subscribed capital contribution, assumed unlimited liability, and completed its paid-in contribution of RMB145 million.

Huatai Purple Gold Investment completed its paid-in contribution of RMB5,375.92 to Nanjing Ruilian Investment Center No.1 (Limited Partnership) (南京瑞聯一號投資中心(有限合夥)) on May 16, 2019, accounting for 0.82% of its subscribed capital contribution. As of the end of the Reporting Period, Huatai Purple Gold Investment, as the manager and general partner, completed its paid-in contribution of RMB442,373.96 to Nanjing Ruilian Investment Center No.1 (Limited Partnership) (南京瑞聯一號投資中心(有限合夥)), accounting for 67.54% of its subscribed capital contribution.

(3) Changes in directors and supervisors

During the Reporting Period, Huatai Purple Gold Investment changed its supervisor from Zhou Xiang to Gu Chengzhong and completed the industrial and commercial filing procedures.

3. Huatai International

On April 17, 2019, AssetMark Financial, Inc., a subsidiary of Huatai International, acquired three wholly-owned overseas subsidiaries, namely Global Financial Private Capital, LLC (incorporated in Florida, USA), Global Financial Advisory, LLC (incorporated in Delaware, USA) and AlphaPeak Services, LLC (incorporated in Delaware, USA).

4. Huatai Futures

During the Reporting Period, Huatai Capital Management (Hong Kong) Limited, an overseas subsidiary of Huatai Futures, increased its investments in its wholly-owned subsidiaries namely Huatai (Hong Kong) Futures Limited and Huatai Financial USA, Inc. by HKD66 million and USD3.2 million, respectively. After the capital increase, the paid-in capital of Huatai (Hong Kong) Futures Limited and Huatai Financial USA, Inc. amounted to HKD120.456 million and USD8.3 million, respectively.

During the Reporting Period, Huatai Futures increased its investments in its two subsidiaries namely Huatai Great Wall Capital Management Co., Ltd. and Huatai Great Wall Investment Management Co., Ltd. by RMB300 million and RMB200 million, respectively.

5. Huatai Innovative Investment

In June 2019, Huatai Innovative Investment completed the business registration for the change of registered capital from RMB500 million to RMB3,500 million. During the same period, Huatai Rising (Shanghai) Investment Co., Ltd. (華泰瑞新(上海)投資有限公司) completed the liquidation and cancellation upon expiration of the existing projects according to regulatory requirements.

6. For other major events disclosed by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) during the Reporting Period, please refer to the appendix.

7. The Company's communication with its Shareholders and the investor relations management during the Reporting Period

Investor relations management is one of the most important tasks for the normative development and legitimate operation of the Company, and is highly valued by the Board of the Company. The Company planned, arranged and organized various activities for the management of investor relations with a strong sense of responsibility, including coordinating on-site interviews to the Company, keeping in contact with regulatory authorities, investors, intermediary agencies and news media, etc.

During the Reporting Period, the Company timely updated information on the “Investor Relations” column on the Company’s website, and answered inquiries from investors of the interactive E-platform on the website of the Shanghai Stock Exchange. The Company has received 3 times of onsite investigations and surveys or telephone interviews from around 33 researchers and investment professionals including a number of domestic and overseas brokers, fund companies and other organizations during the first half of the year, and also has earnestly provided daily consulting services for investors and answered their questions in detail. Meanwhile, to assist the announcement of periodic reports, the Company held a performance conference, proactively attended strategy seminars and investment forums held by domestic or overseas securities institutions, and had full communications with investors on issues such as the development trend of the industry, and the operating results and business development strategy of the Company, which has effectively promoted the investors’ in-depth understanding of the business condition and performance of the Company, completely marketed the development advantages of the Company, and effectively guided the market expectations. The Company persisted in inducing and analysing various questions proposed by institutional investors and researchers, so as to continuously improve the professionalism, normalization and quality of the investor relations management of the Company.

The Company’s reception of investigations and surveys, communications and interviews in the first half of 2019 is as follows:

<b>No.</b>	<b>Date of reception</b>	<b>Place of reception</b>	<b>Way of reception</b>	<b>Guests</b>	<b>Major topics discussed and information provided</b>
1	February 20, 2019	Headquarter of the Company	On-site interview	GF Securities, etc. (13 person-times)	Business development, innovative business and long-term development strategy of the Company, etc.
2	May 17, 2019	Headquarter of the Company	Telephone interview	Haitong Securities, etc. (15 person-times)	
3	June 28, 2019	Headquarter of the Company	On-site interview	BOCI, etc. (5 person-times)	

## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Statement of changes in shares

##### 1. Statement of changes in shares

	Before the change		Increase/decrease (+, -) of the change				After the change		Unit: Shares
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserves	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	1,088,731,200	13.19	-	-	-	-	-	1,088,731,200	11.99
1. Shares held by the state	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	153,256,704	1.86	-	-	-	-	-	153,256,704	1.69
3. Shares held by other domestic investors	935,474,496	11.34	-	-	-	-	-	935,474,496	10.30
Including: Shares held by domestic non state-owned legal persons	935,474,496	11.34	-	-	-	-	-	935,474,496	10.30
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II.Tradable shares not subject to selling restrictions	7,162,768,800	86.81	825,150,000	-	-	-	825,150,000	7,987,918,800	88.01
1. Ordinary shares in RMB	5,443,723,120	65.97	825,150,000	-	-	-	825,150,000	6,268,873,120	69.07
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,719,045,680	20.84	-	-	-	-	-	1,719,045,680	18.94
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	8,251,500,000	100.00	825,150,000	-	-	-	825,150,000	9,076,650,000	100.00

## 2. Information on changes in shares

Pursuant to the Approval of Issuance and Admission of Global Depositary Receipts on the London Stock Exchange plc by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1993) (《關於核准华泰證券股份有限公司發行全球存托憑證並在倫敦證券交易所上市的批覆》) (證監許可[2018]1993號) issued by the CSRC and the approval from relevant UK regulatory authorities regarding the prospectus for the Issuance of GDRs, the Company issued 75,013,636 GDRs (before the exercise of over-allotment option) which were listed on the London Stock Exchange on June 20, 2019 (London time). The corresponding 750,136,360 newly issued underlying A shares have been listed on June 20, 2019. During the stabilizing period, the Stabilizing Manager required the Company to issue 7,501,364 additional GDRs by exercising the over-allotment option and deliver the 7,501,364 GDRs under the over-allotment on June 27, 2019 (London time) to investors who had agreed on the delayed delivery of their subscribed GDRs. The corresponding 75,013,640 newly issued underlying A shares have been listed on June 27, 2019. Upon the listing of the newly issued underlying A shares represented by the GDRs under the Issuance and over-allotment, the total share capital of the Company will be 9,076,650,000 shares, including 7,357,604,320 A Shares accounting for 81.06% of the total shares and 1,719,045,680 H Shares accounting for 18.94% of the total shares.

According to the relevant domestic regulatory requirements, the GDRs under the Issuance and over-allotment shall not be converted into A shares from June 20, 2019 (London time) to October 17, 2019 (London time). Upon expiration of the limitation period for redemption, the GDRs can be redeemed as A shares, which will lead to an increase in the number of tradable shares not subject to selling restrictions. The maximum number of A shares represented by the redeemable GDRs shall be 825,150,000. If the number of GDRs increases or decreases due to factors such as the Company's bonus issue, share split or consolidation and adjustment of conversion ratio, the maximum number of corresponding A shares shall be adjusted accordingly.

## 3. Other contents that the Company deemed necessary or the securities regulatory authorities required to disclose

On January 3, 2019, Guoxin Group notified the Company that, Guoxin Group increased its holding of A Shares in the Company by 20,144,411 shares in aggregate through the trading system of the Shanghai Stock Exchange during the period from July 3, 2018 to January 2, 2019, accounting for approximately 0.2441% of the Company's total shares, which reached the lower limit and did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB298,741,932.96 (inclusive of service fees). After the increase in shareholding, Guoxin Group held 1,271,072,836 shares of the Company, accounting for approximately 15.4041% of the Company's total shares. Guoxin Group intended to continue to increase its holding of shares of the Company within the 6 months from January 4, 2019, with the increased shareholding percentage in aggregate not less than 0.1212% (10 million shares) of the Company's total shares (calculated by the total shares issued by the Company as of January 3, 2019, same for the followings) and not higher than 0.5% of the Company's total shares. (See Shanghai Stock Exchange announcement 2019-001 for details)

The term for implementing the shareholding increase plan expired on July 3, 2019. On July 4, 2019, Guoxin Group notified the Company that, during the period from January 4, 2019 to July 3, 2019, Guoxin Group has increased its holding of H Shares of the Company by 31,277,800 shares in aggregate through Southbound Trading, accounting for approximately 0.3791% of the Company's total issued shares as at January 3, 2019, which reached the lower limit and did not exceed the upper limit of the shareholding increase plan; the cumulative amount of shareholding increase was RMB386,689,186.45 (exclusive of service fees). After the increase in shareholding, Guoxin Group held 1,302,350,636 shares of the Company, accounting for 15.7832% of the Company's total issued shares as at January 3, 2019 and 14.3484% of the Company's total issued shares as at July 3, 2019. Guoxin Group intended to continue to increase its holding of shares of the Company within the 6 months from July 5, 2019, with the increased shareholding percentage in aggregate not less than 0.1102% (10 million shares) of the Company's total shares (calculated by the total shares issued by the Company as of July 3, 2019, same for the followings) and not higher than 0.3% of the Company's total shares. (See Shanghai Stock Exchange announcement 2019-046 for details)

As of August 29, 2019, the implementation of the shareholding increase plan was not completed, and Guoxin Group held 1,271,072,836 A shares and 58,151,200 H Shares of the Company, representing 14.6444% of the Company's total shares.

## II. INFORMATION OF SHAREHOLDERS

### ***(I) Total number of Shareholders:***

Total number of shareholders of ordinary shares as of the end of the Reporting Period	220,686
Total number of shareholders of preferred shares whose voting rights have been restored as of the end of the Reporting Period	—

Among the total number of shareholders of ordinary shares as of the end of the Reporting Period, shareholders of A Shares amounted to 212,350 and registered shareholders of H Shares amounted to 8,336.



**(II) Shareholdings of the top ten shareholders and the top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as of the end of the Reporting Period**

Unit: Shares

Name of shareholder (in full name)	Increase/ decrease during the Reporting Period	Shareholding of top ten shareholders			Pledged or frozen shares		Nature of shareholder
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares	Number of shares	
HKSCC Nominees Limited	-40,138,300	1,650,023,327	18.1788	—	Nil	—	Foreign legal person
Jiangsu Guoxin Investment Group Limited	31,277,800	1,302,350,636	14.3484	—	Nil	—	State-owned legal person
Citibank, National Association	825,150,000	825,150,000	9.0909	—	Nil	—	Foreign legal person
Jiangsu Communications Holding Co., Ltd.	3,167,800	470,314,418	5.1816	—	Nil	—	State-owned legal person
Govtor Capital Group Co., Ltd.	0	351,678,006	3.8745	—	Nil	—	State-owned legal person
Alibaba (China) Technology Co., Ltd.	0	268,199,233	2.9548	268,199,233	Nil	—	Domestic non state-owned legal person
Suning.com Co., Ltd.	0	260,536,398	2.8704	260,536,398	Unknown	258,000,000	Domestic non state-owned legal person
Essence Securities - China Merchants Bank - Essence Securities Dingzengbao No. 1 Collective Asset Management Program	0	247,545,593	2.7273	247,545,593	Nil	—	Unknown
China Securities Finance Corporation Limited	0	246,720,811	2.7182	—	Nil	—	Unknown
China Structural Reform Fund Corporation Limited	0	153,256,704	1.6885	268,199,233	Nil	—	State-owned legal person



**Shareholding of top ten holders of shares not subject to selling restrictions**

Name of shareholder	Number of tradable shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,650,023,327	Overseas listed foreign shares	1,650,023,327
Jiangsu Guoxin Investment Group Limited	1,302,350,636	Ordinary shares in RMB	1,271,072,836
		Overseas listed foreign shares	31,277,800
Citibank, National Association	825,150,000	Ordinary shares in RMB	825,150,000
Jiangsu Communications Holding Co., Ltd.	470,314,418	Ordinary shares in RMB	449,995,418
		Overseas listed foreign shares	20,319,000
Govtor Capital Group Co., Ltd.	351,678,006	Ordinary shares in RMB	342,028,006
		Overseas listed foreign shares	9,650,000
China Securities Finance Corporation Limited	246,720,811	Ordinary shares in RMB	246,720,811
Jiangsu SOHO Holdings Group Co., Ltd.	136,325,361	Ordinary shares in RMB	132,309,161
		Overseas listed foreign shares	4,016,200
Jiangsu Hiteker High-tech Co., Ltd.	123,169,146	Ordinary shares in RMB	123,169,146
Central Huijin Asset Management Ltd.	98,222,400	Ordinary shares in RMB	98,222,400
Hong Kong Securities Clearing Company Limited	85,978,997	Ordinary shares in RMB	85,978,997
Description of the connected relationships or action in concert among the above shareholders	Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Co., Ltd., Govtor Capital Group Co., Ltd. and Jiangsu SOHO Holdings Group Co., Ltd. are wholly-owned by Jiangsu SASAC. Apart from the above, the Company is not aware of any connection among other shareholders or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies.		
Explanation of shareholders of preferred shares with restored voting rights and the number of shares held by them	There are no shareholders of preferred shares of the Company		

# Number of shares held by top ten holders of shares subject to selling restrictions and relevant selling restrictions

Unit: Shares

No.	Name of holders of shares subject to selling restrictions	Listing and trading of shares subject to selling restrictions			Selling restrictions
		Number of shares held subject to selling restrictions	Permitted time for listing and trading	Number of additional shares permitted to be listed and traded	
1	Alibaba (China) Technology Co., Ltd.	268,199,233	2019-08-02	—	Restricted period of 12 months
2	Suning.com Co., Ltd.	260,536,398	2019-08-02	—	Restricted period of 12 months
3	Essence Securities - China Merchants Bank - Essence Securities Dingzengbao No. 1 Collective Asset Management Program	247,545,593	2019-08-02	—	Restricted period of 12 months
4	China Structural Reform Fund Corporation Limited	153,256,704	2019-08-02	—	Restricted period of 12 months
5	Beixin Ruifeng Asset - Minsheng Bank - Beixin Ruifeng Asset Minsheng Phoenix No. 2 Special Asset Management Program	115,019,157	2019-08-02	—	Restricted period of 12 months
6	Sunshine Property & Casualty Insurance Co., Ltd. - traditional - general insurance products	44,174,115	2019-08-02	—	Restricted period of 12 months
Description of the connected relationships or actions in concert among the above shareholders		Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), which holds more than 5% shares of Suning.com Co., Ltd., and Alibaba (China) Technology Co., Ltd. are wholly-owned subsidiaries of Alibaba Group Holding Ltd. Apart from the above, the Company is not aware of any connection among other shareholders or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies.			

- Notes: 1. The class of shareholders of ordinary shares in RMB (A shares) represents the class of accounts held by them registered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
2. Among the holders of overseas listed foreign shares (H shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited on their behalf. As of the end of the Reporting Period, Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Co., Ltd., Govtor Capital Group Co., Ltd. and Jiangsu SOHO Holdings Group Co., Ltd. acquired, via Southbound Trading, 31,277,800 shares, 20,319,000 shares, 9,650,000 shares and 4,016,200 shares of the Company's H Shares, respectively, which are also being held by HKSCC Nominees Limited. These shares are specifically and separately listed at the time of disclosure of this report; should such shares be included, the actual number of shares held by HKSCC Nominees Limited on their behalf would have been 1,715,286,327 shares, representing 18.90% of the Company's total shares.
3. Hong Kong Securities Clearing Company Limited is the nominal holder of the A Shares of the Company held by the investors in Northbound Trading under Shanghai-Hong Kong Stock Connect.
4. Citibank, N.A. is the depository of the Company's GDRs, and the domestic underlying A shares represented by the GDRs are legally registered under its name; the GDRs under the Issuance and over-allotment of the Company shall not be converted into A shares from June 20, 2019 (London time) to October 17, 2019 (London time).
5. As of the end of the Reporting Period, 2,070,000 A Shares held by Jiangsu Communications Holding Co., Ltd. remained outstanding due to refinancing. When fully returned, the actual shareholding of it in the Company will be 452,065,418 A Shares and 20,319,000 H Shares, representing 5.20% of the Company's total shares.

6. Except for the 260,536,398 A shares of the Company held by Suning.com Group Co., Ltd., its wholly-owned foreign subsidiary Suning International Group Co., Limited also held 2,439,000 GDRs (representing 24,390,000 A shares of the Company), which led to a total equity ratio of 3.14% held by Suning.com Group Co., Ltd. and its wholly-owned foreign subsidiary Suning International Group Co., Limited.
7. In addition to directly holding 153,256,704 A Shares of the Company, China Structural Reform Fund Corporation Limited also held 2,439,000 GDRs (representing 24,390,000 A shares of the Company) through qualified domestic institutional investor (QDII) products, with a total equity ratio of 1.96%.

***(III) Strategic investors or common legal persons who became one of the top ten shareholders as a result of subscription of new shares allotted to them***

During the Reporting Period, the Company did not have any strategic investor or common legal person who became one of the top ten shareholders as a result of subscription of new shares allotted to them.

**III. CHANGE OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS**

During the Reporting Period, there was no change in controlling shareholders or de facto controllers of the Company.

**IV. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As of June 30, 2019, as far as the Directors were aware after making all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executives of the Company) held interests or short positions in shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO:

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/short position (Note 3)/shares available for lending
1	Jiangsu Guoxin Investment Group Limited	A Shares	Beneficial owner (Note 1)	1,271,072,836	14.0038	17.2756	Long position
		H Shares (Southbound Trading)	Beneficial owner (Note 1)	31,277,800	0.3446	1.8195	Long position
2	Jiangsu Communications Holding Co., Ltd.	A Shares	Beneficial owner (Note 1)	449,995,418	4.9577	6.1161	Long position
		H Shares (Southbound Trading)	Beneficial owner (Note 1)	20,319,000	0.2239	1.1820	Long position
3	SSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.5683	8.2805	Long position
4	Citigroup Inc.	H Shares	Interests of controlled corporations (Note 1)	122,189,413	1.3462	7.1080	Long position
		H Shares	Interests of controlled corporations (Note 1)	26,020,536	0.2867	1.5137	Short position
		H Shares	Approved lending agent (Note 1)	92,787,728	1.0223	5.3976	Shares available for lending
5	JPMorgan Chase & Co.	H Shares	Interests of controlled corporation, investment manager, holder of security interest in shares (Note 1)	108,496,357	1.1953	6.3114	Long position
		H Shares	Interests of controlled corporations (Note 1)	48,607,566	0.5355	2.8276	Short position
		H Shares	Approved lending agent (Note 1)	46,772,426	0.5153	2.7208	Shares available for lending
6	BlackRock, Inc.	H Shares	Interests of controlled corporations (Note 1)	103,270,785	1.1378	6.0074	Long position
		H Shares	Interests of controlled corporations (Note 1)	145,200	0.0016	0.0084	Short position
7	Schroders Plc	H Shares	Investment manager (Note 1)	86,923,600	0.9577	5.0565	Long position

Note 1: According to the information disclosed on the websites of HKEX ([www.hkex.com.hk](http://www.hkex.com.hk)) and China Securities Depository and Clearing Corporation Limited ([www.chinaclear.cn](http://www.chinaclear.cn)). Under Section 336 of the SFO, forms disclosing interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange unless certain conditions are satisfied. Therefore, there could be differences between substantial shareholders' latest shareholdings in the Company and the shareholding information reported to the Hong Kong Stock Exchange;

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

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

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) having any interests or short positions in the shares or underlying shares of the Company as at June 30, 2019 which shall be recorded in the register pursuant to Section 336 of the SFO.

## V. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2019, according to the information obtained by the Company and so far as the Directors are aware, the interests and short positions held by the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of 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 were taken or deemed to have under such provisions of the SFO), or which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 352 of the SFO are as follows:

No.	Name	Class of shares	Nature of interests	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/H Shares of the Company (%)	Long position/ short position/s shares available for lending
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.0039	0.0205	Long position
2	Zhu Xuebo	H Shares	Beneficiary of the trust (Note 1)	211,957	0.0023	0.0123	Long position

Note 1: In July 2015, due to the significant fluctuation in share price of the Company, H Shares of the Company were purchased through the targeted asset management scheme for QDII in compliance with the relevant laws and regulations, so as to actively help maintain the stability of the capital market.

Save as disclosed above, as at June 30, 2019, the Company was not aware of any other Directors, Supervisors or chief executives of the Company having any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, 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 were 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 recorded in the register of interests, or which shall, pursuant to the Model Code, be notified to the Company and the Hong Kong Stock Exchange.

## VI. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

During the Reporting Period, neither did the Company nor any of its subsidiaries repurchased, sold or redeemed any listed securities of the Company and of its subsidiaries.

## VII. INFORMATION ON PREFERRED SHARES

During the Reporting Period, the Company did not have any preferred shares.

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF**

### **I. CHANGES IN SHAREHOLDING STRUCTURE**

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

During the Reporting Period, there were no changes in the shareholding structure of current Directors, Supervisors and senior management and Directors, Supervisors and senior management resigned during the Reporting Period.

#### **(II) Option incentive granted to Directors, Supervisors and senior management during the Reporting Periods**

During the Reporting Period, the Company had no option incentive granted to Directors, Supervisors and senior management.

### **II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

<b>Name</b>	<b>Position</b>	<b>Change</b>
Peng Min	Employee Supervisor	Resigned
Zhou Xiang	Employee Supervisor	Resigned
Gu Chengzhong	Employee Supervisor	Appointed
Zhai Jun	Employee Supervisor	Appointed

Information on the changes of Directors, Supervisors and senior management of the Company

On April 26, 2019, the Board of Supervisors received the Notice on the Election Results for New Employee Supervisors of the Fourth Session of the Board of Supervisors from the Congress of Employee and Workers of the Company, at which Gu Chengzhong and Zhai Jun were elected as the employee representative supervisors for the fourth session of the Board of Supervisors of the Company. Ms. Peng Min, a former employee representative supervisor, ceased to be an employee representative supervisor of the Company due to the requirement at the statutory retirement age, while Mr. Zhou Xiang, another former employee representative supervisor, ceased to be an employee representative supervisor due to work changes. Mr. Gu Chengzhong and Mr. Zhai Jun has replaced Ms. Peng Min and Mr. Zhou Xiang since April 26, 2019 in performing the duties of employee representative supervisors of the fourth session of the Board of Supervisors of the Company, and they shall hold the office till the end of the term of the fourth session of the Board of Supervisors.

Save as disclosed above, the Company did not appoint or dismiss any Director, Supervisor and senior management during the Reporting Period. Meanwhile, there is no change of information about the Directors, Supervisors and chief executives which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### **III. OTHER INFORMATION**

#### **(I) Service contract of Directors and Supervisors**

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of (among other things) the compliance of relevant laws and regulations and observance of the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into and does not propose to enter into any service contract with any of the Directors or Supervisors in respect of their capacities as Directors or Supervisors (other than contracts expiring within one year or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

#### **(II) Employees and remuneration policy**

##### **1. Remuneration Policy**

The Company attaches importance to external competitiveness and internal fairness of salary incentive, and implements a remuneration distribution system based on market standards and on performance-oriented basis. Staff remuneration of the Company consists of fixed salary, performance bonus and benefits system.

Pursuant to relevant laws and regulations, the Company makes full payments to different types of social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for staff in accordance with laws. Meanwhile, the Company has established the supplementary medical insurance plan and enterprise annuity plan to improve supplementary medical care and retirement treatment of staff.

##### **2. Training**

In line with the development trend of industry innovation and transformation, the Company continued to centralize its training on the aspects including business innovation, employee orientation, common skills, management capability and internal trainers. The Company propelled training programs with a combination of centralized training and external training as well as on-site training and HTSC Cloud Academy training; its annual training plan was implemented smoothly. The Company continued to improve the training system, and has established an enabling training and development system covering “all life careers and all echelons”. The Company is dedicated to cultivating talents, promoting business and developing customers. In the first half of this year, the Company undertook 15 centralized training sessions, 108 Huatai Forums (including online and offline), 53 off-site training sessions with approximately 2,200 participants on site and over 11,000 participants via live broadcasts, and over 236,000 participants by self-studying through online training. More than 5,200 employees in total completed 80,000 hours of online learning through HTSC Cloud Academy of the Company. Internal trainers provided 160 hours of lectures in total and developed over 90 courses.



The Company is committed to broadening the global vision of its employees by introducing excellent teachers from abroad and organizing overseas express training. Based on the transformation of comprehensive wealth management, the Company carried out target projects covering the whole company to enhance the quality of investment advisers. In line with the Company's determination to strengthen its management capacity for future development, the Company launched training sessions for grassroots managers in the headquarters and branches of the Company. In order to adapt to the trend of industry innovation and the need of experience exchange, the Company conducted subject-based studies on its businesses in various forms including Yijian live broadcast. Each department of the Company also established its regular internal training mechanism and the Company organized all departments to formulate and implement their own annual training plans.

### **3. Number of Employees**

As of June 30, 2019, there were 9,731 employees in the Group, of which 6,852 were from the parent company and 2,879 were from the subsidiaries.

# CORPORATE BONDS

## I. BASIC INFORMATION ON CORPORATE BONDS

Unit: 100 million Yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Expiration date	Balance	Interest	Rate (%)	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities (Ten-year bonds)	13 Huatai 02	122262.SH	June 5, 2013	June 5, 2023	60.00		5.10	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Type I)	16 Huatai G1	136851.SH	December 6, 2016	December 6, 2019	35.00		3.57	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Type II)	16 Huatai G2	136852.SH	December 6, 2016	December 6, 2021	25.00		3.78	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Type I)	16 Huatai G3	136873.SH	December 14, 2016	December 14, 2019	50.00		3.79	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Type II)	16 Huatai G4	136874.SH	December 14, 2016	December 14, 2021	30.00		3.97	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2018 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type I)	18 Huatai G1	155047.SH	November 26, 2018	November 26, 2021	30.00		3.88	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2018 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type II)	18 Huatai G2	155048.SH	November 26, 2018	November 26, 2023	10.00		4.17	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2019 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (First tranche) (Type I)	19 Huatai G1	155240.SH	March 19, 2019	March 19, 2022	70.00		3.68	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2019 Corporate Bonds of Huatai Securities Publicly Issued to Qualified Investors (Second tranche) (Type I)	19 Huatai G3	155358.SH	April 22, 2019	April 22, 2022	50.00		3.80	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange

## ***Interest Payment for and redemption of Corporate Bonds***

On June 5, 2019, the Company paid the interest for “13 Huatai 02” bond for the period from June 5, 2018 to June 4, 2019 with a total amount of RMB306 million (tax inclusive).

## ***Other Information on Corporate Bonds***

Arrangements for investors’ appropriateness: targets of the issuance are qualified investors who hold A share securities accounts of China Securities Depository and Clearing Corporation Limited, Shanghai Branch and are in compliance with the requirements of the Administrative Measures for Issuance and Trading of Corporate Bonds and relevant laws and regulations (excluding purchasers subject to prohibition under laws and regulations). Investors shall not subscribe by illegal use of others’ accounts or fund accounts, or illegally financing or financing for others. Investors subscribing for this tranche of bonds shall observe relevant laws and regulations and relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.

## **II. ENTRUSTED MANAGERS OF CORPORATE BONDS AND THEIR CONTACTS AND CONTACTS OF THE CREDIT RATING AGENCY**

Entrusted manager of bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301-4316, 43rd Floor, Metro Plaza, 183-187 Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC
	Contact persons Tel. no.	Li Peng, Feng Hui 021-60750691
Entrusted manager of bonds	Name	Shenwan Hongyuan Securities Co., Ltd.
	Office address	45th Floor, 989 Changle Road, Xuhui District, Shanghai, the PRC
	Contact persons Tel. no.	Yu Shan, Liu Yuan 010-88013931
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai, the PRC

Other notes:

The entrusted manager of “13 Huatai 02” is GF Securities Co., Ltd., the entrusted manager of “16 Huatai G1”, “16 Huatai G2”, “16 Huatai G3”, “16 Huatai G4”, “18 Huatai G1”, “18 Huatai G2”, “19 Huatai G1” and “19 Huatai G2” is Shenwan Hongyuan Securities Co., Ltd., and the credit rating agency for each tranche of bonds is Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.

### **III. USAGE OF PROCEEDS FROM CORPORATE BONDS**

All of the proceeds from 2013 corporate bonds have been used to supplement the Company's working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and stock pledged repurchase business, which is in compliance with the requirements of the prospectus. All of the proceeds from the two tranches of corporate bonds issued in 2016 have been used to supplement the Company's working capital and mainly for the purposes of capital-based intermediary businesses such as stock pledge and investment businesses such as FICC, which is in line with the covenants undertaken in the prospectus. All of the proceeds from the corporate bonds issued in 2018 have been used to supplement working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus. All of the proceeds from the two tranches of corporate bonds issued in 2019 have been used to supplement the Company's working capital and repay matured debts, which is in line with the covenants undertaken in the prospectus.

### **IV. BONDS RATING OF THE COMPANY**

On May 15, 2019, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for the corporate bonds "13 Huatai 02", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3", "16 Huatai G4", "18 Huatai G1", "18 Huatai G2" and "19 Huatai G1" issued by the Company, and issued the Report on the Follow-up Credit Rating of Huatai Securities Co., Ltd. and its Issued 13 Huatai 02, 16 Huatai G1, 16 Huatai G2, 16 Huatai G3, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2 and 19 Huatai G1 (《华泰证券股份有限公司及其發行的13華泰02、16華泰G1、16華泰G2、16華泰G3、16華泰G4、18華泰G1、18華泰G2與19華泰G1跟蹤評級報告》) (No.: Brilliance [2019] 100061), pursuant to which the credit ratings of the Company's bonds "13 Huatai 02", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3", "16 Huatai G4", "18 Huatai G1", "18 Huatai G2" and "19 Huatai G1" remained as AAA, the credit rating of the Company remained as AAA and the credit rating outlook is stable.

For details of the rating results, please refer to the announcements on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

### **V. CREDIT ENHANCEMENT MECHANISM, SETTLEMENT PLAN AND OTHER RELEVANT INFORMATION ON CORPORATE BONDS DURING THE REPORTING PERIOD**

The credit enhancement mechanism for the six tranches of corporate bonds issued by the Company is to issue unsecured bonds, and the settlement plan is to pay interest once annually in the duration of the bonds and to pay the principal together with the last installment of interest. During the Reporting Period, there was no change to the credit enhancement mechanism, settlement plan or other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants as set out in the prospectus in relation to the settlement plan, paid the interest for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, so as to protect the legal interest of investors.

### **VI. MEETINGS OF THE HOLDERS OF CORPORATE BONDS**

During the Reporting Period, the Company did not hold any meeting for the holders of corporate bonds.

### **VII. PERFORMANCE OF DUTIES BY THE ENTRUSTED MANAGERS OF CORPORATE BONDS**

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager, issued the Report on the Entrusted Management Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (2018) (《华泰证券股份有限公司2013年公司債券受託管理事務報告(2018年度)》). For details, please refer to the relevant announcements disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the Reporting Period, Shenwan Hongyuan Securities Co., Ltd., as the entrusted manager, issued the Report on the Entrusted Management Affairs in Relation to 2016 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. and 2016 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. (2018) (《华泰证券股份有限公司2016年公司債券(第一期)、华泰证券股份有限公司2016年公司債券(第二期)受託管理事務報告(2018年度)》) and the Report on the Entrusted Management Affairs in Relation to the 2018 Corporate Bonds (First Tranche) Publicly Issued to Qualified Investors by Huatai Securities Co., Ltd. (2018) (《华泰证券股份有限公司2018年面向合格投資者公開發行公司債券(第一期)受託管理事務報告》(2018年度)). For details, please refer to the relevant announcements disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn).

# **VIII.ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF THE PREVIOUS YEAR)**

Unit: Yuan Currency: RMB

Primary indicators	As of the end of the Reporting Period	As of the end of the previous year	Year- on-year change (%)	Reason for the change
Current ratio	1.45	1.57	(7.64)	—
Quick ratio	1.45	1.57	(7.64)	—
Gearing ratio (%)	71.16	66.12	Increase of 5.04 percentage points	—
Loan repayment ratio (%)	100.00	100.00	—	—
	The Reporting Period (from January to June)	Corresponding period of the previous year	Year- on-year change (%)	Reason for the change
Times interest earned of EBITDA	3.15	2.27	38.77	Increase in net profit
Interest payment ratio (%)	100.00	100.00	—	—

Note: Customers' funds are not included in the above indicators.

## IX. INTEREST PAYMENT FOR AND REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Unit: 100 million Yuan Currency: RMB

Abbreviation of the bond	Issuing scale	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
16 Huatai C1	50.00	50.00	3.30	2016-10-14	2021-10-14	—
17 Huatai 02	20.00	20.00	4.65	2017-02-24	2020-02-24	Interest payment
17 Huatai 03	40.00	40.00	5.00	2017-05-15	2019-05-15	Redemption and interest payment
17 Huatai 04	60.00	60.00	5.25	2017-05-15	2020-05-15	Interest payment
17 Huatai 06	50.00	50.00	4.98	2017-10-19	2019-04-19	Redemption and interest payment
17 Huatai C2	50.00	50.00	4.95	2017-07-27	2020-07-27	—
18 Huatai C1	10.00	10.00	5.65	2018-03-15	2020-03-15	Interest payment
18 Huatai C2	28.00	28.00	5.20	2018-05-10	2021-05-10	Interest payment
18 Huatai D1	46.00	46.00	5.00	2018-06-11	2019-06-11	Redemption and interest payment
19 Huatai CP001	30.00	30.00	3.00	2019-04-29	2019-07-29	—
Offshore Bonds	US\$400 million	US\$400 million	3.625	2014-10-08	2019-10-08	Interest payment
Offshore Bonds	US\$500 million	US\$500 million	3.375	2019-05-23	2022-05-23	—

Note: 1. “16 Huatai C1” bonds rendered the issuer an option for redemption at the end of the third year.

### 1. Interest payment for and redemption of subordinated bonds

During the Reporting Period, the Company paid the interest for 2018 Non-publicly Issued Subordinated Bonds (First Tranche) (“18 Huatai C1”) for the period from March 15, 2018 to March 14, 2019, with the interest payment amounting to RMB56.5 million (tax inclusive); paid the interest for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Type I) (“18 Huatai C2”) for the period from May 10, 2018 to May 9, 2019, with the interest payment amounting to RMB145.6 million (tax inclusive). For details of relevant announcements, please refer to the disclosure of the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

### 2. Interest payment for and redemption of non-publicly issued corporate bonds

During the Reporting Period, the Company paid the interest for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Type II) (“17 Huatai 02”) for the period from February 24, 2018 to February 23, 2019, with the interest payment amounting to RMB93 million (tax inclusive); paid the interest for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Type II) (“17 Huatai 04”) for the period from May 15, 2018 to May 14, 2019, with the interest payment amounting to RMB315 million (tax inclusive). For details of relevant announcements, please refer to the disclosure of the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, the Company settled the principal and interest for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Type I) (“17 Huatai 03”), with the payment amounting to RMB4,200 million (tax inclusive); settled the principal and interest for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche) (“17 Huatai 06”), with the payment amounting to RMB5,249 million (tax inclusive); settled the principal and interest for 2018 Non-publicly Issued Short-term Corporate Bonds (First Tranche) (“18 Huatai D1”), with the payment amounting to RMB4,830 million (tax inclusive). For details of relevant announcements, please refer to the disclosure of the Company on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

### ***3. Interest payment for and redemption of offshore bonds***

During the Reporting Period, Huatai International Finance I Limited, a special purpose company subordinated to Huatai Financial Holdings (Hong Kong), paid the interest of US\$7.25 million for offshore bonds on April 9, 2019.

## **X. BANK CREDIT OF THE COMPANY DURING THE REPORT PERIOD**

During the Reporting Period, the Company continued to enhance its credit management. As of the end of June 2019, the total credit line obtained by the Company from commercial banks amounted to RMB451.9 billion, which effectively supported the development of various businesses of the Company.

The Company enjoyed a good reputation, and repaid bank loans on time during the Reporting Period without extension or reduction of any loan.

## **XI. PERFORMANCE OF RELEVANT COVENANTS OR UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations of information disclosure and paid the interest for bonds on time to protect the legal interests of investors. During the Reporting Period, the Company did not default on the redemption of and interest payment for issued bonds, and operated stably with satisfactory earnings with no risk identified that may lead to the inability of the Company to make payments on time in the future.

## **XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY**

During the Reporting Period, the Company did not experience any major event which would have an impact on the Company’s operation and solvency.



## INDEX OF DOCUMENTS FOR INSPECTION

Financial statements carrying the signature and seal of the Company's legal representative, person in charge of accounting work and head of accounting organ

### INDEX OF DOCUMENTS FOR INSPECTION

All company documents and announcements made public on the newspapers designated by the CSRC within the Reporting Period

Articles of Association

Chairman of the Board: Zhou Yi

Date of Submission as Approved by the Board of Directors: August 29, 2019

## INFORMATION DISCLOSURE OF SECURITIES COMPANIES

### I. MAJOR ADMINISTRATIVE APPROVALS OF THE COMPANY

1. Approval for Establishment of Northwest Branch in Xi'an, Shaanxi Province by Huatai Securities Co., Ltd. (Su Zheng Jian Xu Ke Zi [2019] No. 6) (《關於核准华泰證券股份有限公司在陝西省西安市設立西北分公司的批覆》(蘇證監許可字[2019]6號)) dated February 27, 2019;
2. Approval for Qualification of Gu Chengzhong as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 9) (《關於顧成中證券公司監事任職資格的批覆》(蘇證監許可字[2019]9號)) dated March 26, 2019; and
3. Approval for Qualification of Zhai Jun as Supervisor of Securities Company (Su Zheng Jian Xu Ke Zi [2019] No. 10) (《關於翟軍證券公司監事任職資格的批覆》(蘇證監許可字[2019]10號)) dated April 4, 2019.

### II. RESULTS OF CLASSIFICATION BY REGULATORY AUTHORITIES

1. In 2017, the Company was rated Class AA under Category A according to the classification of securities companies.
2. In 2018, the Company was rated Class AA under Category A according to the classification of securities companies.
3. In 2019, the Company was rated Class AA under Category A according to the classification of securities companies.

## APPENDIX INFORMATION DISCLOSURES INDEX

1. During the Reporting Period, the Company disclosed the following matters on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and on the website of the Shanghai Stock Exchange (www.sse.com.cn):

No.	Date	Announcement
1	2019-01-04	Announcement by HTSC on Implementation Results of Plan on Increase in Shareholding of Jiangsu Guoxin Investment Group Limited and Following Stage of the Plan
2	2019-01-10	Announcement by HTSC on Key Financial Information of Business Operation for December 2018
3	2019-01-19	Announcement by HTSC on Obtaining Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
4	2019-02-12	Announcement by HTSC on Key Financial Information of Business Operation for January 2019
5	2019-02-16	Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II)
6	2019-03-07	Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (First Tranche), Announcement by HTSC on Receipt of Registration Notification of Issue of Short-term Debentures from The People's Bank of China, Announcement by HTSC on Key Financial Information of Business Operation for February 2019
7	2019-03-09	Announcement by HTSC on Progress of Increase of Shareholding of Jiangsu Guoxin Investment Group Limited
8	2019-03-14	Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
9	2019-03-15	Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
10	2019-03-18	Announcement on Coupon Rate of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
11	2019-03-20	Announcement on Issuance Results for 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche)
12	2019-03-28	Announcement on Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche) on Shanghai Stock Exchange

No.	Date	Announcement
13	2019-03-30	2018 Annual Report of HTSC, 2018 Annual Report Summary of HTSC, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2018, Annual Internal Control Evaluation Report of HTSC in 2018, Special Review Report on Deposit and Actual Use of Huatai Securities Co., Ltd.'s Funds Raised in 2018 by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., 2018 Annual Report on Continuously Performing Supervision on Non-Public Issuance of A Shares by Huatai Securities Co., Ltd. of Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Independent Opinion of HTSC Independent Directors on Matters Concerning 2018 Annual Report of the Company, Independent Opinion of HTSC Independent Directors on Matters Concerning Changes in Accounting Policies of the Company, Announcement by HTSC on the Resolutions of the Twentieth Meeting of the Fourth Session of the Board, Special Verification Opinions on Anticipation of Ordinary Transactions with Related Parties in 2019 of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Announcement by HTSC on the Resolutions of the Tenth Meeting of the Fourth Session of the Board of Supervisors, Announcement by HTSC on Anticipation of Ordinary Transactions with Related Parties in 2019, Announcement by HTSC on Changes in Accounting Policies, 2018 Annual Auditing Report, Special Explanation on Occupation of Non-operating Funds and Transaction of Other Associated Funds for 2018, Report on Performance of Duties of HTSC's Independent Directors in 2018, Special Report on Deposit and Actual Use of the Funds Raised in 2018 by HTSC, Corporate Social Responsibility Report of HTSC for 2018, Assurance Report on the Special Report on Deposit and Actual Use of the Fund Raised in 2018, 2018 Internal Control Auditing Report
14	2019-04-09	Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche)
15	2019-04-10	Announcement by HTSC on Key Financial Information of Business Operation for March 2019
16	2019-04-17	Announcement on Issuance of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Prospectus Summary of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche), Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
17	2019-04-18	Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
18	2019-04-19	Announcement on Coupon Rate of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
19	2019-04-22	Announcement on Issuance Results for 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche)
20	2019-04-25	Announcement by HTSC on Overseas Listing Status of Its Subsidiary AssetMark
21	2019-04-26	Announcement on the Listing of 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (Second Tranche) on Shanghai Stock Exchange
22	2019-04-30	Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Category I), Announcement by HTSC on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category I), Announcement by HTSC on Change of Employee Representative Supervisors, Announcement by HTSC on the Resolutions of the Twenty-first Meeting of the Fourth Session of the Board, 2019 First Quarterly Report of HTSC
23	2019-05-07	Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II)
24	2019-05-09	Announcement by HTSC on Key Financial Information of Business Operation for April 2019
25	2019-05-10	Notice of HTSC 2018 Annual General Meeting, Document of HTSC 2018 Annual General Meeting
26	2019-05-14	Announcement by HTSC on Reply from the CSRC in Relation to the Market Making Business of Treasury Bond Futures
27	2019-05-15	Report on the Entrusted Management Affairs in Relation to the 2013 Corporate Bonds of HTSC (Year 2018)
28	2019-05-16	Report on Tracking Rating of HTSC and 18 Huatai C1 and 18 Huatai C2 Issued by It, Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018 and 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and 13 Huatai 02, 16 Huatai G1, 16 Huatai G2, 16 Huatai G3, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2 and 19 Huatai G1 Issued by It
29	2019-05-24	Announcement by HTSC on the Listing of Offshore Bonds on The Stock Exchange of Hong Kong Limited, Announcement by HTSC on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
30	2019-05-29	Announcement by HTSC on 2019 Interest Payment for 2013 Corporate Bonds, Announcement by HTSC on 2019 Interest Payment and Delisting for 2018 Non-publicly Issued Short-term Corporate Bonds of Securities Company (First Tranche), Announcement by HTSC on the Resolutions of the Twenty-second Meeting of the Fourth Session of the Board
31	2019-06-01	Special Verification Opinions on Huatai Securities Co., Ltd. Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd.
32	2019-06-05	Announcement by HTSC on the Resolutions of the Twenty-third Meeting of the Fourth Session of the Board, Independent Opinion of Independent Directors of HTSC on Adjusting Profit Distribution Proposal of the Company in 2018, Announcement by HTSC on the Resolutions of the Twelfth Meeting of the Fourth Session of the Board of Supervisors, Announcement by HTSC Relating to the Issuance of GDRs and Disclosure of the Intention to Float on the London Stock Exchange
33	2019-06-06	Announcement by HTSC on Cancellation of Partial Resolutions and Inclusion of an Interim Proposal for Approval at the 2018 Annual General Meeting, Document of HTSC 2018 Annual General Meeting
34	2019-06-07	Announcement by HTSC on Change in Registered Address of Huatai Securities (Shanghai) Asset Management Co., Ltd., a Wholly-owned Subsidiary of the Company, Announcement by HTSC on Key Financial Information of Business Operation for May 2019
35	2019-06-11	Second Notice of HTSC 2018 Annual General Meeting, Announcement by HTSC on Overseas Listing Status of Its Subsidiary AssetMark
36	2019-06-12	Announcement by HTSC on Approval from UK Financial Conduct Authority for the Prospectus for the Issuance and Admission of GDRs on the London Stock Exchange and Its Publication, Reminder Announcement by HTSC on the Issuance and Admission of the GDRs on London Stock Exchange, Announcement by HTSC on the Qualification of Conducting Brokerage and Dealer Business Obtained by Huatai Securities (USA), Inc.
37	2019-06-13	Report on the Entrusted Management Affairs in Relation to the Publicly Issued Corporate Bonds (First Tranche) to Qualified Investors of HTSC of 2018 (Year 2018), Report on the Entrusted Management Affairs in Relation to 2016 Corporate Bonds (First Tranche) of Huatai Securities Co., Ltd. and 2016 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. (Year 2018)
38	2019-06-15	Announcement by HTSC Relating to Issuance Price, Issuance Results of GDRs and Relevant Matters

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
39	2019-06-19	Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Issuance of GDRs and Changes in Shareholdings
40	2019-06-21	Announcement by HTSC Relating to the Issuance and Admission of the GDRs on the London Stock Exchange
41	2019-06-22	Announcement by HTSC on Matters Concerning the Maximum Outstanding Balance of Short-term Debentures
42	2019-06-24	Announcement by HTSC Relating to the Exercise of the Over-allotment Option, Stabilisation Actions and End of Stabilisation Period in Relation to the Issuance of GDRs
43	2019-06-26	Reminder Announcement by HTSC on the Listing of New Base A-shares in Relation to the Exercise of the Over-allotment Option on the Issuance of GDRs, Announcement by HTSC Relating to the Receipt of Regulatory Opinion of the CSRC on Issuing Financial Bonds
44	2019-06-27	Announcement by HTSC on Resolutions of 2018 Annual General Meeting, Legal Opinion of HTSC 2018 Annual General Meeting
45	2019-06-28	Announcement of HTSC Relating to Changes in the Shares after the Exercise of the Over-allotment Option in Relation to the Issuance of GDRs, Announcement of HTSC on Increasing Registered Capital by Huatai Innovative Investment Co., Ltd.

2. During the Reporting Period, the Company disclosed the following matters on the HKEXnews website of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)):

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
1	2019-01-03	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2018, Overseas Regulatory Announcement – Announcement by HTSC on Implementation Results of the Shareholding Increase Plan and the Following Stage of the Shareholding Increase Plan of Jiangsu Guoxin Investment Group Limited
2	2019-01-09	Announcement on Key Financial Information of Business Operation for December 2018
3	2019-01-18	Overseas Regulatory Announcement – Announcement by HTSC on Obtaining Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
4	2019-02-01	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2019
5	2019-02-11	Announcement on Key Financial Information of Business Operation for January 2019



<b>No.</b>	<b>Date</b>	<b>Announcement</b>
6	2019-02-15	Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (First Tranche) (Category II)
7	2019-03-06	Announcement by HTSC on Key Financial Information of Business Operation for February 2019, Announcement on Receipt of Registration Notification of Issue of Short-term Debentures from the People's Bank Of China, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 28, 2019, Overseas Regulatory Announcement – Announcement by HTSC on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (First Tranche)
8	2019-03-08	Overseas Regulatory Announcement – Announcement by HTSC on Progress of Increase of Shareholding of Jiangsu Guoxin Investment Group Limited
9	2019-03-14	Overseas Regulatory Announcement – Credit Rating Report on 2019 Corporate Bonds of HTSC Publicly Issued to Qualified Investors (First Tranche), Announcement on Issuance of 2019 Corporate Bonds of HSTC Publicly Issued to Qualified Investors (First Tranche), Prospectus of 2019 Corporate Bonds of HSTC Publicly Issued to Qualified Investors (First Tranche), Prospectus Summary of 2019 Corporate Bonds of HSTC Publicly Issued to Qualified Investors (First Tranche)
10	2019-03-15	Overseas Regulatory Announcement – Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
11	2019-03-18	Overseas Regulatory Announcement – Announcement on Coupon Rate of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
12	2019-03-19	Date of Board Meeting
13	2019-03-20	Overseas Regulatory Announcement – Announcement on Issuance Results for 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche)
14	2019-03-28	Overseas Regulatory Announcement – Announcement on the Listing of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (First Tranche) on Shanghai Stock Exchange



No.	Date	Announcement
15	2019-03-29	Proposed Amendments to the Articles of Association and Other Relevant Corporate Governance Documents, 2018 Corporate Social Responsibility Report, Results Announcement for the Year Ended December 31, 2018, Overseas Regulatory Announcement – 2018 Annual Report on Continuously Performing Supervision on Non-Public Issuance of A Shares by Huatai Securities Co., Ltd. of Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Special Verification Report on Deposit and Actual Use of the Fund Raised of Huatai Securities Co., Ltd. in 2018 by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Special Verification Opinions on Anticipation of Ordinary Transactions with Related Parties in 2019 of Huatai Securities Co., Ltd. by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd., Internal Control Auditing Report of Huatai Securities Co., Ltd., Assurance Report on the Special Report on Deposit and Actual Use of the Fund Raised in 2018, Special Explanation on Occupation of Non-operating Funds and Transaction of Other Associated Funds for 2018, Independent Opinion of Independent Directors of Huatai Securities Co., Ltd. on the Matters Concerning Changes in Accounting Policies of the Company, Independent Opinion of Independent Directors of Huatai Securities Co., Ltd. on the Matters Concerning 2018 Annual Report of the Company, Special Report on Deposit and Actual Use of the Fund Raised in 2018, Annual Internal Control Evaluation Report in 2018, Report on Performance of Duties of Audit Committee under the Board of Huatai Securities Co., Ltd. in 2018, Report on Performance of Duties of Independent Directors of Huatai Securities Co., Ltd. in 2018, Announcement by Huatai Securities Co., Ltd. on Changes in Accounting Policies, Announcement by Huatai Securities Co., Ltd. on Anticipation of Ordinary Transactions with Related Parties in 2019, Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Tenth Meeting of the Fourth Session of the Board of Supervisors, Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Twentieth Meeting of the Fourth Session of the Board, 2018 Annual Report Summary of HTSC, 2018 Annual Report of HTSC
16	2019-04-04	Monthly Report of Equity Issuer on Movements in Securities for the Month Ended March 31, 2019
17	2019-04-08	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Fourth Tranche)
18	2019-04-09	Announcement on Key Financial Information of Business Operation for March 2019
19	2019-04-15	Date of Board Meeting

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
20	2019-04-18	Overseas Regulatory Announcement – Announcement on Extension of Bookkeeping Time of 2019 Corporate Bonds (Second Tranche) of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors, Credit Rating Report on 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche), Prospectus of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche), Prospectus Summary of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche), Announcement on Issuance of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
21	2019-04-22	Overseas Regulatory Announcement – Announcement on Coupon Rate of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
22	2019-04-23	Overseas Regulatory Announcement – Announcement on Issuance Results for 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche)
23	2019-04-24	Proposed Spin-off of ASSETMARK in the United States
24	2019-04-25	Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Holders, 2018 Annual Report
25	2019-04-26	Overseas Regulatory Announcement – Announcement on the Listing of 2019 Corporate Bonds of Huatai Securities Co., Ltd. Publicly Issued to Qualified Investors (Second Tranche) on Shanghai Stock Exchange
26	2019-04-29	Proposed Change of Employee Representative Supervisors, First Quarterly Report of 2019, Proposed Amendments to the Articles of Association, Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment and Delisting for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category I), Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Twenty-first Meeting of the Fourth Session of the Board, Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment for 2018 Non-publicly Issued Subordinated Bonds (Second Tranche) (Category I)
27	2019-05-06	Monthly Report of Equity Issuer on Changes in Securities for the Month Ended April 30, 2019, Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment for 2017 Non-publicly Issued Corporate Bonds (Second Tranche) (Category II)
28	2019-05-08	Announcement on Key Financial Information of Business Operation for April 2019

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
29	2019-05-09	Notification Letter and Request Form to Non-Registered Holders, Notification Letter and Request Form to Registered Shareholders, Form of Proxy of Holders of H Shares for use at the Annual General Meeting to be Held on June 26, 2019, Reply Slip for Holders of H Share for Attending the Annual General Meeting to be Held on June 26, 2019, Notice of AGM, Circular of 2018 Annual General Meeting, Overseas Regulatory Announcement – Notice by Huatai Securities Co., Ltd. on Convening 2018 Annual General Meeting, Document of Huatai Securities Co., Ltd. 2018 Annual General Meeting
30	2019-05-13	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on Reply from the CSRC in Relation to the Market Making Business of Treasury Bond Futures
31	2019-05-15	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2016, 2018 and 2019 and Subordinated Bonds Issued in 2018, Report on Tracking Rating of HTSC and 18 Huatai C1 and 18 Huatai C2 Issued by It, Report on Tracking Rating of Huatai Securities Co., Ltd. and 13 Huatai 02, 16 Huatai G1, 16 Huatai G2, 16 Huatai G3, 16 Huatai G4, 18 Huatai G1, 18 Huatai G2 and 19 Huatai G1 Issued by It
32	2019-05-23	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries, Announcement by Huatai Securities Co., Ltd. on the Listing of Offshore bonds on The Stock Exchange of Hong Kong Limited
33	2019-05-28	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Twenty-second Meeting of the Fourth Session of the Board, Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment and Delisting for 2018 Non-publicly Issued Short-term Corporate Bonds of Securities Company (First Tranche), Announcement by Huatai Securities Co., Ltd. on 2019 Interest Payment for 2013 Corporate Bonds
34	2019-05-31	Overseas Regulatory Announcement – Special Verification Opinions on Huatai Securities Co., Ltd. Providing Guarantee for the Issuance of Dollar Bonds of Wholly-owned Offshore Subsidiaries by Guotai Junan Securities Co., Ltd. and Huatai United Securities Co., Ltd.

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
35	2019-06-04	Announcement Relating to the Issuance of GDRs and Disclosure of the Intention to Float on the London Stock Exchange, Monthly Report of Equity Issuer on Changes in Securities for the Month Ended May 31, 2019, Overseas Regulatory Announcement – Independent Opinion of Independent Directors of Huatai Securities Co., Ltd. on Adjusting Profit Distribution Proposal of the Company in 2018, Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Twelfth Meeting of the Fourth Session of the Board of Supervisors, Announcement by Huatai Securities Co., Ltd. on the Resolutions of the Twenty-third Meeting of the Fourth Session of the Board
36	2019-06-05	Notification Letter and Request Form to Non-Registered Holders, Notification Letter and Request Form to Registered Shareholders, Revised Notice of AGM, 2018 Profit Distribution Plan and Revised Notice of Annual General Meeting, Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on Cancellation of Partial Resolutions and Inclusion of an Interim Proposal for Approval at the 2018 Annual General Meeting, Document concerning 2018 Annual General Meeting of Huatai Securities Co., Ltd.
37	2019-06-06	Announcement on Key Financial Information of Business Operation for May 2019, Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on Change in Registered Address of Huatai Securities (Shanghai) Asset Management Co., Ltd., a Wholly-owned Subsidiary of the Company
38	2019-06-10	Second Notice of the 2018 Annual General Meeting, Announcement Relating to the Receipt of No Objection Letter Issued by CSRC Concerning the Proposed Spin-off of ASSETMARK in the United States
39	2019-06-11	Announcement on Approval from UK Financial Conduct Authority for the Prospectus for the Issuance and Admission of GDRs on the London Stock Exchange and Its Publication, Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. on the Qualification of Conducting Brokerage and Dealer Business Obtained by Huatai Securities (USA), Inc., Reminder Announcement by Huatai Securities Co., Ltd. on the Issuance and Admission of the GDRs on London Stock Exchange
40	2019-06-14	Announcement Relating to Issuance Price, Issuance Results of GDRs and Relevant Matters
41	2019-06-18	Overseas Regulatory Announcement – Reminder Announcement by Huatai Securities Co., Ltd. on the Listing of New Base A-shares in Relation to the Issuance of GDRs and Changes in Shareholdings
42	2019-06-20	Next Day Disclosure Return, Announcement Relating to the Issuance and Admission of the GDRs on the London Stock Exchange

<b>No.</b>	<b>Date</b>	<b>Announcement</b>
43	2019-06-21	Overseas Regulatory Announcement – Announcement of Huatai Securities Co., Ltd. on Matters Concerning the Maximum Outstanding Balance of Short-term Debentures
44	2019-06-23	Announcement Relating to the Exercise of the Over-allotment Option, Stabilisation Actions and End of Stabilisation Period in Relation to the Issuance of GDRs
45	2019-06-25	Overseas Regulatory Announcement – Announcement by Huatai Securities Co., Ltd. Relating to the Receipt of Regulatory Opinion of the CSRC on Issuing Financial Bonds, Reminder Announcement by Huatai Securities Co., Ltd. on the Listing of New Base A-shares in Relation to the Exercise of the Over-allotment Option on the Issuance of GDRs
46	2019-06-27	Poll Results of the 2018 Annual General Meeting; Payment of Final Dividends; and Approval and Effectiveness of the Articles of Association, Next Day Disclosure Return, Announcement Relating to Changes in the Shares After the Exercise of the Over-allotment Option in Relation to the Issuance of GDRs, Overseas Regulatory Announcement – Announcement by HTSC on Increasing Registered Capital by Huatai Innovative Investment Co., Ltd.

# HUATAI SECURITIES CO., LTD.

INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2019

# Report on review of interim financial report

To the board of directors of Huatai Securities Co., Ltd.  
(Incorporated in the People's Republic of China with Limited Liability)

## Introduction

We have reviewed the accompanying interim financial report set out on page 3 to 84, which comprises the condensed consolidated statements of financial position of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2019 and the related condensed consolidated income statements, condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.



# Report on review of interim financial report (continued)

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34.

## **KPMG Huazhen LLP**

Certified Public Accountants

8th Floor, KPMG Tower  
Oriental Plaza  
1 East Chang An Avenue  
Beijing  
China

29 August 2019

**Unaudited condensed consolidated income statements**  
**For the six months ended 30 June 2019**  
*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2019</i> <i>(Unaudited)</i>	<i>2018</i> <i>(Unaudited)</i> <i>(Note)</i>
<b>Revenue</b>			
Fee and commission income	4	6,402,718	5,092,311
Interest income	5	4,216,609	4,839,701
Net investment gains	6	3,431,400	1,561,825
<b>Total revenue</b>		<b>14,050,727</b>	<b>11,493,837</b>
Other income and gains	7	677,075	486,142
<b>Total revenue and other income</b>		<b>14,727,802</b>	<b>11,979,979</b>
Fee and commission expenses	8	(1,939,967)	(1,195,669)
Interest expenses	9	(2,948,673)	(3,530,126)
Staff costs	10	(3,328,518)	(2,655,916)
Depreciation and amortisation expenses	11	(546,224)	(296,752)
Tax and surcharges	12	(77,051)	(72,611)
Other operating expenses	13	(1,604,817)	(1,113,237)
Net provision for impairment loss on financial assets	14	(146,721)	(60,509)
Net reversal of / (provision for) impairment loss on other assets		2,067	(2,033)
<b>Total expenses</b>		<b>(10,589,904)</b>	<b>(8,926,853)</b>
<b>Operating profit</b>		<b>4,137,898</b>	<b>3,053,126</b>
Share of profit of associates and joint ventures		1,280,144	967,354
<b>Profit before income tax</b>		<b>5,418,042</b>	<b>4,020,480</b>
Income tax expense	15	(1,317,941)	(813,995)
<b>Profit for the period</b>		<b>4,100,101</b>	<b>3,206,485</b>
<b>Attributable to:</b>			
Shareholders of the Company		4,056,932	3,158,898
Non-controlling interests		43,169	47,587
		<b>4,100,101</b>	<b>3,206,485</b>
Basic and diluted earnings per share (in Renminbi per share)	16	<b>0.49</b>	<b>0.44</b>

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 13 to 84 form part of this interim financial report.

# Unaudited condensed consolidated statements of profit or loss and other comprehensive income

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited) (Note)
<b>Profit for the period</b>		<u>4,100,101</u>	<u>3,206,485</u>
<b>Other comprehensive income for the period</b>			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
– Net change in fair value		676,245	(441,944)
Income tax impact		(169,061)	110,486
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income		29,325	-
Share of other comprehensive income of associates and joint ventures		96,280	2,097
Exchange differences on translation of financial statements in foreign currencies		<u>14,918</u>	<u>80,132</u>
<b>Total other comprehensive income for the period, net of tax</b>		<u>647,707</u>	<u>(249,229)</u>
<b>Total comprehensive income for the period</b>		<u>4,747,808</u>	<u>2,957,256</u>
Attributable to:			
Shareholders of the Company		4,724,273	2,909,743
Non-controlling interests		<u>23,535</u>	<u>47,513</u>
<b>Total</b>		<u>4,747,808</u>	<u>2,957,256</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 13 to 84 form part of this interim financial report.

# Unaudited condensed consolidated statements of financial position

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited) (Note)
<b>Non-current assets</b>			
Property and equipment	17	4,433,290	3,548,153
Investment properties		570,394	586,334
Goodwill	18	2,284,201	2,099,412
Other intangible assets	19	5,521,415	5,462,012
Interest in associates	20	13,507,879	12,527,828
Interest in joint ventures	21	630,276	649,833
Debt investment at amortised cost	22	14,701,476	13,854,878
Financial assets at fair value through other comprehensive income	23	11,326,938	10,098,382
Financial assets held under resale agreements		551,940	2,812,194
Financial assets at fair value through profit or loss	24	5,695,740	5,155,176
Refundable deposits	25	9,068,223	7,836,506
Deferred tax assets	26	188,524	225,135
Other non-current assets	27	242,173	259,751
<b>Total non-current assets</b>		<u>68,722,469</u>	<u>65,115,594</u>
<b>Current assets</b>			
Accounts receivable	28	6,331,069	3,090,165
Other receivables and prepayments	29	1,455,772	1,555,090
Margin accounts receivable	30	56,931,236	46,188,885
Debt investment at amortised cost	22	3,295,936	2,419,286
Financial assets held under resale agreements		26,160,265	40,744,371
Financial assets at fair value through profit or loss	24	198,083,467	117,089,156
Financial assets at fair value through other comprehensive income	23	191,366	358,361
Derivative financial assets	31	1,179,958	1,933,958
Clearing settlement funds	32	3,801,600	3,023,370
Cash held on behalf of brokerage clients	33	77,602,011	58,947,013
Cash and bank balances	34	49,257,888	28,200,625
<b>Total current assets</b>		<u>424,290,568</u>	<u>303,550,280</u>
<b>Total assets</b>		<u>493,013,037</u>	<u>368,665,874</u>

# Unaudited condensed consolidated statements of financial position (continued)

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited) (Note)
<b>Current liabilities</b>			
Short-term bank loans	36	429,366	3,015,791
Short-term debt instruments issued	37	22,592,154	21,124,000
Placements from other financial institutions	38	7,437,326	5,813,487
Accounts payable to brokerage clients	39	83,209,102	59,492,176
Employee benefits payable		1,886,889	2,869,042
Other payables and accruals	40	72,486,204	53,793,086
Contract liabilities		57,914	7,442
Current tax liabilities		544,510	284,436
Financial assets sold under repurchase agreements		97,060,852	40,095,054
Financial liabilities at fair value through profit or loss	41	3,181,680	2,874,584
Derivative financial liabilities	31	2,397,186	776,102
Long-term bonds due within one year	42	26,893,733	24,844,616
Long-term bank loans due within one year	44	12,281	15,820
<b>Total current liabilities</b>		<u>318,189,197</u>	<u>215,005,636</u>
<b>Net current assets</b>		<u>106,101,371</u>	<u>88,544,644</u>
<b>Total assets less current liabilities</b>		<u>174,823,840</u>	<u>153,660,238</u>
<b>Non-current liabilities</b>			
Long-term bonds	43	44,419,848	38,046,114
Long-term bank loans	45	1,678,983	1,682,949
Non-current employee benefits payable		5,749,376	5,045,990
Deferred tax liabilities	26	1,814,777	1,810,176
Financial liabilities at fair value through profit or loss	41	2,405,695	2,325,405
Other payables and accruals	40	552,359	-
<b>Total non-current liabilities</b>		<u>56,621,038</u>	<u>48,910,634</u>
<b>Net assets</b>		<u>118,202,802</u>	<u>104,749,604</u>

# Unaudited condensed consolidated statements of financial position (continued)

As at 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 <u>June 2019</u> (Unaudited)	As at 31 <u>December 2018</u> (Audited) (Note)
<b>Equity</b>			
Share capital	46	9,076,650	8,251,500
Reserves	47	87,221,742	75,725,973
Retained profits	48	20,525,496	19,416,104
Total equity attributable to shareholders of the Company		116,823,888	103,393,577
Non-controlling interests		1,378,914	1,356,027
<b>Total equity</b>		<u>118,202,802</u>	<u>104,749,604</u>

Approved and authorised for issue by the board of directors on 29 August 2019.

Zhou Yi  
Chairman of the Board,  
Executive director and President

Chen Chuanming  
Director

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 13 to 84 form part of this interim financial report.

# Unaudited condensed consolidated statements of changes in equity

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company						Retained profits (Note 48)	Total	Non-controlling interests	Total equity
	Share capital (Note 46)	Capital reserve (Note 47)	Surplus reserve (Note 47)	General reserve (Note 47)	Fair value reserve (Note 47)	Translation reserve (Note 47)				
As at 1 January 2019	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604
Changes in equity for the period										
Profit for the period	-	-	-	-	-	-	4,056,932	4,056,932	43,169	4,100,101
Other comprehensive income	-	-	-	-	632,789	34,552	-	667,341	(19,634)	647,707
Total comprehensive income	-	-	-	-	632,789	34,552	4,056,932	4,724,273	23,535	4,747,808
Issuance of GDR (representing A shares)	825,150	10,603,883	-	-	-	-	-	11,429,033	-	11,429,033
Appropriation to general reserve	-	-	-	224,545	-	-	(224,545)	-	-	-
Dividends declared for the period	-	-	-	-	-	-	(2,722,995)	(2,722,995)	(648)	(2,723,643)
As at 30 June 2019 (Unaudited)	9,076,650	69,463,743	4,489,831	12,421,490	554,338	292,340	20,525,496	116,823,888	1,378,914	118,202,802
As at 31 December 2017	7,162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	87,335,938	1,253,974	88,589,912
Impact on initial application of IFRS 9	-	-	34,366	60,799	(715,018)	-	549,914	(69,939)	(151)	(70,090)
Adjusted balance at 1 January 2018	7,162,769	45,820,627	3,953,854	10,068,982	810,632	(77,994)	19,527,129	87,265,999	1,253,823	88,519,822
Changes in equity for the period										
Profit for the period	-	-	-	-	-	-	3,158,898	3,158,898	47,587	3,206,485
Other comprehensive income	-	-	-	-	(329,361)	80,206	-	(249,155)	(74)	(249,229)
Total comprehensive income	-	-	-	-	(329,361)	80,206	3,158,898	2,909,743	47,513	2,957,256
Acquisition of non-controlling interests without a change in contr	-	(3,492)	-	-	-	-	-	(3,492)	(9,839)	3,331
Appropriation to general reserve	-	-	-	28,521	-	-	(28,521)	-	-	-
Dividends declared for the period	-	-	-	-	-	-	-	-	(12,715)	(12,715)
As at 30 June 2018 (Unaudited)	7,162,769	45,817,135	3,953,854	10,097,503	481,271	2,212	22,657,506	90,172,250	1,278,782	91,451,032
As at 31 December 2017	7,162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	87,335,938	1,253,974	88,589,912
Impact on initial application of IFRS 9	-	-	34,366	60,799	(715,018)	-	549,914	(69,939)	(151)	(70,090)
Adjusted balance at 1 January 2018	7,162,769	45,820,627	3,953,854	10,068,982	810,632	(77,994)	19,527,129	87,265,999	1,253,823	88,519,822
Changes in equity for the year										
Profit for the year	-	-	-	-	-	-	5,032,738	5,032,738	128,149	5,160,887
Other comprehensive income	-	-	-	-	(889,083)	335,782	-	(553,301)	3,462	(549,839)
Total comprehensive income	-	-	-	-	(889,083)	335,782	5,032,738	4,479,437	131,611	4,611,048
Issuance of A shares	1,088,731	13,044,475	-	-	-	-	-	14,133,206	-	14,133,206
Acquisition of non-controlling interests without a change in control	-	(5,242)	-	-	-	-	(4,373)	(9,615)	(8,696)	(18,311)
Recognition on disposal of subsidiaries	-	-	-	-	-	-	-	-	(7,996)	(7,996)
Appropriation to surplus reserve	-	-	535,977	-	-	-	(535,977)	-	-	-
Appropriation to general reserve	-	-	-	2,127,963	-	-	(2,127,963)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,475,450)	(2,475,450)	(12,715)	(2,488,165)
As at 31 December 2018 (Audited) (Note)	8,251,500	58,859,860	4,489,831	12,196,945	(78,451)	257,788	19,416,104	103,393,577	1,356,027	104,749,604

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 13 to 84 form part of this interim financial report.



# Unaudited condensed consolidated cash flow statement

## For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
Note	2019 (Unaudited)	2018 (Unaudited) (Note)
<b>Cash flow from operating activities:</b>		
Profit before income tax	5,418,042	4,020,480
Adjustments for:		
Interest expenses	2,948,673	3,530,126
Share of profit of associates and joint ventures	(1,280,144)	(967,354)
Depreciation and amortisation expenses	546,224	296,752
Net provision for impairment loss	144,654	62,542
Losses / (gains) on disposal of property and equipment	132	(566)
Foreign exchange (gains) / losses	(55,071)	3,965
Interest income from debt investment at amortised cost	(360,607)	(142,601)
Net gains arising from derecognition of debt investment at amortised cost	(980)	-
Unrealised fair value changes in financial instruments through profit or loss	(2,638,071)	1,784,969
Unrealised fair value changes in derivatives	926,734	(2,129,779)
Operating cash flow before movements in working capital	5,649,586	6,458,534
Increase in refundable deposits	(1,231,717)	(2,210,243)
(Increase) / decrease in margin accounts receivable	(10,726,033)	7,881,871
Increase in accounts receivable, other receivables and prepayments	(2,887,353)	(2,243,255)
Decrease in financial assets held under resale agreements	12,090,783	7,237,621
Increase in financial instruments at fair value through profit or loss	(76,996,267)	(19,345,954)

# Unaudited condensed consolidated cash flow statement (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	<i>Six months ended 30 June</i>	
		<i>2019</i> <i>(Unaudited)</i>	<i>2018</i> <i>(Unaudited)</i> <i>(Note)</i>
<b>Cash flow from operating activities</b> <b>(continued):</b>			
Increase in restricted bank deposits		(619,236)	(3,227,952)
Increase in cash held on behalf of brokerage clients		(18,654,998)	(200,105)
Increase in accounts payable to brokerage clients		23,716,926	604,312
Increase in other payables and accruals		15,721,270	710,720
Decrease in employee benefits payable		(278,767)	(1,244,626)
Increase in financial assets sold under repurchase agreements		56,965,798	15,590,079
Increase in placements from other financial institutions		1,623,839	8,168,407
		-----	-----
Cash generated from operations		4,373,831	18,179,409
Income taxes paid		(1,196,888)	(775,968)
Interest paid		(1,019,173)	(1,339,390)
		-----	-----
Net cash generated from operating activities		2,157,770	16,064,051
		-----	-----

# Unaudited condensed consolidated cash flow statement (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

		<u>Six months ended 30 June</u>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(Note)</i>
<b>Cash flow from investing activities:</b>			
Proceeds on disposal of property and equipment		2,220	3,347
Dividends received from associates		195,456	110,971
Interest income from debt investment at amortised cost		360,607	142,601
Net gains arising from derecognition of debt investment at amortised cost		980	-
Payment of other limited partners' interest in private equity funds		(64,801)	(124,200)
Disinvestments of associates and joint ventures		104,131	38,600
Purchase of property and equipment, investment properties, other intangible assets and other non-current assets		(423,896)	(228,252)
Acquisition of interests in subsidiary		(240,918)	-
Acquisition of interests in associates and other investments		(145,005)	(153,250)
Purchase of debt investment measured at amortised cost		(1,723,156)	(7,323,980)
Purchase of financial assets through other comprehensive income		(356,736)	-
Net cash used in investing activities		(2,291,118)	(7,534,163)

# Unaudited condensed consolidated cash flow statement (continued)

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	<u>Six months ended 30 June</u>	
Note	2019	2018
	(Unaudited)	(Unaudited) (Note)
<b>Cash flow from financing activities:</b>		
Proceeds from issuance of short-term debt instruments	33,751,910	22,142,710
Proceeds from issuance of long-term bonds	20,599,302	5,924,000
Net proceeds from issuance of A shares	11,586,661	-
(Repayment) / proceeds of bank loans	(2,593,929)	400,082
Repayment of debt securities issued	(44,266,514)	(35,118,390)
Short-term debt instruments interest paid	(389,137)	(274,170)
Short-term bank loans interest paid	(47,553)	(5,976)
Long-term bank loans interest paid	(55,306)	-
Long-term bonds interest paid	(1,560,298)	(2,096,477)
Dividends paid	(648)	(12,715)
Payment of lease liabilities	(138,264)	-
Net cash generated from / (used in) financing activities	<u>16,886,224</u>	<u>(9,040,936)</u>
Net increase / (decrease) in cash and cash equivalents	16,752,876	(511,048)
Cash and cash equivalents at the beginning of the period	40,792,310	31,378,585
Effect of foreign exchange rate changes	<u>26,551</u>	<u>26,334</u>
Cash and cash equivalents at the end of the period	<u>57,571,737</u>	<u>30,893,871</u>
35		

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 13 to 84 form part of this interim financial report.

# Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 General information

Huatai Securities Co., Ltd. (the “Company”), formerly known as Jiangsu Securities Company, was approved by the People’s Bank of China (“PBOC”), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (the “A shares”) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,768,800 H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

In July 2018, the Company issued RMB1,088,731,200 A shares through private placement.

In June 2019, the Company issued 82,515,000 Global Deposits Receipts (the “GDRs”), representing RMB 825,150,000 new A shares, and was listed on the London Stock Exchange plc (the “London Stock Exchange”).

As at 30 June 2019, the Company’s registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

The Company and its subsidiaries (the “Group”) principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission (the “CSRC”).

## 2 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standards Board. It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report does not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial report as at and for the year ended 31 December 2018.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is issued on 29 August 2019.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2019.

### **3 Changes in significant accounting policies**

The Group has initially adopted *IFRS 16 Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### **(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(b) As a lessee**

The Group leases many assets, most of which are properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

	<b>Property and equipment</b>
Balance at 1 January 2019	725,265
Balance at 30 June 2019	827,304

The Group presents lease liabilities in “other payables and accruals” in the consolidated statement of financial position.

**(i) Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.



The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

**(ii) Transition**

Previously, the Group classified property leases as operating leases under IAS 17. The leases typically run for a period of 3 to 5 years.

At transition, for leases classified as operating lease under IAS 17, lease liabilities were remeasured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Other than the recognition of lease liabilities and right-of-use assets, the adoption of IFRS 16 does not result in any impact on the Group's equity as at 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**(c) As a lessor**

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

**(d) Impacts on financial statements**

**(i) Impacts on transition**

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	<u>1 January 2019</u>
Right-of-use assets presented in property and equipment	725,265
Lease liabilities	(707,224)
Prepaid lease payments	(18,041)
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	832,486
Discounted using the incremental borrowing rate at 1 January 2019	781,902
- Recognition exemption for leases with less than 12 months of lease term at transition	(74,678)
	<hr/>
Lease liabilities recognised at 1 January 2019	<u>707,224</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rates range from 4.17%-6.00% per annum.

**(ii) Impacts for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB827 million of right-of-use assets and RMB809 million of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB126 million of depreciation charges and RMB11 million of interest costs from these leases.

**4 Fee and commission income**

	<u>Six months ended 30 June</u>	
	2019	2018
Income from securities brokerage and advisory business	3,304,033	2,572,396
Income from asset management business	1,922,302	1,549,643
Income from futures brokerage business	518,305	116,093
Income from underwriting and sponsorship business	402,529	622,001
Income from financial advisory business	220,560	198,139
Other commission income	34,989	34,039
	<hr/>	<hr/>
Total	<u>6,402,718</u>	<u>5,092,311</u>

## 5 Interest income

	<u>Six months ended 30 June</u>	
	2019	2018
Interest income from margin financing and securities lending	1,864,813	2,102,067
Interest income from financial institutions	1,203,865	1,151,824
Interest income from securities-backed lending	576,940	1,413,794
Interest income from debt investment at amortised cost	360,607	-
Interest income from other financial assets held under resale agreements	122,215	137,761
Others	88,169	34,255
Total	<u>4,216,609</u>	<u>4,839,701</u>

## 6 Net investment gains

	<u>Six months ended 30 June</u>	
	2019	2018
Dividend income and interest income from financial instruments at fair value through profit or loss	557,198	2,077,987
Net realised gains / (losses) from disposal of financial instruments at fair value through profit or loss	1,553,672	(694,722)
Net gains arising from derecognition of debt investment at amortised cost	980	-
Net realised losses from disposal of derivative financial instruments	(221,000)	(308,851)
Unrealised fair value changes of derivative financial instruments	(1,098,841)	2,129,779
Unrealised fair value changes of financial instruments at fair value through profit or loss	2,638,071	(1,784,969)
Others	1,320	142,601
Total	<u>3,431,400</u>	<u>1,561,825</u>

## 7 Other income and gains

	<u>Six months ended 30 June</u>	
	2019	2018
Income from commodity sales	504,403	213,699
Foreign exchange gains / (losses)	55,071	(3,965)
Income from hotel operation	43,787	43,130
Rental income	30,416	49,327
Government grants <sup>(1)</sup>	17,778	147,678
Gains on disposal of property and equipment	-	566
Others	25,620	35,707
Total	<u>677,075</u>	<u>486,142</u>

- (1) The government grants were received unconditionally by the Group from the local government where they reside.

## 8 Fee and commission expenses

	<u>Six months ended 30 June</u>	
	2019	2018
Expenses for securities brokerage and advisory business	1,048,820	799,968
Expenses for asset management business	441,292	370,730
Expenses for futures brokerage business	425,334	7,285
Expenses for underwriting and sponsorship business	18,159	12,404
Expenses for financial advisory business	999	47
Other commission expenses	5,363	5,235
Total	<u>1,939,967</u>	<u>1,195,669</u>

## 9 Interest expenses

	<i>Six months ended 30 June</i>	
	2019	2018
Interest expenses on long-term bonds	1,436,507	1,729,361
Interest expenses on financial assets sold under repurchase agreements	814,122	661,470
Interest expenses on short-term debt instruments issued	217,493	551,586
Interest expenses of accounts payable to brokerage clients	163,843	134,566
Interest expenses on placements	154,990	300,628
Interest expenses on long-term bank loans	55,306	-
Interest expenses on short-term bank loans	34,609	5,975
Interest expenses on lease liabilities	10,579	-
Others	61,224	146,540
Total	<u>2,948,673</u>	<u>3,530,126</u>

## 10 Staff costs

	<i>Six months ended 30 June</i>	
	2019	2018
Salaries, bonuses and allowances	2,683,146	2,225,006
Contribution to pension schemes	211,272	179,311
Cash-settled share-based payment expenses	171,813	18,406
Other social welfare	262,287	233,193
Total	<u>3,328,518</u>	<u>2,655,916</u>

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labour and social welfare authorities. The contributions to the social security plans are expensed as incurred.

## 11 Depreciation and amortisation expenses

	<i>Six months ended 30 June</i>	
	2019	2018
Amortisation of other intangible assets	199,849	155,334
Depreciation of property and equipment	171,881	111,351
Depreciation of right-of-use assets	125,599	-
Amortisation of leasehold improvements and long-term deferred expenses	32,955	15,603
Depreciation of investment properties	15,940	14,464
Total	546,224	296,752

## 12 Tax and surcharges

	<i>Six months ended 30 June</i>	
	2019	2018
City maintenance and construction tax	31,321	27,641
Education surcharges	23,567	21,442
Others	22,163	23,528
Total	77,051	72,611

## 13 Other operating expenses

	<i>Six months ended 30 June</i>	
	2019	2018
Cost of commodity sales	501,698	213,569
Marketing, advertising and promotion expenses	94,968	61,947
Consulting fees	93,665	49,522
Business travel expenses	83,954	74,739
Stock exchange fee	83,905	71,475
Business entertainment expenses	66,335	50,911
Securities investor protection funds	57,289	28,578
IT expenses	54,901	22,188
Products distribution expenses	48,206	62,298
Postal and communication expenses	47,536	41,708
Rental expenses	34,127	172,111
Utilities	20,626	16,690
Auditors' remuneration	12,122	7,194
Others	405,485	240,307
Total	1,604,817	1,113,237

## 14 Net provision for impairment loss on financial assets

	<u>Six months ended 30 June</u>	
	2019	2018
Provision for impairment losses against financial assets held under resale agreements	117,029	69,037
Provision for impairment losses against other receivables and prepayments	26,286	12,140
Provision for impairment losses against accounts receivable	14,529	3,705
Provision for impairment losses against cash and bank balances	4,543	2,820
Provision for impairment losses against financial assets at fair value through other comprehensive income	744	-
(Reversal of) / provision for impairment losses against debt investment at amortised cost	(92)	1,223
Reversal of impairment losses against margin accounts receivable	(16,318)	(28,416)
Total	<u>146,721</u>	<u>60,509</u>

## 15 Income tax expense

### (a) Taxation in the consolidated income statements represents:

	<u>Six months ended 30 June</u>	
	2019	2018
Current income tax		
– Mainland China	1,289,932	441,398
– Hong Kong	-	-
– Overseas	147,353	55,432
	<u>1,437,285</u>	<u>496,830</u>
Adjustment in respect of prior years		
– Mainland China	8,505	3,782
– Hong Kong	-	-
– Overseas	-	-
	<u>8,505</u>	<u>3,782</u>
Deferred tax		
Reversal and origination of temporary differences	<u>(127,849)</u>	<u>313,383</u>
Total	<u>1,317,941</u>	<u>813,995</u>

- (1) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Group’s subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.



- (2) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits. The federal income tax of subsidiaries in the United States were provided at the rate of 21% from 1 January 2018, whereas the states' income tax are charged at the applicable local tax rates.

**(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:**

	<u>Six months ended 30 June</u>	
	2019	2018
Profit before income tax	5,418,042	4,020,480
National tax calculated using the PRC statutory tax rate	1,354,510	1,005,120
Effect of different tax rates of the subsidiaries	23,844	6,858
Tax effect of non-deductible expenses	55,927	28,692
Tax effect of unused tax losses not recognised	3,362	1,513
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(16,598)	(38,974)
Tax effect of non-taxable income	(111,557)	(197,076)
Adjustment for prior years	8,505	3,782
Others	(52)	4,080
Actual income tax expense	1,317,941	813,995

**16 Basic and diluted earnings per share**

		<u>Six months ended 30 June</u>	
	Note	2019	2018
Weighted average number of ordinary shares (in thousands)	16(a)	8,289,628	7,162,769
Net profit attributable to equity shareholders of the Company (in RMB thousands)		4,056,932	3,158,898
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.49	0.44

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

**(a) Weighted average number of ordinary shares (in thousands)**

	<u>Six months ended 30 June</u>	
	2019	2018
Number of ordinary shares as at 1 January	8,251,500	7,162,769
Increase in weighted average number of ordinary shares	38,128	-
Weighted average number of ordinary shares	8,289,628	7,162,769

## 17 Property and equipment

	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Electric equipment</u>	<u>Furniture and fixtures</u>	<u>Construction in progress</u>	<u>Right-of-use assets</u>	<u>Total</u>
<b>Cost</b>							
As at 1 January 2019	3,574,577	147,871	791,119	221,437	49,026	725,265	5,509,295
Additions	-	19,365	188,664	6,509	25,410	227,638	467,586
Transfer during the period	-	-	369	1,172	(9,426)	-	(7,885)
Transfer in from investment properties	-	-	-	-	-	-	-
Disposals	-	(11,415)	(35,301)	(2,594)	-	-	(49,310)
As at 30 June 2019	<u>3,574,577</u>	<u>155,821</u>	<u>944,851</u>	<u>226,524</u>	<u>65,010</u>	<u>952,903</u>	<u>5,919,686</u>
<b>Accumulated depreciation</b>							
As at 1 January 2019	(598,166)	(125,141)	(433,285)	(79,285)	-	-	(1,235,877)
Charge for the period	(45,541)	(3,481)	(71,269)	(51,590)	-	(125,599)	(297,480)
Disposals	-	11,071	33,446	2,444	-	-	46,961
As at 30 June 2019	<u>(643,707)</u>	<u>(117,551)</u>	<u>(471,108)</u>	<u>(128,431)</u>	<u>-</u>	<u>(125,599)</u>	<u>(1,486,396)</u>
<b>Carrying amount</b>							
As at 30 June 2019	<u>2,930,870</u>	<u>38,270</u>	<u>473,743</u>	<u>98,093</u>	<u>65,010</u>	<u>827,304</u>	<u>4,433,290</u>
<b>Cost</b>							
As at 1 January 2018	3,823,500	153,137	676,102	131,720	59,487	-	4,843,946
Additions	32,043	1,397	194,711	18,776	41,957	-	288,884
Transfer during the year	-	-	1,793	2,429	(14,721)	-	(10,499)
Transfer in from investment properties	53,901	-	-	-	-	-	53,901
Disposals	-	(6,663)	(81,487)	(11,593)	-	-	(99,743)
Other	(334,867)	-	-	80,105	(37,697)	-	(292,459)
As at 31 December 2018	<u>3,574,577</u>	<u>147,871</u>	<u>791,119</u>	<u>221,437</u>	<u>49,026</u>	<u>-</u>	<u>4,784,030</u>
<b>Accumulated depreciation</b>							
As at 1 January 2018	(493,500)	(123,752)	(417,259)	(71,964)	-	-	(1,106,475)
Charge for the year	(101,894)	(7,860)	(96,638)	(17,238)	-	-	(223,630)
Transfer in from investment properties	(2,772)	-	-	-	-	-	(2,772)
Disposals	-	6,471	80,612	9,917	-	-	97,000
As at 31 December 2018	<u>(598,166)</u>	<u>(125,141)</u>	<u>(433,285)</u>	<u>(79,285)</u>	<u>-</u>	<u>-</u>	<u>(1,235,877)</u>
<b>Carrying amount</b>							
As at 31 December 2018	<u>2,976,411</u>	<u>22,730</u>	<u>357,834</u>	<u>142,152</u>	<u>49,026</u>	<u>-</u>	<u>3,548,153</u>

As at 30 June 2019 and 31 December 2018, the Group is still in the process of applying for the title certificates for its land and buildings with a carrying value of RMB67 million and RMB69 million, respectively.

## 18 Goodwill

### Cost

As at 1 January 2019	2,099,412
Acquisition through business combination	181,720
Effect of movements in exchange rates	3,069
	<hr/>
As at 30 June 2019	2,284,201
	<hr/>

### Impairment losses

As at 1 January 2019	-
Impairment losses	-
	<hr/>
As at 30 June 2019	-
	<hr/>

### Carrying amounts

As at 1 January 2019	2,099,412
	<hr/>
As at 30 June 2019	2,284,201
	<hr/>

## 19 Other intangible assets

	<u>Land use rights</u>	<u>Existing relationships with broker- dealers</u>	<u>Trade names</u>	<u>Software and others</u>	<u>Total</u>
<b>Cost</b>					
As at 1 January 2019	359,161	3,917,479	314,714	1,912,694	6,504,048
Acquisition of subsidiaries	-	-	-	95,632	95,632
Additions	3,120	-	-	139,353	142,473
Disposals	-	-	-	-	-
Exchange differences	-	18,597	1,495	4,817	24,909
As at 30 June 2019	<u>362,281</u>	<u>3,936,076</u>	<u>316,209</u>	<u>2,152,496</u>	<u>6,767,062</u>
<b>Accumulated amortisation</b>					
As at 1 January 2019	(78,123)	-	(37,323)	(926,590)	(1,042,036)
Charge for the period	(3,608)	-	(13,254)	(182,987)	(199,849)
Disposals	-	-	-	-	-
Exchange differences	-	-	(643)	(3,119)	(3,762)
As at 30 June 2019	<u>(81,731)</u>	<u>-</u>	<u>(51,220)</u>	<u>(1,112,696)</u>	<u>(1,245,647)</u>
<b>Carrying amount</b>					
As at 30 June 2019	<u>280,550</u>	<u>3,936,076</u>	<u>264,989</u>	<u>1,039,800</u>	<u>5,521,415</u>
<b>Cost</b>					
As at 1 January 2018	359,161	3,727,631	299,463	1,445,500	5,831,755
Additions	-	-	-	438,444	438,444
Disposals	-	-	-	(141)	(141)
Exchange differences	-	189,848	15,251	28,891	233,990
As at 31 December 2018	<u>359,161</u>	<u>3,917,479</u>	<u>314,714</u>	<u>1,912,694</u>	<u>6,504,048</u>
<b>Accumulated amortisation</b>					
As at 1 January 2018	(70,927)	-	(20,868)	(602,211)	(694,006)
Charge for the year	(7,196)	-	(14,973)	(313,790)	(335,959)
Disposals	-	-	-	92	92
Exchange differences	-	-	(1,482)	(10,681)	(12,163)
As at 31 December 2018	<u>(78,123)</u>	<u>-</u>	<u>(37,323)</u>	<u>(926,590)</u>	<u>(1,042,036)</u>
<b>Carrying amount</b>					
As at 31 December 2018	<u>281,038</u>	<u>3,917,479</u>	<u>277,391</u>	<u>986,104</u>	<u>5,462,012</u>

Existing relationships with broker-dealers are regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

## 20 Interest in associates

	<u>As at 30</u> <u>June 2019</u>	<u>As at 31</u> <u>December 2018</u>
Share of net assets	13,507,879	12,527,828

The following list contains only the particulars of material associates, all of which (except for Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu") which has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

<u>Name of associates</u>	<u>Registered place</u>	<u>Registered capital</u>	<u>Proportion of ownership interest</u>			<u>Principal activity</u>
			<u>Group's effective interest</u>	<u>Held by the Company</u>	<u>Held by a subsidiary</u>	
Bank of Jiangsu <sup>(i)</sup>	Nanjing	11,544,450	5.54%	5.54%	-	Commercial banking
China Southern Asset Management Co., Ltd.	Shenzhen	300,000	45.00%	45.00%	-	Fund management
Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership)	Nanjing	5,442,000	48.27%	-	48.27%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

- (i) As at 30 June 2019, the Group has appointed one director in the board of directors of Bank of Jiangsu. The Group formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it and recognised interest in associates using the equity method.

## 21 Interest in joint ventures

	<u>As at 30</u> <u>June 2019</u>	<u>As at 31</u> <u>December 2018</u>
Share of net assets	630,276	649,833

The following list contains only the particular joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follow:

<u>Name of joint venture</u>	<u>Registered place</u>	<u>Registered capital</u>	<u>Proportion of ownership interest</u>			<u>Principal activity</u>
			<u>Group's effective interest</u>	<u>Held by the Company</u>	<u>Held by a subsidiary</u>	
Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	Nanjing	10,001,000	10.00%	-	10.00%	Equity investment

As at 30 June 2019, the Group holds 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

## 22 Debt investment at amortised cost

### (a) Analysed by nature:

#### Non-current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Debt securities	14,023,570	13,208,179
Loan and advances	682,661	651,983
Less: impairment losses	(4,755)	(5,284)
Total	<u>14,701,476</u>	<u>13,854,878</u>

#### Current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Debt securities	2,793,780	2,276,968
Loan and advances	503,361	143,100
Less: impairment losses	(1,205)	(782)
Total	<u>3,295,936</u>	<u>2,419,286</u>

As at 30 June 2019, the Group has pledged debt investment at amortised cost with a total fair value of RMB15,656 million and carrying amount of RMB15,296 million for the purpose of repurchase agreement business. The fair value of these securities have taken into account the relevant features including the restrictions.

### (b) Analysis of the movement of provision for impairment losses:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
At the beginning of the period / year	6,066	151
Charge for the period / year	1,956	6,978
Reversal of impairment	(2,048)	(1,063)
Written-off	(14)	-
At the end of the period / year	<u>5,960</u>	<u>6,066</u>

## 23 Financial assets at fair value through other comprehensive income

### Non-current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
<b>Equity investment</b>		
Equity securities designated at financial assets at fair value through other comprehensive income		
– Unlisted equity securities	82,394	82,294
– Other unlisted equity investment <sup>(1)</sup>	10,443,884	9,767,639
	<u>10,526,278</u>	<u>9,849,933</u>
<b>Debt investment</b>		
Debt securities	180,138	-
Loan and advances	620,522	248,449
	<u>800,660</u>	<u>248,449</u>
<b>Total</b>	<u>11,326,938</u>	<u>10,098,382</u>
Analysed as:		
Unlisted	11,146,800	10,098,382
Listed in Hong Kong	180,138	-
<b>Total</b>	<u>11,326,938</u>	<u>10,098,382</u>

- (1) As at 30 June 2019, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. As at 30 June 2019 and 31 December 2018, the fair value of the Company's contribution recognised by the Company was approximately RMB10,444 million and RMB9,768 million, respectively, based on the investment account statement provided by CSF. The Group designated the special amount investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

### Current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
<b>Debt investment</b>		
Loan and advances	191,366	358,361
Analysed as:		
Unlisted	<u>191,366</u>	<u>358,361</u>



## 24 Financial assets at fair value through profit or loss

Non-current

### (a) Analysed by type:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Equity securities	2,279,641	3,072,923
Wealth management products	2,005,354	914,281
Debt securities	777,821	750,853
Funds	632,924	417,119
Total	<u>5,695,740</u>	<u>5,155,176</u>

### (b) Analysed as:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Listed outside Hong Kong	446,765	406,000
Unlisted	5,248,975	4,749,176
Total	<u>5,695,740</u>	<u>5,155,176</u>

Current

### (a) Analysed by type:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Debt securities	150,516,410	81,535,117
Funds	28,273,593	22,360,796
Equity securities	12,118,510	7,299,492
Wealth management products	7,174,954	5,893,751
Total	<u>198,083,467</u>	<u>117,089,156</u>

### (b) Analysed as:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Listed in Hong Kong	4,119,575	3,305,649
Listed outside Hong Kong	95,247,848	57,972,062
Unlisted	98,716,044	55,811,445
Total	<u>198,083,467</u>	<u>117,089,156</u>

## 24 Financial assets at fair value through profit or loss (continued)

As at 30 June 2019, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB68 million. The fair value of these funds have taken into account the relevant features including the restrictions.

As at 30 June 2019, the listed equity securities held by the Group included approximately RMB 708 million of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

Non-current financial assets at fair value through profit or loss investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair value.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 30 June 2019, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB1,298 million to external clients, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 30(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2019, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB82,515 million for the purpose of repurchase agreement business and bond lending business. The fair value of these securities have taken into account the relevant features including the restrictions.

## 25 Refundable deposits

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	467,902	366,632
– Hong Kong Securities Clearing Company Limited	9,704	8,275
– Hong Kong Stock Exchange	528	526
	<u>478,134</u>	<u>375,433</u>
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	2,925,199	1,991,536
– Shanghai Futures Exchange	2,072,366	1,295,101
– Dalian Commodity Exchange	1,390,776	1,307,482
– Zhengzhou Commodity Exchange	1,164,156	725,813
– Shanghai International Energy Exchange	243,094	127,174
– Overseas Commodity Exchange	178,696	102,835
	<u>7,974,287</u>	<u>5,549,941</u>
Deposits with other institutions		
– China Securities Finance Corporation Limited	199,369	1,682,150
– Shanghai Clearing House	257,848	107,094
– Shanghai Gold Exchange	400	300
– Other financial institutions	158,185	121,588
	<u>615,802</u>	<u>1,911,132</u>
Total	<u>9,068,223</u>	<u>7,836,506</u>

## 26 Deferred taxation

(a) **The components of deferred tax assets / (liabilities) recognised in the consolidated statements of financial position and the movements are as follows:**

<b>Deferred tax arising from:</b>	<b>Provision for impairment losses</b>	<b>Employee benefits payable</b>	<b>Changes in fair value of financial instruments at fair value through profit or loss</b>	<b>Changes in fair value of derivative financial instruments</b>	<b>Changes in fair value of available- for-sale financial assets</b>	<b>Changes in fair value of financial assets at fair value through other comprehensive income</b>	<b>Intangible assets recognised in the acquisition</b>	<b>Others</b>	<b>Total</b>
As at 1 January 2019	370,853	1,386,041	(284,721)	(313,601)	-	29,136	(1,224,780)	(1,547,969)	(1,585,041)
Recognised in profit or loss	28,848	138,849	(194,678)	228,492	-	-	(3,630)	(70,032)	127,849
Recognised in reserves	-	-	-	-	-	(169,061)	-	-	(169,061)
As at 30 June 2019	399,701	1,524,890	(479,399)	(85,109)	-	(139,925)	(1,228,410)	(1,618,001)	(1,626,253)
As at 31 December 2017	174,630	1,547,359	(257,295)	303,757	(392,060)	-	(1,189,098)	(1,646,183)	(1,458,890)
Impact on initial application of IFRS9	(15,404)	-	(131,799)	-	392,060	(272,986)	-	25,817	(2,312)
As at 1 January 2018	159,226	1,547,359	(389,094)	303,757	-	(272,986)	(1,189,098)	(1,620,366)	(1,461,202)
Recognised in profit or loss	211,627	(161,318)	104,373	(617,358)	-	-	(35,682)	72,397	(425,961)
Recognised in reserves	-	-	-	-	-	302,122	-	-	302,122
As at 31 December 2018	370,853	1,386,041	(284,721)	(313,601)	-	29,136	(1,224,780)	(1,547,969)	(1,585,041)

**(b) Reconciliation to the consolidated statements of financial position**

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Net deferred tax assets recognised in the consolidated statement of financial position	188,524	225,135
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(1,814,777)</u>	<u>(1,810,176)</u>
Total	<u>(1,626,253)</u>	<u>(1,585,041)</u>

**(c) Deferred tax assets not recognised**

As at 30 June 2019 and 31 December 2018, the Group has not recognised unused tax losses of RMB1,092 million and RMB1,145 million, respectively, as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

**27 Other non-current assets**

**(a) Analysed by nature:**

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Leasehold improvements and long-term deferred expenses	<u>242,173</u>	<u>259,751</u>

**(b) The movements of leasehold improvements and long-term deferred expenses are as below:**

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
At the beginning of the period / year	259,751	81,047
Additions	7,492	205,686
Transfer in from property and equipment	7,885	10,499
Amortisation	<u>(32,955)</u>	<u>(37,481)</u>
At the end of the period / year	<u>242,173</u>	<u>259,751</u>

## 28 Accounts receivable

### (a) Analysed by nature:

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
Accounts receivable of:		
– Return swap and OTC options	4,022,642	1,465,653
– Fee and commission	804,298	763,403
– Brokers, dealers and clearing house	679,134	323,014
– Interest of interest rate swap	380,466	223,324
– Subscription receivable	293,463	120,027
– Redemption of open-ended fund	63,831	7,948
– Settlement	39,200	23,851
– Others	80,454	180,835
Less: impairment losses	(32,419)	(17,890)
Total	<u>6,331,069</u>	<u>3,090,165</u>

### (b) Analysed by ageing:

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
Within 1 month	5,106,947	2,676,272
1 to 3 months	1,063,094	335,761
Over 3 months	161,028	78,132
Total	<u>6,331,069</u>	<u>3,090,165</u>

### (c) Analysis of the movement of provision for impairment losses:

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
At the beginning of the period / year	17,890	9,918
Charge for the period / year	14,529	8,545
Written-off	-	(573)
At the end of the period / year	<u>32,419</u>	<u>17,890</u>

### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## 29 Other receivables and prepayments

### (a) Analysed by nature:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Other receivables <sup>(1)</sup>	421,024	387,832
Dividend receivable	443,384	210,032
Interest receivable	186,336	184,677
Tax refund	63,567	472,541
Deferred expenses	14,522	25,187
Others	326,939	274,821
Total	<u>1,455,772</u>	<u>1,555,090</u>

The balance of others mainly represents receivables from counterparties of the over-the-counter transactions, the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

### (1) Other receivables:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Other receivables	1,164,314	1,102,147
Less: impairment losses	<u>(743,290)</u>	<u>(714,315)</u>
Total	<u>421,024</u>	<u>387,832</u>

### Analysis of the movement of provision for other receivables impairment losses:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
At the beginning of the period / year	714,315	386,691
Charge for the period / year	39,761	343,960
Reversal of impairment	(10,786)	(16,230)
Written-off	<u>-</u>	<u>(106)</u>
At the end of the period / year	<u>743,290</u>	<u>714,315</u>

### 30 Margin accounts receivable

#### (a) Analysed by nature:

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
Individuals	53,442,327	43,445,557
Institutions	3,590,944	2,861,681
Less: impairment losses	(102,035)	(118,353)
Total	<u>56,931,236</u>	<u>46,188,885</u>

As at 31 December 2018, the amount of margin accounts receivable which the Group transfers to the securitisation vehicle is RMB1,078 million, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors with the margin accounts receivables as the underlying assets. There is no such transaction as at 30 June 2019.

#### (b) Analysis of the movement of provision for impairment losses:

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
At the beginning of the period / year	118,353	140,217
Charge for the period / year	2,323	29,561
Reversal of impairment	(18,641)	(51,425)
At the end of the period / year	<u>102,035</u>	<u>118,353</u>

#### (c) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
Fair value of collaterals:		
– Equity securities	170,012,028	119,268,801
– Cash	11,384,545	6,966,255
– Funds	3,261,724	3,078,365
– Debt securities	325,569	185,062
Total	<u>184,983,866</u>	<u>129,498,483</u>

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.



### 31 Derivative financial instruments

<i>As at 30 June 2019</i>			
	<i>Notional amount</i>	<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Interest rate derivatives	108,272,860	161	(32,557)
Currency derivatives	4,214,661	26,999	(2,588)
Equity derivatives	48,232,926	1,042,563	(815,069)
Credit derivatives	601,729	1,318	(3,092)
Commodity derivatives	147,078,717	112,197	(1,719,267)
Total	<u>308,400,893</u>	<u>1,183,238</u>	<u>(2,572,573)</u>
Less: settlement		<u>(3,280)</u>	<u>175,387</u>
Net position		<u>1,179,958</u>	<u>(2,397,186)</u>

<i>As at 31 December 2018</i>			
	<i>Notional amount</i>	<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Interest rate derivatives	62,537,399	2,934	(29,667)
Currency derivatives	849,807	26,935	(849)
Equity derivatives	45,549,553	1,902,365	(768,911)
Credit derivatives	35,000	554	(56)
Others	3,050,979	64,594	(5,023)
Total	<u>112,022,738</u>	<u>1,997,382</u>	<u>(804,506)</u>
Less: settlement		<u>(63,424)</u>	<u>28,404</u>
Net position		<u>1,933,958</u>	<u>(776,102)</u>

Under the daily market-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures and treasury futures settled in China Financial Futures Exchange and certain commodity futures traded through Huatai Futures Co., Ltd. ("Huatai Futures"), were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 30 June 2019 and 31 December 2018.

## 32 Clearing settlement funds

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	3,771,619	3,021,783
– Hong Kong Securities Clearing Company Limited	21,825	-
Deposits with other institutions	8,156	1,587
Total	<u>3,801,600</u>	<u>3,023,370</u>

## 33 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the Mainland China, the use of cash held on behalf of brokerage clients is restricted and governed by the relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## 34 Cash and bank balances

### (a) Analysed by nature:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Cash on hand	194	225
Bank balances	49,263,584	28,201,747
Less: impairment losses	(5,890)	(1,347)
Total	<u>49,257,888</u>	<u>28,200,625</u>

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

### 34 Cash and bank balances (continued)

#### (b) Analysis of the movement of provision for impairment losses:

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
At the beginning of the period / year	1,347	3,496
Charge for the period / year	5,810	1
Reversal of impairment	<u>(1,267)</u>	<u>(2,150)</u>
At the end of the period / year	<u>5,890</u>	<u>1,347</u>

### 35 Cash and cash equivalents

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
Cash on hand	194	225
Bank balances	49,239,027	27,996,453
Clearing settlement funds	3,795,502	3,023,296
Financial assets held under resale agreements within 3 months original maturity	10,929,861	15,545,947
Less: restricted bank deposits	<u>(6,392,847)</u>	<u>(5,773,611)</u>
Total	<u>57,571,737</u>	<u>40,792,310</u>

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits and risk reserve deposits.

### 36 Short-term bank loans

	<i>As at 30</i> <u>June 2019</u>	<i>As at 31</i> <u>December 2018</u>
Unsecured loans	297,368	3,015,791
Pledged loan	<u>131,998</u>	<u>-</u>
Total	<u>429,366</u>	<u>3,015,791</u>

As at 30 June 2019, the interest rates for short-term loans were in the range of 3.37% to 4.78% per annum. As at 31 December 2018, the interest rates for short-term loans were in the range of 3.66% to 6.60% per annum.

### 37 Short-term debt instruments issued

As at 30 June 2019

<i>Name</i>	<i>Par value</i> Original currency	<i>Issuance date</i>	<i>Due date</i>	<i>Issue amount</i> Original currency	<i>Nominal interest rate</i>
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
HUATAI CP001	RMB3,000,000	25/04/2019	28/07/2019	RMB3,000,000	3.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
Structured notes <sup>(1)</sup>	RMB19,190,760	Note(1)	Note(1)	RMB19,190,760	Note(1)

<i>Name</i>	<i>Book value as at</i> <i>1 January 2019</i> RMB equivalent	<i>Increase</i> RMB equivalent	<i>Decrease</i> RMB equivalent	<i>Book value as at</i> <i>30 June 2019</i> RMB equivalent
18 HUATAI D1	4,727,918	95,693	(4,823,611)	-
HUATAI CP001	-	3,015,288	-	3,015,288
FRGN	344,636	1,451	(18,219)	327,868
Structured notes <sup>(1)</sup>	16,051,446	31,251,309	(28,053,757)	19,248,998
Total	21,124,000	34,363,741	(32,895,587)	22,592,154

As at 31 December 2018

<i>Name</i>	<i>Par value</i> Original currency	<i>Issuance date</i>	<i>Due date</i>	<i>Issue amount</i> Original currency	<i>Nominal interest rate</i>
17 HUATAI 05	RMB4,000,000	11/08/2017	11/08/2018	RMB4,000,000	4.65%
17 HUATAI C3	RMB2,000,000	14/09/2017	14/09/2018	RMB2,000,000	5.00%
17 HUATAI 07	RMB4,000,000	20/11/2017	20/11/2018	RMB4,000,000	5.20%
18 HUATAI D1	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
FRGN	USD50,000	28/11/2018	28/11/2019	USD50,000	4.61%
Structured notes	RMB16,005,364	Note(1)	Note(1)	RMB16,005,364	Note(1)

<i>Name</i>	<i>Book value as at</i> <i>1 January 2018</i> RMB equivalent	<i>Increase</i> RMB equivalent	<i>Decrease</i> RMB equivalent	<i>Book value as at</i> <i>31 December 2018</i> RMB equivalent
17 HUATAI 05	4,000,000	-	(4,000,000)	-
17 HUATAI C3	2,000,000	-	(2,000,000)	-
17 HUATAI 07	4,000,000	-	(4,000,000)	-
18 HUATAI D1	-	4,727,918	-	4,727,918
FRGN	-	344,636	-	344,636
Structured notes	16,656,010	40,353,236	(40,957,800)	16,051,446
Total	26,656,010	45,425,790	(50,957,800)	21,124,000

- (1) For the six months ended 30 June 2019, the Company has issued 2,321 tranches of structured notes, bearing interest ranging from 2.75% to 6.60% per annum, repayable within 1 year. Structured notes repayable more than 1 year are classified as “Long-term bonds” (Note 43).

### 38 Placements from other financial institutions

Current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Placements from China Securities Finance Co., Ltd.	-	2,028,261
Placements from banks	7,437,326	3,785,226
Total	7,437,326	5,813,487

As at 30 June 2019, the placements from banks are unsecured, bearing interest of 1.48%-5.20% per annum, with maturities within 110 days.

### 39 Accounts payable to brokerage clients

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Clients' deposits for other brokerage trading	71,634,794	52,259,810
Clients' deposits for margin financing and securities lending	11,574,308	7,232,366
Total	83,209,102	59,492,176

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

## 40 Other payables and accruals

### Current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Payables to interest holders of consolidated structured entities <sup>(1)</sup>	62,705,128	43,497,437
Trade payable	2,951,186	3,358,493
Dividend payable	2,747,345	13,254
Settlement payables	1,103,502	669,789
Dividend payable of pledged exchangeable bond	422,098	322,017
Other tax payable	415,944	562,300
Interest payable	385,640	229,002
Lease liabilities	256,326	-
Payable to open-ended funds	191,397	2,876,029
Futures risk reserve	116,783	111,877
Payable for office building construction	81,442	172,822
Payable to the securities investor protection fund	59,736	49,895
Fee and commission payable	57,257	119,211
Redemption payables	10,038	65,497
Payable to asset-based securities wealth management scheme	-	950,000
Others <sup>(2)</sup>	982,382	795,463
<b>Total</b>	<b>72,486,204</b>	<b>53,793,086</b>

- (1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because, the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.
- (2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.

### Non-current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Lease liabilities	552,359	-

#### 41 Financial liabilities at fair value through profit or loss

##### Non-current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Financial liabilities designated at fair value through profit or loss	<u>2,405,695</u>	<u>2,325,405</u>

##### Current

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Financial liabilities held for trading	3,117,292	2,812,857
Financial liabilities designated at fair value through profit or loss	<u>64,388</u>	<u>61,727</u>
Total	<u>3,181,680</u>	<u>2,874,584</u>

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equity investments are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 30 June 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

## 42 Long-term bonds due within one year

As at 30 June 2019

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2019	RMB5,000,000	3.30%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
Structured notes <sup>(1)</sup>	RMB1,074,000	Note (1)	Note (1)	RMB1,074,000	5.10%-5.50%

<u>Name</u>	<u>Book value as at</u> <u>1 January 2019</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at</u> <u>30 June 2019</u> RMB equivalent
HUATAI B1910	2,767,406	22,234	(22,669)	2,766,971
HUATAI B2006	-	101,857	-	101,857
16 HUATAI C1	-	5,118,212	-	5,118,212
16 HUATAI G1	3,508,901	62,475	-	3,571,376
16 HUATAI G3	5,009,345	94,750	-	5,104,095
17 HUATAI 02	-	2,125,232	(93,000)	2,032,232
17 HUATAI 03	4,126,575	66,667	(4,193,242)	-
17 HUATAI 04	-	6,355,993	(315,000)	6,040,993
17 HUATAI 06	5,049,800	62,250	(5,112,050)	-
18 HUATAI C1	-	1,071,648	(56,500)	1,015,148
Structured notes <sup>(1)</sup>	4,382,589	245,177	(3,484,917)	1,142,849
Total	24,844,616	15,326,495	(13,277,378)	26,893,733



As at 31 December 2018

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
13 HUATAI 01	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
15 HUATAI 03	RMB5,000,000	21/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI G1	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
17 HUATAI 01	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
Structured notes	RMB4,174,000	Note (1)	Note (1)	RMB4,174,000	5.10% - 5.50%

<u>Name</u>	<u>Book value as at</u> <u>1 January 2018</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at</u> <u>31 December 2018</u> RMB equivalent
13 HUATAI 01	3,999,226	774	(4,000,000)	-
HUATAI B1910	-	2,767,406	-	2,767,406
15 HUATAI 03	5,000,000	-	(5,000,000)	-
15 HUATAI G1	6,598,254	1,746	(6,600,000)	-
16 HUATAI C2	-	3,000,000	(3,000,000)	-
16 HUATAI G1	-	3,508,901	-	3,508,901
16 HUATAI G3	-	5,009,345	-	5,009,345
17 HUATAI 01	6,000,000	-	(6,000,000)	-
17 HUATAI 03	-	4,126,575	-	4,126,575
17 HUATAI 06	-	5,049,800	-	5,049,800
Structured notes	-	4,382,589	-	4,382,589
Total	21,597,480	27,847,136	(24,600,000)	24,844,616

(1) As at 30 June 2019, RMB1.14 billion of structured notes would mature within one year.

## 43 Long-term bonds

As at 30 June 2019

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2019	RMB5,000,000	3.30%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2023	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2021	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes <sup>(1)</sup>	RMB70,000	30/05/2019	25/11/2020	RMB70,000	4.10%

<u>Name</u>	<u>Book value as at</u> <u>1 January 2019</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at</u> <u>30 June 2019</u> RMB equivalent
13 HUATAI 02	6,168,633	153,803	(306,000)	6,016,436
16 HUATAI C1	5,035,712	82,500	(5,118,212)	-
16 HUATAI G2	2,506,732	47,250	-	2,553,982
16 HUATAI G4	3,005,873	59,550	-	3,065,423
17 HUATAI 02	2,078,732	-	(2,078,732)	-
17 HUATAI 04	6,198,493	-	(6,198,493)	-
17 HUATAI C2	5,107,815	123,750	-	5,231,565
18 HUATAI C1	1,041,554	-	(1,041,554)	-
18 HUATAI C2	2,891,369	73,930	(145,600)	2,819,699
18 HUATAI G1	3,008,192	58,892	-	3,067,084
18 HUATAI G2	1,003,009	21,006	-	1,024,015
19 HUATAI G1	-	7,074,180	(7,264)	7,066,916
19 HUATAI G3	-	5,036,694	(5,189)	5,031,505
19 HUATAI 02	-	5,019,203	(5,189)	5,014,014
HUATAI B2205	-	3,458,957	-	3,458,957
HUATAI B2006	-	101,857	(101,857)	-
Structured notes <sup>(1)</sup>	-	70,252	-	70,252
Total	38,046,114	21,381,824	(15,008,090)	44,419,848

As at 31 December 2018

<u>Name</u>	<u>Par value</u> Original currency	<u>Issuance date</u>	<u>Due date</u>	<u>Issue amount</u> Original currency	<u>Nominal interest rate</u>
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
HUATAI B1910	USD400,000	08/10/2014	08/10/2019	USD399,665	3.625%
16 HUATAI C1	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2023	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2021	RMB1,000,000	4.17%
Structured notes	RMB4,174,000	Note(1)	Note(1)	RMB4,174,000	5.10%-5.50%

<u>Name</u>	<u>Book value as at</u> <u>1 January 2018</u> RMB equivalent	<u>Increase</u> RMB equivalent	<u>Decrease</u> RMB equivalent	<u>Book value as at</u> <u>31 December 2018</u> RMB equivalent
13 HUATAI 02	5,992,319	176,314	-	6,168,633
HUATAI B1910	2,608,477	136,259	(2,744,736)	-
16 HUATAI C1	5,000,000	35,712	-	5,035,712
16 HUATAI C2	3,000,000	-	(3,000,000)	-
16 HUATAI G1	3,500,000	-	(3,500,000)	-
16 HUATAI G2	2,500,000	6,732	-	2,506,732
16 HUATAI G3	5,000,000	-	(5,000,000)	-
16 HUATAI G4	3,000,000	5,873	-	3,005,873
17 HUATAI 02	2,000,000	78,732	-	2,078,732
17 HUATAI 03	4,000,000	-	(4,000,000)	-
17 HUATAI 04	6,000,000	198,493	-	6,198,493
17 HUATAI C2	5,000,000	107,815	-	5,107,815
17 HUATAI 06	5,000,000	-	(5,000,000)	-
18 HUATAI C1	-	1,042,544	(990)	1,041,554
18 HUATAI C2	-	2,894,141	(2,772)	2,891,369
18 HUATAI G1	-	3,011,162	(2,970)	3,008,192
18 HUATAI G2	-	1,003,999	(990)	1,003,009
Structured notes	3,000,000	1,174,000	(4,174,000)	-
Total	55,600,796	9,871,776	(27,426,458)	38,046,114

- (1) The Company has issued long-term structured notes of RMB70 million during the period ended 30 June 2019. As at 30 June 2019, the structured notes due within one year is classified as “Long-term bonds due within one year” (Note 42).

#### 44 Long-term bank loans due within one year

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Credit bank loans	12,281	15,820

#### 45 Long-term bank loans

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Credit bank loans	1,691,264	1,698,769
Less: credit bank loans due within one year (Note 44)	(12,281)	(15,820)
Total	1,678,983	1,682,949

On 14 November 2018, the Group executed a Loan and Security Agreement with Credit Suisse for USD250 million term loan and secured a revolving line of credit that permit the Group to borrow up to USD20 million, interest on amounts borrowed under the term loan and line of credit equal to LIBOR plus 3.50%.

#### 46 Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	<i>As at 30 June 2019</i>		<i>As at 31 December 2018</i>	
	<i>Number of shares (Thousands)</i>	<i>Nominal value</i>	<i>Number of shares (Thousands)</i>	<i>Nominal value</i>
Registered, issued and fully paid:				
A shares of RMB1 each	7,357,604	7,357,604	6,532,454	6,532,454
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	9,076,650	9,076,650	8,251,500	8,251,500

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued additional 162,768,800 H shares.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed non-publicly issue 1,088,731,200 new A shares. The total paid-up share capital of the Company after the change is RMB8,252 million.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 750,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

## **47 Reserves**

### **(a) Capital reserve**

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 1 June 2015. The excess of the proceeds over the face value of the total number of ordinary shares issued which amounted to RMB28,591 million was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB441 million.

The Company non-publicly issued new A shares on 31 July 2018. The excess of the proceeds over the face value of the total number of ordinary shares issued which amounted to RMB13,044 million was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB75 million.

The Company has issued GDRs representing A shares, which was listed on the London Stock Exchange on 20 June 2019. The excess of the proceeds over the face value of the total number of GDRs issued which amounted to RMB10,604 million was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB274 million.

### **(b) Surplus reserve**

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

### **(c) General reserve**

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

**(d) Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at financial assets at fair value through other comprehensive income.

**(e) Translation reserve**

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

**48 Retained profits**

Pursuant to the resolution of the general meeting of the shareholders dated 26 June 2019, the Company was approved to distribute cash dividends of RMB3.00 (tax inclusive) per 10 shares to all the shareholders, with total cash dividends amounting to RMB2,723 million.

**49 Commitments**

**Capital commitments**

Capital commitments outstanding as at 30 June 2019 and 31 December 2018 not provided for in the financial report were as follows:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Contracted, but not provided for	2,856,451	1,770,619

The above-mentioned capital commitments mainly represent securities underwriting commitments of the Group.

**50 Interests in structured entities**

**(a) Interests in structured entities consolidated by the Group**

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager and also as investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 30 June 2019 and 31 December 2018, the Group consolidates 30 and 32 structured entities, respectively, which are mainly asset management schemes. As at 30 June 2019 and 31 December 2018, the total assets of the consolidated structured entities are RMB76,111 million and RMB56,644 million, respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB9,444 million and RMB8,077 million, respectively.

**(b) Interests in structured entities sponsored by the Group but not consolidated**

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 50(a), the Group's exposure to the variable returns in the remaining structured entities in which the Group has interest is not significant. The Group therefore did not consolidate these structured entities.

As at 30 June 2019 and 31 December 2018, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB886,804 million and RMB764,744 million, respectively. As at 30 June 2019 and 31 December 2018, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB1,648 million and RMB1,139 million, respectively.

During the six months ended 30 June 2019 and 30 June 2018, income derived from these unconsolidated structured entities held by the Group amounted to RMB512 million and RMB360 million, respectively.

**(c) Interests in structured entities sponsored by third party institutions**

The types of structured entities sponsored by third party institutions that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2019 and 31 December 2018, which are listed as below:

	<i>As at 30 June 2019</i>		
	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Total</i>
Funds	19,048,712	-	19,048,712
Wealth management products	4,520,290	10,443,884	14,964,174
<b>Total</b>	<b>23,569,002</b>	<b>10,443,884</b>	<b>34,012,886</b>

	<i>As at 31 December 2018</i>		
	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Total</i>
Funds	13,210,731	-	13,210,731
Wealth management products	4,506,828	9,767,639	14,274,467
Total	17,717,559	9,767,639	27,485,198

## 51 Contingencies

As at 30 June 2019 and 31 December 2018, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB19 million and RMB14 million, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts, the directors of the Company are of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

## 52 Related party relationships and transactions

### (a) Relationship of related parties

#### (i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 52(b)(i).

#### (ii) Associates of the Group

The detailed information of the Group's associates is set out in Note 20.

#### (iii) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 21.

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.



**(b) Related parties transactions and balances**

(i) Transactions between the Group and major shareholders and their subsidiaries:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Balances at the end of the period / year:		
Financial assets at fair value through profit or loss	253,317	329,514
Debt investment at amortised cost	295,106	302,614
Accounts payable to brokerage clients	63,934	18,919
Other payables and accruals	3,211	3,211
	<u>Six months ended 30 June</u>	
	2019	2018

Transactions during the period:

Fee and commission income	15,973	4,161
Net investment gains	6,563	4,503
Interest expenses	2,885	-

For the six months ended 30 June 2019, the Group has made repurchase agreements with major shareholders and their subsidiaries for the total amount of RMB5,389 million. There is no such transaction for the six months ended 30 June 2018.

(ii) Transactions between the Group and associates:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Balances at the end of the period / year:		
Cash and bank balances	253,215	450,311
Accounts receivable	132,886	105,845
Other receivables and prepayments	392,484	131,324
Financial assets at fair value through profit or loss	414,270	-
Accounts payable to brokerage clients	56,833	17,462
Placements from other financial institutions	800,000	-
Other payables and accruals	-	555
	<u>Six months ended 30 June</u>	
	2019	2018

Transactions during the period:

Fee and commission income	118,402	92,760
Interest income	2,695	10,737
Net investment gains	66,925	21,238
Other income and gains	3,557	4,935
Interest expenses	10,986	95

For the six months ended 30 June 2019, the Group has subscribed the corporate bond issued by associates for RMB389 million. There is no such transaction for the six months ended 30 June 2018.

For the six months ended 30 June 2019 and 30 June 2018, the capital injection made by the Group into the associates are RMB145 million and RMB153 million, respectively. For the six months ended 30 June 2019 and 30 June 2018, the disinvestment made by the Group from the associates are RMB80 million and RMB39 million, respectively.

For the six months ended 30 June 2019, the Group has made repurchase agreements with associates for the total amount of RMB54,815 million. There is no such transaction for the six months ended 30 June 2018. For the six months ended 30 June 2019 and 30 June 2018, the dividend received from associates are RMB195 million and RMB111 million, respectively.

(iii) Transactions between the Group and joint ventures:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Balances at the end of the period / year:		
Accounts receivable	10,414	-
Accounts payable to brokerage clients	814	69
	<u><i>Six months ended 30 June</i></u>	<u><i>Six months ended 30 June</i></u>
	2019	2018

Transactions during the period:

Fee and commission income	9,824	-
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For the six months ended 30 June 2019, the disinvestment made by the Group from the joint venture is RMB24 million. There is no such transaction for the six months ended 30 June 2018.

(iv) Transactions between the Group and other related parties:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Balances at the end of the period:		
Accounts payable to brokerage clients	3,476	1,282
	<u><i>Six months ended 30 June</i></u>	<u><i>Six months ended 30 June</i></u>
	2019	2018

Transactions during the period:

Fee and commission income	85	-
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### (c) Key management personnel remuneration

Remuneration for key management personnel of the Group, is as follows:

	<u>Six months ended 30 June</u>	
	2019	2018
Employee benefits		
– Fees, salaries, allowances and bonuses	18,862	27,645
Post-employment benefits		
– Contribution to pension scheme	266	252
Total	<u>19,128</u>	<u>27,897</u>

Total remuneration is included in “staff costs” (Note 10).

## 53 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.
- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.
- Other segments include other operations of head office, mainly including interest income, share of profit of associates and joint ventures, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

**(a) Business segments**

For the six months ended 30 June 2019

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
— External	6,787,038	3,090,357	1,871,567	1,731,885	569,880	14,050,727
— Inter-segment	-	12,066	-	91,212	797,336	900,614
Other income and gains	528,430	10,317	53,970	11,587	82,884	687,188
Segment revenue and other income	7,315,468	3,112,740	1,925,537	1,834,684	1,450,100	15,638,529
Segment expenses	(4,690,436)	(1,474,759)	(634,347)	(1,789,936)	(2,036,963)	(10,626,441)
Segment operating profit / (loss)	2,625,032	1,637,981	1,291,190	44,748	(586,863)	5,012,088
Share of profit of associates and joint ventures	-	-	804,884	-	475,260	1,280,144
Profit before income tax	2,625,032	1,637,981	2,096,074	44,748	(111,603)	6,292,232
Interest income	3,205,576	179,103	198,552	231,862	401,516	4,216,609
Interest expenses	(1,184,886)	(885,102)	(72,984)	(218,903)	(593,962)	(2,955,837)
Depreciation and amortisation expenses	(71,536)	(23,248)	(24,190)	(131,298)	(295,952)	(546,224)
Net (provision for) / reversal of impairment loss on financial assets	(142,244)	(10,695)	1,009	(1,700)	6,909	(146,721)
Reversal of impairment loss on other assets	2,067	-	-	-	-	2,067
As at 30 June 2019						
<b>Segment assets</b>	159,722,312	147,093,881	93,362,438	27,642,399	112,555,010	540,376,040
Additions to non-current segment assets during the period	92,193	17,809	1,836	168,614	212,991	493,443
<b>Segment liabilities</b>	(153,048,452)	(143,478,143)	(71,078,817)	(19,360,044)	(35,207,782)	(422,173,238)

For the six months ended 30 June 2018

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>total</i>
Revenue						
– External	6,654,564	1,127,574	1,333,931	1,500,989	876,779	11,493,837
– Inter-segment	32	-	-	-	1,491,784	1,491,816
Other income and gains	248,273	26,509	167,134	13	54,871	496,800
Segment revenue and other income	6,902,869	1,154,083	1,501,065	1,501,002	2,423,434	13,482,453
Segment expenses	(4,121,185)	(1,789,183)	(503,154)	(1,301,869)	(1,221,930)	(8,937,321)
Segment operating profit / (loss)	2,781,684	(635,100)	997,911	199,133	1,201,504	4,545,132
Share of profit of associates and joint ventures	-	-	334,785	-	632,569	967,354
Profit before income tax	2,781,684	(635,100)	1,332,696	199,133	1,834,073	5,512,486
Interest income	4,194,236	70,185	201,546	39,991	333,743	4,839,701
Interest expenses	(1,866,834)	(1,097,502)	(55,223)	(116,454)	(394,113)	(3,530,126)
Depreciation and amortisation expenses	(18,997)	(14,689)	(4,944)	(87,023)	(171,099)	(296,752)
Net (provision for) / reversal of impairment loss on financial assets	(65,847)	13,603	-	(132)	(8,133)	(60,509)
Reversal of impairment loss on other assets	(2,033)	-	-	-	-	(2,033)
As at 31 December 2018						
<b>Segment assets</b>	138,579,673	83,486,332	70,659,010	23,639,713	117,330,040	433,694,768
Additions to non-current segment assets during the period	232,227	43,994	24,051	143,688	284,385	728,345
<b>Segment liabilities</b>	(135,301,554)	(81,533,946)	(51,412,688)	(15,390,296)	(45,306,680)	(328,945,164)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	<i>For the six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
<b>Revenue</b>		
Total revenue and other income for segments	15,638,529	13,482,453
Elimination of inter-segment revenue	(910,727)	(1,502,474)
Consolidated revenue and other income	14,727,802	11,979,979
<b>Profit</b>		
Total profit before income tax for segments	6,292,232	5,512,486
Elimination of inter-segment profit	(874,190)	(1,492,006)
Consolidated profit before income tax	5,418,042	4,020,480

	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
<b>Assets</b>		
Total assets for segments	540,376,040	433,694,768
Elimination of inter-segment assets	<u>(47,363,003)</u>	<u>(65,028,894)</u>
Consolidated total assets	<u>493,013,037</u>	<u>368,665,874</u>
<b>Liabilities</b>		
Total liabilities for segments	(422,173,238)	(328,945,164)
Elimination of inter-segment liabilities	<u>47,363,003</u>	<u>65,028,894</u>
Consolidated total liabilities	<u>(374,810,235)</u>	<u>(263,916,270)</u>

For the six months ended 30 June 2019 and 30 June 2018, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

**(b) Geographical segments**

The following table sets out information about the geographical location of: (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and joint ventures, and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets the location of the operation to which they are allocated, in the case of goodwill and other intangible assets and the location of operations, in the case of interest in associates and joint ventures.

	<u>For the six months ended 30 June 2019</u>			<u>For the six months ended 30 June 2018</u>		
	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>
<b>Segment revenue</b>						
Revenue from external customers	12,318,842	1,731,885	14,050,727	9,992,848	1,500,989	11,493,837
Other income and gains	<u>665,488</u>	<u>11,587</u>	<u>677,075</u>	<u>486,129</u>	<u>13</u>	<u>486,142</u>
Total	<u>12,984,330</u>	<u>1,743,472</u>	<u>14,727,802</u>	<u>10,478,977</u>	<u>1,501,002</u>	<u>11,979,979</u>
	<u>As at 30 June 2019</u>			<u>As at 31 December 2018</u>		
	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>	<i>Mainland China</i>	<i>Overseas</i>	<i>Total</i>
<b>Specified non-current assets</b>	19,631,323	7,558,305	27,189,628	18,163,311	6,970,012	25,133,323

## 54 Financial instruments and risk management

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing, securities lending, and securities-backed lending; (iii) counterparty credit risk from a counterparty's default on the derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keeps track of the credit risk of the Group's business products and its transaction counterparties, provides analyses and pre-warning reports, and adjusts its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk on regular basis. In respect of margin financing and securities lending, securities-backed lending and OTC derivative transaction, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and OTC derivative transaction and promptly communicates with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence is performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Debt investment at amortised cost	17,997,412	16,274,164
Refundable deposits	9,068,223	7,836,506
Accounts receivable	6,331,069	3,090,165
Other receivables and prepayments	1,050,744	572,509
Margin accounts receivable	56,931,236	46,188,885
Financial assets at fair value through other comprehensive income	992,026	606,809
Financial assets held under resale agreements	26,712,205	43,556,565
Financial assets at fair value through profit or loss	152,592,305	83,454,431
Derivative financial assets	1,179,958	1,933,958
Clearing settlement funds	3,801,600	3,023,370
Cash held on behalf of brokerage clients	77,602,011	58,947,013
Bank balances	49,257,694	28,200,401
Total maximum credit risk exposure	<u>403,516,483</u>	<u>293,684,776</u>



(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	Outside Mainland China	Total
30 June 2019			
Debt investment at amortised cost	17,195,052	802,360	17,997,412
Refundable deposits	8,898,487	169,736	9,068,223
Accounts receivable	4,949,782	1,381,287	6,331,069
Other receivables and prepayments	928,826	121,918	1,050,744
Margin accounts receivable	56,325,697	605,539	56,931,236
Financial assets at fair value through other comprehensive income	-	992,026	992,026
Financial assets held under resale agreements	26,712,205	-	26,712,205
Financial assets at fair value through profit or loss	152,592,305	-	152,592,305
Derivative financial assets	949,033	230,925	1,179,958
Clearing settlement funds	3,779,775	21,825	3,801,600
Cash held on behalf of brokerage clients	76,432,958	1,169,053	77,602,011
Bank balances	32,593,992	16,663,702	49,257,694
Total maximum credit risk exposure	381,358,112	22,158,371	403,516,483

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2018			
Debt investment at amortised cost	14,677,952	1,596,212	16,274,164
Refundable deposits	7,704,803	131,703	7,836,506
Accounts receivable	2,319,902	770,263	3,090,165
Other receivables and prepayments	454,639	117,870	572,509
Margin accounts receivable	45,387,683	801,202	46,188,885
Financial assets at fair value through other comprehensive income	-	606,809	606,809
Financial assets held under resale agreements	43,125,313	431,252	43,556,565
Financial assets at fair value through profit or loss	79,796,456	3,657,975	83,454,431
Derivative financial assets	1,689,781	244,177	1,933,958
Clearing settlement funds	3,023,370	-	3,023,370
Cash held on behalf of brokerage clients	57,760,803	1,186,210	58,947,013
Bank balances	24,244,112	3,956,289	28,200,401
Total maximum credit risk exposure	280,184,814	13,499,962	293,684,776

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
Rating		
- AAA	68,462,758	39,834,929
- From A to AA+	19,812,201	16,303,374
- A-1	9,509,224	4,198,680
- C	132	110,195
- D	10,000	-
Sub-total	<u>97,794,315</u>	<u>60,447,178</u>
Non-rated <sup>(1)</sup>	<u>70,492,272</u>	<u>37,322,568</u>
Total	<u>168,286,587</u>	<u>97,769,746</u>

(1) Non-rated financial assets mainly represent debt instruments issued by the Ministry of Finance of the People's Republic of China, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

(b) **Liquidity risk**

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities is based on contractual undiscounted cash flow (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 30 June 2019								
	<i>Carrying amount</i>	<i>Overdue / repayable on demand</i>	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Undated</i>	<i>Total</i>
<b>Financial liabilities</b>									
Short-term bank loans	429,366	-	429,471	-	-	-	-	-	429,471
Short-term debt instruments issued	22,592,154	-	12,124,150	3,284,621	7,220,951	-	-	-	22,629,722
Placements from other financial institutions	7,437,326	-	6,403,523	-	1,050,000	-	-	-	7,453,523
Accounts payable to brokerage clients	83,209,102	83,209,102	-	-	-	-	-	-	83,209,102
Other payables and accruals	72,622,518	71,813,834	18,188	47,434	205,694	560,257	14,919	-	72,660,326
Financial assets sold under repurchase agreements	97,060,852	-	84,635,599	6,763,592	5,794,201	-	-	-	97,193,392
Derivative financial liabilities	2,397,186	-	179,009	271,694	1,911,708	34,775	-	-	2,397,186
Financial liabilities at fair value through profit or loss	5,587,375	66,266	1,553,064	941,638	630,886	837,381	1,568,314	-	5,597,549
Long-term bonds	71,313,581	-	562,800	210,800	28,588,354	47,615,871	-	-	76,977,825
Long-term bank loans	1,691,264	-	-	73,789	92,274	384,516	1,433,169	-	1,983,748
Total	364,340,724	155,089,202	105,905,804	11,593,568	45,494,068	49,432,800	3,016,402	-	370,531,844

	As at 31 December 2018								
	<u>Carrying amount</u>	<u>Overdue / repayable on demand</u>	<u>Less than 1 month</u>	<u>More than 1 month but less than 3 months</u>	<u>More than 3 months but less than 1 year</u>	<u>More than 1 year but less than 5 years</u>	<u>More than 5 years</u>	<u>Undated</u>	<u>Total</u>
<b>Financial Liabilities</b>									
Short-term bank loans	3,015,791	-	165,261	2,867,724	-	-	-	-	3,032,985
Short-term debt instruments issued	21,124,000	-	6,515,309	3,482,311	11,303,298	-	-	-	21,300,918
Placements from other financial institutions	5,813,487	-	2,253,743	1,538,145	2,092,280	-	-	-	5,884,168
Accounts payable to brokerage clients	59,492,176	59,492,176	-	-	-	-	-	-	59,492,176
Other payables and accruals	53,230,787	50,987,984	1,119,981	172,822	950,000	-	-	-	53,230,787
Financial assets sold under repurchase agreements	40,095,054	-	33,068,056	1,230,345	6,120,944	-	-	-	40,419,345
Derivative financial liabilities	776,102	-	50,956	56,894	619,985	48,267	-	-	776,102
Financial liabilities at fair value through profit or loss	5,199,989	1,438,580	1,436,991	-	-	888,070	1,437,335	-	5,200,976
Long-term bonds	62,890,730	-	-	3,154,579	23,754,207	40,974,348	-	-	67,883,134
Long-term bank loans	1,698,769	-	-	31,974	94,539	482,426	1,450,108	-	2,059,047
Total	253,336,885	111,918,740	44,610,297	12,534,794	44,935,253	42,393,111	2,887,443	-	259,279,638

**(c) Market risk**

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

**(i) Interest rate risk**

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

The following tables indicate the assets and liabilities as at the end of the reporting periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 30 June 2019						<i>Total</i>
	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non- interest bearing</i>	
<b>Financial assets</b>							
Debt investment at amortised cost	92,012	1,034,944	2,125,768	14,156,126	285,013	303,549	17,997,412
Financial assets at fair value through other comprehensive income	-	-	191,366	797,934	-	10,529,004	11,518,304
Financial assets held under resale agreements	14,496,792	3,544,833	7,688,438	543,737	-	438,405	26,712,205
Refundable deposits	979,012	-	-	-	-	8,089,211	9,068,223
Accounts receivable	-	-	-	-	-	6,331,069	6,331,069
Other receivables and prepayments	-	-	-	-	-	1,050,744	1,050,744
Margin accounts receivable	1,805,115	10,386,208	41,841,918	-	-	2,897,995	56,931,236
Financial assets at fair value through profit or loss	9,683,405	13,236,585	38,700,330	83,796,182	4,024,638	54,338,067	203,779,207
Derivative financial assets	161	-	-	-	-	1,179,797	1,179,958
Clearing settlement funds	3,795,502	-	-	-	-	6,098	3,801,600
Cash held on behalf of brokerage clients	77,484,038	-	-	-	-	117,973	77,602,011
Cash and bank balances	41,675,899	3,067,065	4,490,173	-	-	24,751	49,257,888
<b>Total</b>	<b>150,011,936</b>	<b>31,269,635</b>	<b>95,037,993</b>	<b>99,293,979</b>	<b>4,309,651</b>	<b>85,306,663</b>	<b>465,229,857</b>

	As at 30 June 2019						
	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
<b>Financial liabilities</b>							
Short-term bank loans	(429,196)	-	-	-	-	(170)	(429,366)
Short-term debt instruments issued	(12,039,710)	(3,278,750)	(7,200,167)	-	-	(73,527)	(22,592,154)
Placements from other financial institutions	(6,400,000)	-	(972,983)	-	-	(64,343)	(7,437,326)
Accounts payable to brokerage clients	(83,209,102)	-	-	-	-	-	(83,209,102)
Other payables and accruals	(18,105)	(42,306)	(195,915)	(540,800)	(11,558)	(71,813,834)	(72,622,518)
Financial assets sold under repurchase agreements	(84,595,238)	(6,663,264)	(5,600,572)	-	-	(201,778)	(97,060,852)
Derivative financial liabilities	(10,776)	-	-	-	-	(2,386,410)	(2,397,186)
Financial liabilities at fair value through profit or loss	(1,552,797)	(934,787)	(627,830)	-	-	(2,471,961)	(5,587,375)
Long-term bonds	(300,000)	(200,000)	(25,923,059)	(43,809,621)	-	(1,080,901)	(71,313,581)
Long-term bank loans	-	(12,281)	-	-	(1,678,983)	-	(1,691,264)
Total	<u>(188,554,924)</u>	<u>(11,131,388)</u>	<u>(40,520,526)</u>	<u>(44,350,421)</u>	<u>(1,690,541)</u>	<u>(78,092,924)</u>	<u>(364,340,724)</u>
Net interest rate risk exposure	(38,542,988)	20,138,247	54,517,467	54,943,558	2,619,110	7,213,739	100,889,133

	As at 31 December 2018						
	<i>Less than 1 month</i>	<i>More than 1 month but less than 3 months</i>	<i>More than 3 months but less than 1 year</i>	<i>More than 1 year but less than 5 years</i>	<i>More than 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
<b>Financial assets</b>							
Debt investment at amortised cost	299,288	159,205	1,777,739	13,530,981	199,210	307,741	16,274,164
Financial assets at fair value through other comprehensive income	-	-	358,361	248,449	-	9,849,933	10,456,743
Financial assets held under resale agreements	19,984,424	3,594,991	16,410,689	2,764,113	-	802,348	43,556,565
Refundable deposits	3,168,917	-	-	-	-	4,667,589	7,836,506
Accounts receivable	-	-	-	-	-	3,090,165	3,090,165
Other receivables and prepayments	-	-	-	-	-	572,509	572,509
Margin accounts receivable	3,360,103	8,505,794	31,384,584	-	-	2,938,404	46,188,885
Financial assets at fair value through profit or loss	3,629,269	7,412,947	29,766,437	37,086,608	3,692,291	40,656,780	122,244,332
Derivative financial assets	1,739	-	-	-	-	1,932,219	1,933,958
Clearing settlement funds	3,023,296	-	-	-	-	74	3,023,370
Cash held on behalf of brokerage clients	58,836,552	-	-	-	-	110,461	58,947,013
Cash and bank balances	22,387,334	4,021,331	1,586,441	-	-	205,519	28,200,625
Total	114,690,922	23,694,268	81,284,251	53,630,151	3,891,501	65,133,742	342,324,835



	As at 31 December 2018						
Financial liabilities	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Short-term bank loans	(163,877)	(2,836,073)	-	-	-	(15,841)	(3,015,791)
Short-term debt instruments issued	(6,494,544)	(3,431,230)	(11,022,776)	-	-	(175,450)	(21,124,000)
Placements from other financial institutions	(2,250,000)	(1,500,000)	(1,968,407)	-	-	(95,080)	(5,813,487)
Accounts payable to brokerage clients	(59,492,176)	-	-	-	-	-	(59,492,176)
Other payables and accruals	-	-	-	-	-	(53,230,787)	(53,230,787)
Financial assets sold under repurchase agreements	(32,878,970)	(1,161,319)	(5,990,074)	-	-	(64,691)	(40,095,054)
Derivative financial liabilities	(1,129)	-	-	-	-	(774,973)	(776,102)
Financial liabilities at fair value through profit or loss	(1,423,000)	-	-	-	-	(3,776,989)	(5,199,989)
Long-term bonds	-	(3,000,000)	(21,418,737)	(37,285,873)	-	(1,186,120)	(62,890,730)
Long-term bank loans	-	(15,820)	-	-	(1,682,949)	-	(1,698,769)
Total	(102,703,696)	(11,944,442)	(40,399,994)	(37,285,873)	(1,682,949)	(59,319,931)	(253,336,885)
Net interest rate risk exposure	11,987,226	11,749,826	40,884,257	16,344,278	2,208,552	5,813,811	88,987,950

## Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	<i>Sensitivity of net profit</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
Move in yield curve		
Up 100 basis points	(1,519,691)	(704,860)
Down 100 basis points	1,575,169	726,215
	<i>Sensitivity of equity</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
Move in yield curve		
Up 100 basis points	(1,519,691)	(704,860)
Down 100 basis points	1,575,169	726,215

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

## (ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have decreased the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

Currency	<i>Sensitivity of net profit</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
USD	(1,279,594)	(437,566)
HKD	(224,886)	(214,459)

Currency	<i>Sensitivity of equity</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
USD	(1,339,960)	(465,640)
HKD	(247,515)	(237,053)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity which may arise with this.

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on the Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	<i>Sensitivity of net profit</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
Increase by 10%	3,627,368	2,347,521
Decrease by 10%	(3,627,368)	(2,347,521)

	<i>Sensitivity of equity</i>	
	<u>30 June 2019</u>	<u>31 December 2018</u>
Increase by 10%	4,416,839	3,086,266
Decrease by 10%	(4,416,839)	(3,086,266)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the six months ended 30 June 2019 and the year of 2018.

**(d) Operational risk**

Operational risk refers to risk of financial or other losses caused by inadequate or problematic internal procedures, staff, information technology system and external events, and the types of losses may be caused mainly include loss of assets, external compensation, impairment of carrying amount, regulatory fines and confiscation, legal costs, recovery failure and other costs.

The Group established a standard library of risk points and created risk-discovery indicators, prevented or mitigated operational risks through various measures; promoted the practical use of management tools at branches; released business continuity management methods by combining research and pilot achievements; revised and released the Measures for Assessment and Management of New Business Risk, organised relevant new business assessments; implemented the optimisation of operational risk management system, added operational risk culture publicity, economic capital measurement and other functions, revised system usage management guidelines, and specified system management practices.

**(e) Capital management**

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC, Hong Kong or overseas regulations.

As at 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");

- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

During the period, the Company monitored the above ratios closely to maintain these ratios in compliance with the relevant capital requirements.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC, Hong Kong or overseas regulatory requirements, imposed by the CSRC, the Hong Kong Securities and Futures Commission and other overseas regulators. These subsidiaries comply with the capital requirements during the period ended 30 June 2019 and the year ended 31 December 2018.

**(f) Transfer of financial assets**

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost and margin accounts receivable. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The following tables provide a summary of carrying amounts and fair value of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 30 June 2019

	<i>Financial assets at fair value through profit or loss</i>		<i>Margin accounts receivable</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Margin loans receivable backed repurchase</i>	<i>Asset-backed securities</i>	
Carrying amount of transferred assets	1,431,863	1,298,074	-	-	2,729,937
Carrying amount of associated liabilities	(1,391,419)	-	-	-	(1,391,419)
Net position	40,444	1,298,074	-	-	1,338,518

As at 31 December 2018

	<i>Financial assets at fair value through profit or loss</i>		<i>Margin accounts receivable</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Margin loans receivable backed repurchase</i>	<i>Asset-backed securities</i>	
Carrying amount of transferred assets	1,864,902	1,168,461	1,650,302	1,077,838	5,761,503
Carrying amount of associated liabilities	(1,714,862)	-	(1,000,000)	(950,000)	(3,664,862)
Net position	150,040	1,168,461	650,302	127,838	2,096,641

## 55 Fair value information

### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair value:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair value.
- (ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair value. For the financial instruments without any market price or market rate, the Group determines the fair value of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair value of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair value using pricing models or discounted cash flow.
- (iv) Accounts receivable, margin accounts receivable and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair value.

### (b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of debt investment at amortised cost investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

#### Carrying amount

	<i>As at 30 June 2019</i>	<i>As at 31 December 2018</i>
<i>Financial assets</i>		
– Debt investment at amortised cost	17,997,412	16,274,164
Total	17,997,412	16,274,164
<i>Financial liabilities</i>		
– Short-term debt instruments issued	(22,592,154)	(21,124,000)
– Long-term bonds	(71,313,581)	(62,890,730)
Total	(93,905,735)	(84,014,730)

## Fair value

	As at 30 June 2019			Total
	Level I	Level II	Level III	
<i>Financial assets</i>				
– Debt investment at amortised cost	10,643,241	6,332,406	1,185,193	18,160,840
<i>Financial liabilities</i>				
– Short-term debt instruments issued	-	(3,015,912)	(19,576,866)	(22,592,778)
– Long-term bonds	(70,130,523)	-	(1,213,102)	(71,343,625)
Total	(70,130,523)	(3,015,912)	(20,789,968)	(93,936,403)
	As at 31 December 2018			Total
	Level I	Level II	Level III	
<i>Financial assets</i>				
– Debt investment at amortised cost	8,838,870	6,814,493	790,388	16,443,751
<i>Financial liabilities</i>				
– Short-term debt instruments issued	(4,726,656)	-	(16,396,082)	(21,122,738)
– Long-term bonds	(58,359,085)	-	(4,382,589)	(62,741,674)
Total	(63,085,741)	-	(20,778,671)	(83,864,412)

The fair value of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost less impairment in the Group's consolidated statements of financial position approximate their fair value.



**(c) Fair value hierarchy**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 30 June 2019			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Debt securities	83,598,141	67,112,813	583,277	151,294,231
– Equity securities	10,093,062	1,050,447	3,254,642	14,398,151
– Funds	28,335,778	570,739	-	28,906,517
– Wealth management products	-	6,762,275	2,418,033	9,180,308
Financial assets at fair value through other comprehensive income				
– Equity securities	-	10,443,884	82,394	10,526,278
– Debt securities	180,138	-	-	180,138
– Other investments	-	-	811,888	811,888
Derivative financial assets	33,762	428,165	718,031	1,179,958
Total	122,240,881	86,368,323	7,868,265	216,477,469
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	(556)	(3,116,736)	-	(3,117,292)
– Financial liabilities designated at fair value through profit or loss	-	(64,388)	(2,405,695)	(2,470,083)
Derivative financial liabilities	(32,808)	(334,728)	(2,029,650)	(2,397,186)
Total	(33,364)	(3,515,852)	(4,435,345)	(7,984,561)

	As at 31 December 2018			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Debt securities	49,282,012	32,465,985	537,973	82,285,970
– Equity securities	6,614,477	685,014	3,072,924	10,372,415
– Funds	22,345,570	432,345	-	22,777,915
– Wealth management products	-	5,385,666	1,422,366	6,808,032
Financial assets at fair value through other comprehensive income				
– Equity securities	-	9,767,639	82,294	9,849,933
– Other investments	-	-	606,810	606,810
Derivative financial assets	16,646	338,702	1,578,610	1,933,958
<b>Total</b>	<b>78,258,705</b>	<b>49,075,351</b>	<b>7,300,977</b>	<b>134,635,033</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	(1,436,332)	(1,376,525)	-	(2,812,857)
– Financial liabilities designated at fair value through profit or loss	-	(61,727)	(2,325,405)	(2,387,132)
Derivative financial liabilities	(13,515)	(441,034)	(321,553)	(776,102)
<b>Total</b>	<b>(1,449,847)</b>	<b>(1,879,286)</b>	<b>(2,646,958)</b>	<b>(5,976,091)</b>

For the six months ended 30 June 2019, there was a transfer of amount RMB21 million from level II to level I due to the securities trade resumption. There was a transfer of amount RMB128 million from Level II to Level III due to the delisting of equity securities.

For the year ended 31 December 2018, there was a transfer of amount RMB126 million from Level II to Level I due to its lifting of restricted stocks. There was a transfer of amount RMB128 million from level II to level III due to the delisting of equity securities. There was a transfer of amount RMB529 million from level III to level II due to the listing of equity securities with lock-up period.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as financial assets at fair value through profit or loss and the corresponding liabilities of the securities.

(ii) Financial instruments in Level II and Level III

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 30 June 2019 and 31 December 2018, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair value is determined using valuation techniques.
- (5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Derivative financial assets</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Derivative financial liabilities</i>
As at 31 December 2018	5,033,263	689,104	1,578,610	(2,325,405)	(321,553)
Gains or losses for the period	99,578	-	(895,182)	(144,514)	(118,190)
Changes in fair value recognised in other comprehensive income	-	20,933	-	-	-
Purchases	1,417,257	207,273	231,457	-	(1,765,556)
Sales and settlements	(294,146)	(23,028)	(196,854)	64,224	175,649
As at 30 June 2019	6,255,952	894,282	718,031	(2,405,695)	(2,029,650)
Total gains or losses for the period included in profit or loss for assets / liabilities held at the end of the reporting period	80,449	-	(853,494)	(144,514)	(917,909)

	<i>Financial assets at fair value through profit or loss</i>	<i>Available-for-sale financial assets</i>	<i>Financial assets at fair value through other comprehensive income</i>	<i>Derivative financial assets</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Derivative financial liabilities</i>
As at 31 December 2017	1,116,430	6,593,855	-	254,601	(2,345,668)	
Impact on initial application of IFRS 9	6,527,861	(6,593,855)	65,994	-	-	
As at 1 January 2018	7,644,291	-	65,994	254,601	(2,345,668)	
Gains or losses for the year	993,427	-	(449)	2,647,285	185,887	
Changes in fair value recognised in other comprehensive income	-	-	38,344	-	-	
Purchases	2,347,484	-	585,215	176,691	-	
Sales and settlements	(5,951,939)	-	-	(1,499,967)	(165,624)	
As at 31 December 2018	5,033,263	-	689,104	1,578,610	(2,325,405)	
Total gains or losses for the period included in profit or loss for assets / liabilities held at the end of the reporting period	846,789	-	-	1,264,360	185,887	

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

<u>Financial assets and liabilities</u>	<u>Fair value hierarchy</u>	<u>Valuation technique(s) and key input(s)</u>	<u>Significant unobservable input(s)</u>	<u>Relationship of unobservable input(s) to fair value</u>
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter options	Level III	Black-Scholes option pricing model Monte-Carlo option pricing model	Price volatility of underlying assets Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value The higher the price volatility, the greater the impact on the fair value

## 56 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2019

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated interim financial statements. These include the following which may be relevant to the Group.

*Effective for  
accounting periods  
beginning on or after*

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## **57 Events after the reporting date**

### **(a) Issuance of bonds**

On 8 July 2019, the Company has issued short-term debt instruments of RMB3 billion, bearing interest at 2.60% per annum.

On 6 August 2019, the Company has issued short-term debt instruments of RMB4 billion, bearing interest at 2.70% per annum.

On 19 August 2019, the Company has issued financial bond of RMB 6 billion, bearing interest at 3.40% per annum.

### **(b) Pricing and commencement of trading on the New York Stock Exchange of AssetMark Financial Holdings, Inc. (the “AssetMark”) Shares**

On 18 July 2019 (New York Time), the Company’s subsidiary, AssetMark publicly issued 12,500,000 shares and was listed in the New York Stock Exchanges. The Company’s ownership of AssetMark decreased from 98.58% to 70.27%.