(GDR under the symbol: "HTSC")

Proposed Adoption of the Restricted Share Incentive Scheme of A Shares

The Company hereby announces that the Board has passed the resolution on, among others, the proposed adoption of the Restricted Share Incentive Scheme of A Shares on December 31, 2020.

The Company hereby announces the main contents of the proposed adoption of the Restricted Share Incentive Scheme of A Shares with details as follows:

I. BASIC INFORMATION OF THE COMPANY

(I) Brief Profile of the Company

The Company was established in 1991 and registered in Nanjing City, Jiangsu Province. The Company was listed on the main board of the Shanghai Stock Exchange and the main board of Hong Kong Stock Exchange in February 2010 and June 2015, respectively. In June 2019, the Global Depository Receipts (GDR) issued by the Company was listed on the main board of the London Stock Exchange plc for trading.

According to the business license issued by Jiangsu Provincial Market Supervision and Administration Bureau, the business scope of the Company covers: securities brokerage, proprietary trading of securities, securities underwriting (limited to underwriting of government 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) Performance Results of the Last Three Years

Item	**As of December 31, 2019/in 2019**	As of December 31, 2018/in 2018	As of December 31, 2017/in 2017
Total assets (RMB10 thousand)	**56,218,063.83**	36,866,587.41	38,148,253.98
Net assets attributable to shareholders of the parent company (RMB10 thousand)	**12,253,747.94**	10,339,357.69	8,733,593.77
Net assets per share (RMB/share)	**13.50**	12.53	12.19
Operating revenue (RMB10 thousand)	**2,486,301.20**	1,610,826.23	2,110,853.41
Net profit attributable to shareholders of the parent company (RMB10 thousand)	**900,164.40**	503,273.77	927,652.04
Net profit after deducting non-recurring profits and losses attributable to shareholders of the parent company (RMB10 thousand)	**883,403.70**	500,943.00	603,646.78
Profit margin of operating revenue after deducting non-recurring profits and losses (%)	**35.53**	31.10	28.60
Basic earnings per share (RMB/share)	**1.04**	0.66	1.30
Diluted earnings per share (RMB/share)	**1.03**	0.66	1.30
Weighted average return on net assets (%)	**7.94**	5.32	10.56
Cash dividend ratio (%)	**30.25**	103.29	–
Investment in financial technology innovation (RMB10 thousand)	**111,557.64**	90,953.22	68,655.22

Note: The amount of investment in financial technology innovation is determined in accordance with the data of information system construction investment (including the amount of investment in information system and remuneration of information technology staff) of securities companies published by the Securities Association of China.

The Company has attained the rating of Class AA under Category A in the classified evaluation of the securities companies by the CSRC from 2017 to 2019.

(III) Composition of the Board, Supervisory Committee and Senior Management

As at the date of this announcement, the Directors, Supervisors and senior management who are officially performing their duties within the Company are shown as follows:

No.	Name	Position
1	Zhang Wei	Chairman
2	Zhou Yi	Executive Director Chief Executive Officer, Chairman of the Executive Committee
3	Ding Feng	Non-executive Director
4	Chen Yongbing	Non-executive Director
5	Xu Qing	Non-executive Director
6	Hu Xiao	Non-executive Director
7	Wang Tao	Non-executive Director
8	Zhu Xuebo	Executive Director
9	Chen Chuanming	Independent Non-executive Director
10	Lee Chi Ming	Independent Non-executive Director
11	Liu Yan	Independent Non-executive Director
12	Chen Zhibin	Independent Non-executive Director
13	Wang Jianwen	Independent Non-executive Director
14	Zhai Jun	Employee Supervisor Chairman of the Supervisory Committee
15	Zhang Ming	Supervisor
16	Yu Lanying	Supervisor
17	Zhang Xiaohong	Supervisor
18	Fan Chunyan	Supervisor
19	Gu Chengzhong	Employee Supervisor
20	Wang Ying	Employee Supervisor
21	Li Shiqian	Member of the Executive Committee
22	Sun Hanlin	Member of the Executive Committee
23	Jiang Jian	Member of the Executive Committee
24	Zhang Hui	Member of the Executive Committee Secretary to the Board
25	Chen Tianxiang	Member of the Executive Committee
26	Jiao Xiaoning	Chief Financial Officer
27	Jiao Kai	Chief Compliance Officer General Legal Counsel
28	Wang Chong	Chief Risk Officer

II. PURPOSES OF THE INCENTIVE SCHEME

The Company formulated and enacted the Incentive Scheme in accordance with the relevant laws, regulations and normative documents including the Company Law, the Securities Law, the Opinions of the State Council on Further Improving the Quality of Listed Companies (Guo Fa [2020] No. 14), Document 175, Document 171, Announcement 35, and the Administrative Measures for Equity Incentives as well as the Articles of Association. The purposes of implementing the Incentive Scheme are mainly as follows:

(I) To Deepen and Implement the Mixed-ownership Reform of State-owned Enterprises. Since the 19th National Congress of the Communist Party of China, the reform of state-owned enterprises has been advancing in depth, and a number of reform policy documents for state-owned enterprises have been issued continuously from the central government to Jiangsu Province to encourage and advocate the implementation of employee stock ownership and equity incentives in state-owned enterprises.

(II) To Stabilize and Enhance the Company's Value. The Company repurchases shares and uses them for equity incentives to show the market the long-term commitment of our core team to the development of the Company, which is conducive to shoring up market confidence and manifesting the Company's value, thus protecting the interests of investors.

(III) To Advocate the Concept of Joint and Sustainable Development of both the Company and the Individual. We will build up a community of shared interests among shareholders, the Company and employees, with core employees directly responsible for the benefits and risks associated with changes in the Company's share price over a long term, so as to realize the sharing of benefits and risks between employees and the Company and promote the long-term steady development of the Company.

(IV) To Establish and Improve the Long-term Incentive and Restriction Mechanism of the Company. The implementation of the Incentive Scheme and the phased implementation of the Share Incentive Scheme as appropriate in the future will facilitate the Company's exploring the establishment and continuous improvement in the long-term incentive mechanism, fully mobilize the enthusiasm of our Directors, senior management and core staff, stabilize the core team, further increase the attractiveness of the Company to external talents on the basis of effectively reducing the outflow of talents, enhance the core competitiveness of the Company, and ensure the achievement of the development strategies and business objectives of the Company.

III. METHOD OF EQUITY INCENTIVES AND SOURCE OF UNDERLYING SHARES

The Incentive Scheme uses the Restricted Shares as incentive tools, and the source of underlying shares is the ordinary A Shares repurchased from the secondary market by the Company.

The source of funds for the share repurchase is internal funds of the Company, and the total amount for repurchase shall not exceed RMB2.615 billion. Based on the maximum total amount of funds of RMB2.615 billion for repurchase, the repurchase funds represent 0.47%, 2.13% and 5.25% of the latest audited total assets, net assets attributable to shareholders of the listed company and monetary capital (net of deposit of customers), respectively, of the Company. According to the aforesaid financial data, as well as such factors as the prudent operation and risk control of the Company, the Company is of the view that the share repurchase will neither have material effects on the operation, finance and future development of the Company, nor affect the listing status of the Company.

For specific details of the repurchase of A Shares, please refer to the Overseas Regulatory Announcement dated April 3, 2020, in relation to the Report on Repurchase of A Shares by Huatai Securities Co., Ltd. through Centralized Price Bidding Trading published by the Company at the website of the Shanghai Stock Exchange. As of November 30, 2020, the Company has accumulatively repurchased 88,090,995 A Shares through centralized price bidding trading, accounting for 0.9705% of the total share capital of the Company, with the highest price of the purchase of RMB23.08 per share and the lowest price of RMB17.19 per share, and the total amount paid was RMB1,626,402,152.88 (excluding transaction costs), as detailed in the Overseas Regulatory Announcement dated December 1, 2020, in relation to the Announcement by Huatai Securities Co., Ltd. on the Progress of Repurchase of A Shares of the Company through Centralized Price Bidding Trading published by the Company at the website of the Shanghai Stock Exchange.

The Company implements share repurchase in strict accordance with the provisions of relevant laws and regulations and fulfills its information disclosure obligations in a timely manner with respect to the progress.

IV. EQUITY QUANTITY TO BE GRANTED

The Incentive Scheme proposes to grant no more than 45,640,000 restricted A Shares to the Incentive Participants, representing no more than 0.503% of the total share capital of the Company (9,076,650,000 shares) on the date of the announcement of the draft plan of the Incentive Scheme.

The cumulative total number of the Restricted Shares involved under all effective share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company, and the cumulative total number of Shares to be granted to any single Incentive Participant under all effective share incentive schemes of the Company within the validity period does not exceed 1% of the total share capital of the Company.

The implementation of the Incentive Scheme will not lead to a distribution of the Company's shareholding which cannot satisfy relevant listing conditions.

V. SCOPE OF INCENTIVE PARTICIPANTS AND THEIR RESPECTIVE EQUITY QUANTITY GRANTED

(I) Legal Basis for Determining the Incentive Participants

Incentive Participants of the Incentive Scheme are determined in accordance with the relevant laws, regulations and normative documents including the Company Law, the Securities Law, Document 175, Document 171, the Administrative Measures for Equity Incentives and the Articles of Association.

(II) Number of the Incentive Participants

The total number of the Incentive Participants granted under the Incentive Scheme shall be 824, accounting for 8.12% of the total number of 10,147 employees of the Company on record as of June 30, 2020. The Incentive Participants are the key employees who have significant influences on the achievement of the Company's strategic goals and meet the requirements of regulations, including the Directors, senior management and other core key employees of the Company, but excluding the non-executive Directors (including independent Directors) and Supervisors of the Company. All the Incentive Participants are working in the Company (including branches) or its wholly-owned or controlled subsidiaries. Shareholders or de facto controllers who, individually or collectively, hold more than 5% shares of the Company and their spouses, parents and children do not participate in the Incentive Scheme.

(III) The List of the Incentive Participants and the Proportion of Allocation of the Incentive Scheme

Name	Position	Upper limit of the amount of Restricted Shares to be granted *(in 10,000 shares)*	Upper limit of percentage in the total amount of Restricted Shares to be granted *(%)*	Upper limit of percentage in existing total share capital *(%)*
Zhou Yi	Chief Executive Officer, Chairman of the Executive Committee, Executive Director	72.00	1.58%	0.008%
Li Shiqian	Member of the Executive Committee	60.00	1.31%	0.007%
Sun Hanlin	Member of the Executive Committee	60.00	1.31%	0.007%
Jiang Jian	Member of the Executive Committee	60.00	1.31%	0.007%
Zhang Hui	Member of the Executive Committee, Secretary to the Board	60.00	1.31%	0.007%
Chen Tianxiang	Member of the Executive Committee	60.00	1.31%	0.007%
Jiao Xiaoning	Chief Financial Officer	50.00	1.10%	0.006%
Jiao Kai	Chief Compliance Officer, General Legal Counsel	50.00	1.10%	0.006%
Wang Chong	Chief Risk Officer	50.00	1.10%	0.006%
Other core key employees (815 persons)		4042.00	88.56%	0.445%
Total		4,564.00	100.00%	0.503%

Note: Any discrepancy arising in the decimal figures between the above total number and the direct summation of breakdown figures is due to the rounded figures.

There is no shareholder or de facto controller and his/her spouse or immediate relatives holding more than 5% of the shares among the Incentive Participants. There are no such circumstances under which the Incentive Participants participate in the equity incentive schemes of two or more listed companies at the same time.

During the implementation process of the Incentive Scheme, if there arises any circumstances that prevent participation in the Incentive Scheme as stipulated in the relevant laws, regulations and normative documents including the Company Law, the Securities Law, Document 175, Document 171, Document 133, Announcement 35, the Administrative Measures for Equity Incentives and the Articles of Association, the Company shall terminate his/her right to participate in the Incentive Scheme, and the granted Restricted Shares which have not been exercised shall not be exercised and shall be repurchased by the Company, while the repurchased shares shall be handled as required by the laws and regulations, such as the Company Law and the Implementation Rules for Share Repurchase.

VI. GRANT PRICE AND DETERMINATION METHOD

The Grant Price of the Restricted Shares of the Incentive Scheme shall be RMB9.10 per Share. During the period between the date of this announcement of the Incentive Scheme and the completion of registration for the Restricted Shares by the Incentive Participants, if the Company has increased share capital by conversion of capital reserves, has declared distribution of bonus issue, carried out division of shares, rights issue, share consolidation and distribution of dividends, the Company should make corresponding adjustments to the Grant Price of the Restricted Shares under the Incentive Scheme.

The Grant Price of the Restricted Shares granted under the Incentive Scheme (i.e. the price paid by employees) shall be determined by the Board. In accordance with the relevant regulations of the state-owned assets supervision authorities and the CSRC, the Grant Price shall be determined based on the principle of fair market price and shall not be lower than the higher of the following prices:

(I) 50% of the average trading price of the A Shares for the last trading day immediately preceding the announcement of the draft plan and summary of the Incentive Scheme;

(II) 50% of the average trading price of the A Shares for either the last 20 trading days, 60 trading days or 120 trading days immediately preceding the announcement of the draft plan and summary of the Incentive Scheme.

VII. ARRANGEMENT OF LOCK-UP PERIOD

The lock-up period of the Restricted Shares granted under the Incentive Scheme is 24 months from the date of completion of registration of the corresponding granted portion of shares. The Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or used as guarantee or for repayment of debt before unlocking.

If the Restricted Shares granted under the Incentive Scheme meet the conditions of unlocking after 24 months from the date of completion of registration of the corresponding granted portion of shares, the Incentive Participants may release the restriction in three phases in the next 36 months in the proportion of 33%, 33% and 34%.

The unlocking period and unlocking schedule of each period of the Restricted Shares granted under the Incentive Scheme is set out below:

Unlocking Arrangement	Unlocking Period	Unlocking proportion
The first unlocking period	Commencing from the first trading day upon the expiry of 24 months from the date of completion of registration for the grant of the corresponding portion of the Restricted Shares to the last trading day of 36 months from the date of completion of registration for the grant of the Restricted Shares	33%
The second unlocking period	Commencing from the first trading day upon the expiry of 36 months from the date of completion of registration for the grant of the corresponding portion of the Restricted Shares to the last trading day of 48 months from the date of completion of registration for the grant of the Restricted Shares	33%
The third unlocking period	Commencing from the first trading day upon the expiry of 48 months from the date of completion of registration for the grant of the corresponding portion of the Restricted Shares to the last trading day of 60 months from the date of completion of registration for the grant of the Restricted Shares	34%

VIII. CONDITIONS FOR EQUITY GRANTING AND UNLOCKING

(I) Conditions for Granting Restricted Shares

The Company shall grant Restricted Shares to the Incentive Participants upon satisfaction of all of the following conditions of grant; conversely, if any of the following conditions has not been satisfied, no Restricted Shares shall be granted to the Incentive Participants.

1. The Company is not involved in any of the following circumstances:

    (1) An audit report on the financial and accounting report for the latest fiscal year in which the certified public accountant issued a negative opinion or was unable to express an opinion;

    (2) An audit report on internal control over financial reporting for the latest fiscal year in which the certified public accountant issued a negative opinion or was unable to express an opinion;

    (3) Within 36 months after listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;

(4) Equity incentives shall not be implemented as stipulated by relevant laws and regulations;

(5) Other circumstances as stipulated by the CSRC.

2. The Company has satisfied the following conditions:

(1) The governance of the Company is duly regulated, and the organization of the general meeting, the Board, the Supervisory Committee, and the management is sound with clear responsibilities. The system for electing and replacing Directors at general meetings is sound, and the Board has sufficient power to select, appraise, and motivate senior management.

(2) Non-executive Directors (including independent Directors) account for more than one-half of the number of Directors on the Board. The system of the Remuneration and Appraisal Committee is sound, with comprehensive rules of procedure and under regulated operation.

(3) The basic management system is standardized, the internal control system is sound, and the three-system reform is put into effect. A system for the labor and employment, performance appraisal, and salary and welfare is established, which meets the requirements of market competition and in which the management can get promotion or demotion, employees can be employed or dismissed, and revenue can be increased or decreased.

(4) The development strategies are clear, asset quality and financial conditions are sound, and operating results are stable. There is no any non-compliance act relating to financial accounting, revenue distribution, and remuneration management during the latest three years.

(5) The mechanisms of economic responsibility audit, information disclosure, deferred payment, and recourse and deduction, which are symmetrical to the incentive mechanism, are established and improved.

(6) Other conditions required by the securities regulatory authorities.

3. The Incentive Participant is not involved in any of the following circumstances:

(1) has been recognized as an ineligible person by the stock exchange during the latest 12 months;

(2) has been recognized as an ineligible person by the CSRC and its delegated institutions during the latest 12 months;

(3) has been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or non-compliance with laws and regulations during the latest 12 months;

(4) has been prohibited to be appointed as directors or senior management according to the requirements of the Company Law;

(5) has been prohibited from participating in incentive schemes of the listed company according to the requirements of laws and regulations;

(6) has failed to perform his/her duties effectively or is in serious dereliction of duty or malfeasance as indicated by the results of economic responsibility audit;

(7) has violated the relevant national laws and regulations and the Articles of Association;

(8) has violated laws and disciplinary regulations and has been punished during his/her term of office by accepting or asking for bribes, committing corruption, theft, leaking business and technical secrets of the Company, and implementing related party transactions that harm the interest and reputation of the Company and have material negative effect on its corporate image;

(9) has failed to perform his/her duties or does not perform his/her duties correctly, which causes a large loss of assets and other serious adverse consequences to the Company;

(10) other circumstances as stipulated by the CSRC.

4. The operation results of the Company shall have reached the following conditions:

The ratio of the cash dividend amount for 2019 to the net profit attributable to shareholders of the parent company for the same year shall not be less than 30%; the operating revenue for 2019 shall not be lower than the average value (RMB18.048 billion) for 2016-2018 and not lower than the 50th percentile of the comparable enterprises; the profit margin of operating revenue after deducting non-recurring profits and losses for 2019 shall not be lower than the average value of 31.88% for 2016-2018 and not lower than the 50th percentile of the comparable enterprises; and the amount of investment in financial technology innovation for 2019 shall increase by 5% or more compared with 2018, and the classified evaluation result of securities companies for 2019 shall be Class A under Category A or above and there is no occurrence of material non-compliance with laws and regulations.

(II) Conditions for Unlocking Restricted Shares

Within the Unlocking Periods, the Restricted Shares granted to an Incentive Participant may be unlocked only when all of the following conditions are satisfied:

1. Statutory Conditions for Unlocking Restricted Shares

The statutory conditions for the unlocking of the Restricted Shares shall be consistent with the statutory conditions at the time of grant.

For the Company that fails to satisfy the statutory conditions, the Company will repurchase the Restricted Shares that have been granted to all Incentive Participants but not yet unlocked as provided in the Incentive Scheme, and the repurchased shares will be handled in accordance with the Company Law, Implementation Rules for Share Repurchase and other relevant laws and regulations.

For Incentive Participants who fail to satisfy the statutory conditions, the Company will repurchase the Restricted Shares that have been granted to the Incentive Participants but not yet unlocked as provided in the Incentive Scheme, and the repurchased shares will be handled in accordance with the Company Law, Implementation Rules for Share Repurchase and other relevant laws and regulations.

2. Conditions of Operation Results for Unlocking the Restricted Shares

The Incentive Scheme will evaluate the Company's and individual performance indicators on an annual basis during the unlocking period, and take the achievement of performance appraisal targets as one of the conditions for the Incentive Participants to unlock the sales restriction for the current year. The number of the Restricted Shares to be unlocked in current year by individual is calculated as follows:

Number of the Restricted Shares to be unlocked in current year by individual = total amount granted to individual × percentage to be unlocked in current year × company performance coefficient × individual performance coefficient.

(1) The conditions of operation results at the company level

The Company has chosen cash dividend ratio, operating revenue, profit margin of operating revenue after deducting non-recurring profits and losses, investment in financial technology innovation, and comprehensive risk control indicator as the company results appraisal indicators, of which, the comprehensive risk control indicator will be used as the threshold indicator. If such indicator of the Company has not reached the threshold value, the corresponding batch of the Restricted Shares shall not be unlocked. The threshold value of the Company's comprehensive risk control indicator is that the classified evaluation result of securities companies shall be Class A under Category A or above and there is no occurrence of material non-compliance with laws and regulations. The classified evaluation result of securities companies is appraised on the consolidated basis by the securities regulatory authority according to the Regulations on Classified Supervision of Securities Companies (《證券公司分類監管規定》). If there is any change or adjustment in such appraisal system, the Board is authorized to adjust the target of classified evaluation result accordingly to the standard of the prevailing appraisal system of the same level.

Subject to fulfillment of the comprehensive risk control indicator, the company performance coefficient corresponding to the appraisal result at the company level is as follows: company performance coefficient = indicator score of cash dividend ratio × appraisal weight of cash dividend ratio + indicator score of operating revenue × appraisal weight of operating revenue + indicator score of profit margin of operating revenue after deducting non-recurring profits and losses × appraisal weight of profit margin of operating revenue after deducting non-recurring profits and losses + indicator score of investment in financial technology innovation × appraisal weight of investment in financial technology innovation.

In this formula, the appraisal weight of cash dividend ratio is 15%, the appraisal weight of operating revenue is 35%, the appraisal weight of profit margin of operating revenue after deducting non-recurring profits and losses is 35%, and the appraisal weight of investment in financial technology innovation is 15%.

The targets and scores of the remaining appraisal indicators other than the comprehensive risk control indicator at the company level are as follows:

Unlocking Period	**Appraisal Targets and Indicator Scores** [Note 1]
First unlocking period	1. One score will be awarded if the ratio of the cash dividend amount for 2021 to the net profit attributable to shareholders of the parent company for the same year is higher than or equal to 30%; otherwise nil will be awarded.
	2. One score will be awarded if operating revenue in 2021 ranks first to fourth among the comparable enterprises; 0.8 score will be awarded for ranking fifth to sixth; otherwise nil will be awarded.
	3. One score will be awarded if profit margin of operating revenue after deducting non-recurring profits and losses in 2021 ranks first to fourth among the comparable enterprises; 0.8 score will be awarded for ranking fifth to sixth; otherwise nil will be awarded.
	4. Taking the amount of the investment in financial technology innovation in 2019 [Note 2] as the basis, one score will be awarded if the amount of investment in financial technology innovation in 2021 increased by 5% or more; otherwise nil will be awarded.
Second unlocking period	1. One score will be awarded if the ratio of the cash dividend amount for 2022 to the net profit attributable to shareholders of the parent company for the same year is higher than or equal to 30%; otherwise nil will be awarded.
	2. One score will be awarded if operating revenue in 2022 ranks first to fourth among the comparable enterprises; 0.8 score will be awarded for ranking fifth to sixth; otherwise nil will be awarded.
	3. One score will be awarded if profit margin of operating revenue after deducting non-recurring profits and losses in 2022 ranks first to fourth among the comparable enterprises; 0.8 score will be awarded for ranking fifth to sixth; otherwise nil will be awarded.
	4. Taking the amount of the investment in financial technology innovation in 2019 as the basis, one score will be awarded if the amount of investment in financial technology innovation in 2022 increased by 8% or more; otherwise nil will be awarded.

Unlocking Period	Appraisal Targets and Indicator Scores [Note 1]
Third unlocking period	1. One score will be awarded if the ratio of the cash dividend amount for 2023 to the net profit attributable to shareholders of the parent company for the same year is higher than or equal to 30%; otherwise nil will be awarded. 2. One score will be awarded if operating revenue in 2023 ranks first to third among the comparable enterprises; 0.8 score will be awarded for ranking fourth to sixth; otherwise nil will be awarded. 3. One score will be awarded if profit margin of operating revenue after deducting non-recurring profits and losses in 2023 ranks first to third among the comparable enterprises; 0.8 score will be awarded for ranking fourth to sixth; otherwise nil will be awarded. 4. Taking the amount of the investment in financial technology innovation in 2019 as the basis, one score will be awarded if the amount of investment in financial technology innovation in 2023 increased by 11% or more; otherwise nil will be awarded.

Note 1: During the validity period of the Incentive Scheme, in case of any material acts (such as merger by absorption and material asset reorganization according to the decision of the relevant supervisory authority or implementation of corresponding strategic measures in response to national policies) which may affect the Company's performance indicators and render relevant performance indicators incomparable, the Board is authorized to adjust the values of corresponding performance indicators.

Note 2: The amount of investment in financial technology innovation is determined in accordance with the data of information system construction investment (including the amount of information technology investment and remuneration of information technology staff) of securities companies published by the Securities Association of China. If the Securities Association of China adjusts the relevant statistics, the Board is authorized to adjust the corresponding target.

In light of the current industry competitive situation, business scale and structure, the Company's own situation and other appraisal factors, the Company has selected CITIC Securities Co., Ltd., Haitong Securities Co., Ltd., Guotai Junan Securities Co., Ltd., GF Securities Co., Ltd., China Merchants Securities Co., Ltd., Shenwan Hongyuan Group Co., Ltd., CSC Financial Co., Ltd., China Galaxy Securities Co., Ltd., and China International Capital Corporation Limited as comparable enterprises.

During the appraisal process for unlocking, if a comparable enterprise experiences major asset reorganization and other actions, resulting in major changes in its main business or extreme changes in operating performance, the Board will be authorized to remove or replace the comparable enterprise based on the above appraisal factors as the case may be.

(2) Performance conditions at the individual level of Incentive Participants

The individual performance coefficient of the current period is determined according to the performance appraisal results of the Incentive Participants in the previous year. The unlocking ratios corresponding to the appraisal results are as shown in the following table:

Appraisal result	**B or above**	**C**	**D**	**E**
Individual performance coefficient	100%	90%	70%	0%

If the shares that can be unlocked in the current period are not fully unlocked due to performance appraisal at the company level or performance appraisal at the individual level, the corresponding Restricted Shares shall not be unlocked or postponed to the next period for unlocking, but shall be repurchased by the Company at the lower of the Grant Price and the stock market price at the time of repurchase (the average trading price of the underlying stock of the Company on the trading day before the repurchase matters are deliberated by the Board). The repurchased shares will be handled in accordance with the Company Law, Implementation Rules for Share Repurchase and other relevant laws and regulations.

(III) Explanation on Scientificity and Reasonableness of the Performance Appraisal Indicators

The performance appraisal indicators of the Company have been established in accordance with the basic requirements of the relevant laws, regulations and the Articles of Association. The performance appraisal indicators for the Restricted Shares are divided into two levels, namely, the performance appraisal at the company level and the performance appraisal at the individual level.

On the principle of promoting the growth of the Company's performance, improving the return of shareholders and enhancing the sustainable development ability of the Company, the performance appraisal indicators at the company level are selected, including the proportion of cash dividend, operating revenue, profit margin of operating revenue after deducting non-recurring profits and losses, investment in financial technology innovation and comprehensive risk control indicators. When determining the specific value, relevant factors such as macroeconomic environment, industry development status, market competition and the Company's future development plan are taken into account comprehensively, and the possibility of realization and the incentive effect on the Company's employees are considered comprehensively. The performance appraisal indicators are reasonable and scientific.

In addition to the performance appraisal at the company level, the Company has also established strict performance appraisal system for the individuals, which are capable of making more accurate and all-round comprehensive appraisal on the performance of the Incentive Participants. The Company will determine whether an Incentive Participant has satisfied the condition for unlocking according to the performance appraisal results of the Incentive Participant in the previous year.

In conclusion, the appraisal system of the Incentive Scheme of the Company is comprehensive, integrated and operable. The performance appraisal indicators are scientific and reasonable, and binding on the Incentive Participants. They can achieve the assessment purpose of the Incentive Scheme, and will play a positive role in promoting the future business development of the Company.

IX. VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIOD AND NO-SELLING PERIOD OF THE INCENTIVE SCHEME

(I) Validity Period of the Incentive Scheme

The validity period of the Incentive Scheme shall commence from the date of completion of registration of the granted Restricted Shares and end on the date when all the Restricted Shares granted to the Incentive Participants are fully unlocked (excluding those subject to voluntary lock-up or reduction restriction over Directors and senior management) or repurchased and deregistered, for a maximum of six years.

(II) Grant Date of the Incentive Scheme

The Grant Date shall be determined by the Board after the regulatory approval or filing procedures are completed for the Incentive Scheme and the Incentive Scheme has been considered and approved by the general meeting of the Company. The Grant Date shall be a trading day. Upon the consideration and approval of the Incentive Scheme at the general meeting, the Company shall complete the grant, registration, announcement and other relevant procedures for the Restricted Shares in accordance with the Administrative Measures for Equity Incentives and other relevant requirements.

The Grant Date shall be a trading day, and shall not fall in any of the following periods:

1. within 60 days prior to the publication of the annual report or within 30 days prior to the publication of the interim report and quarterly report.

2. within 10 days prior to the disclosure of results preview or preliminary financial results.

3. during the period from the date of occurrence of a material event which may have considerable impact on trading price of the shares and their derivatives of the Company, or the date of entering the decision-making process, up to 2 trading days after relevant disclosure has been made in accordance with the laws.

4. any other period stipulated by the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The above periods which prohibit the grant of Restricted Shares by the Company shall not be included into the period stipulated in the Administrative Measures for Equity Incentives and other relevant regulations.

(III) Lock-up Period

The lock-up period of the Restricted Shares granted under the Incentive Scheme is 24 months from the date of completion of registration of the corresponding granted portion of shares. The Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall not be transferred or used as guarantee or for repayment of debt before unlocking.

(IV) Unlocking Arrangement

If the Restricted Shares granted under the Incentive Scheme meet the conditions of unlocking after 24 months from the date of completion of registration of the corresponding granted portion of no-selling period shares, the Incentive Participants may release the restriction in three phases in the next 36 months in the proportion of 33%, 33% and 34%. For details, please refer to "VII. ARRANGEMENT OF LOCK-UP PEROID" in this announcement.

(V) No-selling Period of the Incentive Scheme

The requirements of lock-up for Restricted Shares under the Incentive Scheme are implemented in accordance with the relevant laws, regulations and normative documents, such as the Company Law, the Securities Law and the Articles of Association. The specific provisions are as follows:

1. Where the Incentive Participant is a Director or senior management of the Company, the number of shares of the Company which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares of the Company held by him/her. No shares held by him/her shall be transferred within six months after his/her termination of office.

2. When unlocking the last batch of the Restricted Shares under the Incentive Scheme, 20% of the total number of the Restricted Shares (including the scrip dividends allocated to such shares) granted to Incentive Participants who are Directors and senior management of the Company are subject to lock-up and may be cashed after expiry of their term of office, and subject to appraisal on their performance as Directors and senior management during their term of office or the audited results of economic responsibility to confirm whether the unlocking can be implemented.

3. For Incentive Participants who are Directors and senior management of the Company, if they have sold the shares of the Company held by them within 6 months after purchasing such shares, or they have purchased the shares within 6 months after selling their shares, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains.

4. Incentive Participants who reduce their holdings of shares of the Company are also subject to relevant requirements of the Listing Rules of Shanghai Stock Exchange, Hong Kong Listing Rules, Certain Requirements for Reduction in Shareholdings by Shareholders, Directors, Supervisors and Senior Management of Listed Companies, the Implementation Rules of Shanghai Stock Exchange for Reduction in Shareholdings by Shareholders and Directors, Supervisors and Senior Management of Listed Companies, and the Management Rules for Company's Shares Held by Directors, Supervisors and Senior Management of Listed Companies and Movements of Their Shares.

5. During the valid period of the Incentive Scheme, if there is any change to the provisions of the Company Law, Securities Law, and other relevant laws and regulations, normative documents and the Articles of Association on the transfer of shares held by the Directors and senior management of the Company, the Incentive Participants of this type shall comply with the revised provisions of the Company Law, Securities Law, and other relevant laws and regulations, normative documents and the Articles of Association when transferring the shares of the Company they hold.

X. ADJUSTMENT METHOD AND PROCEDURE OF THE EQUITY QUANTITY AND EQUITY PRICE

(I) Adjustment Method of the Grant Quantity of the Restricted Shares

During the period between the date of announcement of the Incentive Scheme and the completion of registration for the Restricted Shares by the Incentive Participants, if the Company has increased share capital by conversion of capital reserves, has declared distribution of bonus issue, carried out stock division, rights issue and share consolidation, the Company should make corresponding adjustments to the quantity of the Restricted Shares. The adjustment method is as follows:

1. Increase of share capital by conversion of capital reserve, distribution of bonus issue, and stock division

$Q=Q_0\times(1+n)$

Where Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of increase per share resulting from the increase of share capital by conversion of capital reserve, distribution of bonus issue or stock division (i.e. the number of shares increased per share upon increase of share capital by conversion of capital reserve, distribution of bonus issue or stock division); Q represents the number of the Restricted Shares after the adjustment.

2. Rights issue

$Q=Q_0\times P_1\times(1+n)\div(P_1+P_2\times n)$

Where Q_0 represents the number of the Restricted Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the number of the Restricted Shares after the adjustment.

3. Share consolidation

$Q=Q_0\times n$

Where Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n shares); Q represents the number of the Restricted Shares after the adjustment.

4. Issue of new shares and distribution of dividends

In circumstances where the Company issues new shares or distributes dividends, no adjustment will be made to the grant quantity of the Restricted Shares.

(II) Adjustment Method of the Grant Price of Restricted Shares

During the period between the date of announcement of the Incentive Scheme and the completion of registration for the Restricted Shares by the Incentive Participants, if the Company has increased share capital by conversion of capital reserves, has declared distribution of bonus issue, carried out stock division, rights issue, share consolidation or distribution of dividends, the Company should make corresponding adjustments to the Grant Price of the Restricted Shares. The adjustment method is as follows:

1. Increase of share capital by conversion of capital reserve, distribution of bonus issue, and stock division

$P=P_0÷(1+n)$

Where P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per share resulting from the increase of share capital by conversion of capital reserve, distribution of bonus issue or stock division; P represents the Grant Price after the adjustment.

2. Rights issue

$P=P_0×(P_1+P_2×n)÷[P_1×(1+n)]$

Where P_0 represents the Grant Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the Grant Price after the adjustment.

3. Share consolidation

$P=P_0÷n$

Where P_0 represents the Grant Price before the adjustment; n represents the ratio of consolidation of shares; P represents the Grant Price after the adjustment.

4. Distribution of dividends

$P=P_0-V$

Where P_0 represents the Grant Price before the adjustment; V represents the dividend per share; P represents the Grant Price after the adjustment; P shall still be greater than or equal to 1 after the adjustment.

5. Issue of new shares

In circumstances where the Company issues new shares, no adjustment will be made to the Grant Price of the Restricted Shares.

(III) Adjustment Procedures of the Grant Quantity and Grant Price

1. The general meeting of the Company authorizes the Board to adjust the grant quantity or Grant Price of the Restricted Shares for the reasons listed above. When the Board adjusts the grant quantity or Grant Price according to the above provisions, it shall make an announcement and notify the Incentive Participants in a timely manner.

2. Any adjustment to the grant quantity, Grant Price or other terms of the Restricted Shares for other reasons shall be reported to the general meeting for review and approval after consideration by the Board.

3. The lawyer engaged by the Company shall issue to the Board professional opinions on whether the above adjustments are in compliance with the relevant documents of the CSRC or other regulatory authorities, the Articles of Association and the provisions of the Incentive Scheme.

XI. GRANT AND UNLOCKING PROCEDURES FOR THE RESTRICTED SHARES

(I) Procedures for the Incentive Scheme to Take Effect

1. The Remuneration and Appraisal Committee of the Board formulates the Restricted Share Incentive Scheme and submits the same to the Board for consideration.

2. The Board shall make resolution on the Incentive Scheme according to laws. The Directors who are the proposed Incentive Participants or have any connected relationships with the proposed Incentive Participants shall withdraw from voting when the Board considers the Incentive Scheme. The Board shall, after deliberating and approving the Incentive Scheme and following the procedures of publicity and announcement, submit the same to the general meeting for deliberation; and at the same time, request the authorization of the general meeting to take charge of the grant, unlocking and repurchase of Restricted Shares.

3. The independent Directors and Supervisory Committee shall express opinions on whether the Incentive Scheme is conducive to the sustainable development of the Company, and whether there are any circumstances apparently harmful to the interests of the Company and all shareholders. The law firm will issue a letter of legal opinion on the Incentive Scheme.

4. Only after the completion of the regulatory approval or filing procedures of the Incentive Scheme can the Company convene a general meeting to review and approve the Incentive Scheme and implement it. The Company shall, prior to the convening of general meeting, publicize the names and positions of the Incentive Participants through the OA system of the Company (the publicity period shall be no less than 10 days). The Supervisory Committee will review the list of Incentive Participants and sufficiently listen to relevant opinions. The Company will disclose, 5 days prior to consideration of the Incentive Scheme by the general meeting, the description regarding the review on the list of Incentive Participants by the Supervisory Committee and the publication response.

5. When convening a general meeting to consider the Incentive Scheme, the independent Directors will solicit voting proxies from all shareholders in respect of the Incentive Scheme. The general meeting shall vote on the contents of the equity incentive scheme in accordance with Article 9 of the Administrative Measures for Equity Incentives with the approval of more than two-thirds of the voting rights held by shareholders who attend the meeting. The voting status of shareholders other than Directors, supervisors, senior management and shareholders holding more than 5% of the Company's shares individually or in aggregate shall be separately counted and disclosed.

   The shareholders who are the proposed Incentive Participants or have any connected relationships with the proposed Incentive Participants shall withdraw from voting when the general meeting considers the Incentive Scheme.

6. When the Incentive Scheme is approved by the general meeting and meets the granting conditions set forth, the Company shall grant the Restricted Shares to the Incentive Participants within the specified time. When authorized by the general meeting, the Board shall be responsible for the grant, unlocking and repurchase of Restricted Shares.

(II) The Procedures for Granting Restricted Shares

1. After the general meeting reviews and approves the Incentive Scheme, the Company shall enter into the Equity Incentive Agreement with the Incentive Participants to define their respective rights and obligations.

2. Before the Company grants equity to the Incentive Participants, the Board shall review and announce whether the conditions for the Incentive Participants to be granted the equity set out in the equity incentive scheme are fulfilled. The independent Director and the Supervisory Committee shall simultaneously express definite opinions. The law firm shall issue legal opinions on whether the conditions for the Incentive Participants to be granted the equity are fulfilled.

3. The Supervisory Committee shall verify the list of Incentive Participants as at the Grant Date of the Restricted Shares and express its view.

4. When there is any discrepancy between the Company's grant of equity to the Incentive Participants and the arrangement of the Incentive Scheme, the independent Directors, the Supervisory Committee (when there are changes to the Incentive Participants), and the law firm shall issue their definite opinions simultaneously.

5. Upon the consideration and approval of the Incentive Scheme at the general meeting, the Company shall complete the grant, registration and announcement procedures in accordance with the Administrative Measures for Equity Incentives.

6. If the Directors and senior management, as the Incentive Participants, reduce their holdings of the Company's shares 6 months before the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for 6 months from the date of the last reduction transaction in accordance with the provisions on short-term trading in the Securities Law.

7. Before the grant of equity, the Company shall seek approval from the stock exchange. After the confirmation given by the stock exchange, the registration and clearing matters shall be handled by the relevant stock registration and clearing institutions.

(III) Unlocking Procedures for the Restricted Shares

1. The Company shall confirm whether the Incentive Participants satisfy the unlocking conditions before the unlocking date. The Board shall consider whether the unlocking conditions as set out in the Incentive Scheme have been satisfied. The independent Directors and the Supervisory Committee shall both express their views explicitly and simultaneously. The law firm shall issue legal opinions on whether the conditions for the unlocking by the Incentive Participants are fulfilled. For Incentive Participants who satisfy the unlocking conditions, the Company shall handle the unlocking in a unified manner, and for Incentive Participants who fail to satisfy the unlocking conditions, save as otherwise provided in the Incentive Scheme, the Company will repurchase the Restricted Shares corresponding to the portions which have not been unlocked. The repurchased shares will be handled in accordance with the Company Law, Implementation Rules for Share Repurchase and other relevant laws and regulations. The Company shall disclose the implementation thereof timely by way of announcement.

2. Incentive Participants may transfer their unlocked Restricted Shares, but the transfer of shares held by the Directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and normative documents.

3. Before the unlocking of the Restricted Shares of the Incentive Participants, the Company shall seek approval from the stock exchange. After the confirmation given by the stock exchange, the registration and clearing matters shall be handled by the relevant stock registration and clearing institutions.

XII. RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE INCENTIVE PARTICIPANTS

(I) Rights and Obligations of the Company

1. The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Incentive Participants based on the requirements under the Incentive Scheme. If the Incentive Participants fail to satisfy the unlocking conditions as set out in the Incentive Scheme, the Company will repurchase the Restricted Shares corresponding to the portions which have not been unlocked according to the principles set out in the Incentive Scheme. The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

2. The Company undertakes that it will not provide loans and financial support in any other forms, including providing guarantee for loans, to the Incentive Participants with respect to the acquisition of the Restricted Shares under the Incentive Scheme.

3. The Company shall, in accordance with the Incentive Scheme and the relevant provisions of state-owned assets supervision and administration authority, the CSRC, the stock exchange and the Depository and Clearing Company, actively cooperate with the Incentive Participants who meet the conditions for subscription and unlocking to subscribe for and unlock the Restricted Shares. The Company shall not be liable if the Incentive Participant fails to subscribe for and unlock the Restricted Share at its own will and incurs losses attributed by the reasons of state-owned assets administration authority, the CSRC, the stock exchange or the Depository and Clearing Company.

4. The Incentive Scheme does not constitute the employment term undertaking of the Company to the employees. The employment relationship between the Company and the employees shall still be subject to the relevant labor contracts or an appointment agreement signed by the Company and the Incentive Participants.

5. The Company shall perform the declaration, information disclosure and other obligations of the Incentive Scheme in a timely manner in accordance with the provisions of the relevant laws, regulations and normative documents.

6. The Company undertakes that there are no false records, misleading statements or major omissions in the disclosed information in relation to the Incentive Scheme.

7. The Company shall perform the tax obligations related to the Incentive Scheme in accordance with the national tax management regulations.

8. Upon consideration and approval of the Incentive Scheme at the general meeting, the Company will enter into the Equity Incentive Agreement with each Incentive Participant to determine their respective rights and obligations under the Incentive Scheme and other relevant matters.

9. Other relevant rights and obligations set forth in laws, regulations and the Equity Incentive Agreement signed by the Company and each Incentive Participant.

(II) Rights and Obligations of the Incentive Participants

1. The Incentive Participants shall comply with the requirements of their positions within the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make due contributions to the development of the Company.

2. The Incentive Participants are entitled to be granted Restricted Shares pursuant to the provisions of the Incentive Scheme and the Restricted Shares granted shall not be transferred or used for guarantee or repayment of debt during the Lock-up Period.

3. The Incentive Participants are entitled to and shall unlock their respective Restricted Shares and may transfer such shares in accordance with the requirements of the Incentive Scheme.

4. The Incentive Participants undertake, they are self-financed to participate in the Incentive Scheme and comply with relevant laws and regulations.

5. Upon completion of registration by the Depository and Clearing Company, the Restricted Shares granted to the Incentive Participants shall have the equal rights as shares, including but not limited to the rights to receive dividend and rights to receive rights issue conferred by such shares. During the Lock-up Period, the stock dividends, capital reserve fund conversion to share capital, and allotment shares derived from such Restricted Shares cannot be transferred, used for guarantee or repayment of debts. The unlocking period for such shares shall be the same as that of the Restricted Shares. Before unlocking, when the Company distributes cash dividends, the Incentive Participants shall be entitled to cash dividends in respect of the Restricted Shares they have been granted net of respective withholding personal income tax. For the portion of the Restricted Shares that cannot be unlocked, the Company should deduct the cash dividends attributable to the relevant Incentive Participants when repurchasing such Restricted Shares in accordance with the provisions of the Incentive Scheme.

6. In case the Restricted Shares are subject to pledge, judicial freeze, seizure, or property division according to law during the Lock-up Period, as a general rule, such Restricted Shares which do not satisfy the unlocking conditions shall not be transferred to others by property division. The consequent financial issues shall be handled by the parties involved according to law, and no claim may be made against the Company.

7. The Incentive Participants undertake, where false statements, misleading statements or material omissions in the information disclosure documents of the Incentive Scheme of the Company result in non-compliance with conditions of grant or arrangements for exercise of rights, the Incentive Participants shall return to the Company all interests gained through the Incentive Scheme after it is confirmed that the relevant information disclosure documents of the Company contain false statements or misleading statements or material omissions.

8. Any gain of the Incentive Participants generated from the Incentive Scheme are subject to individual income tax and other taxes according to the tax laws issued by the PRC.

9. Upon the consideration and approval of the Incentive Scheme at the general meeting of the Company, the Company shall enter into the Equity Incentive Agreement with each Incentive Participant to determine their respective rights and obligations under the Incentive Scheme and other relevant matters.

10. Other relevant rights and obligations set forth in laws, regulations and the Incentive Scheme.

XIII. AMENDMENTS AND TERMINATION OF THE INCENTIVE SCHEME

(I) Handling of Changes in the Company's Situation

1. In case of occurrence of any of the following circumstances to the Company, the Incentive Scheme shall be terminated and the Restricted Shares that have been granted to the Incentive Participants but not yet unlocked shall not be unlocked. The Incentive Participants with personal liability for the following circumstances shall have their Restricted Shares repurchased by the Company at the lower of the Grant Price and the stock market price at the time of repurchase (the average trading price of the underlying stock of the Company on the trading day before the repurchase matters deliberated by the Board), and the other Incentive Participants shall have their Restricted Shares repurchased by the Company at the Grant Price. The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

   (1) The certified public accountant has issued an audit report with negative opinions or been unable to give comments on the financial accounting report of the latest accounting year;

   (2) The certified public accountant has issued an audit report with negative opinions or been unable to give comments on internal control in the financial report of the latest accounting year;

   (3) The Company fails to engage an accounting firm to carry out auditing in accordance with the prescribed procedures and requirements;

   (4) The State-owned assets supervision and administration institution, the Supervisory Committee or the auditing department has raised a material objection to the performance results or annual financial report of the listed company;

   (5) The operating loss of the Company leads to the indefinite suspension of trading, disqualification from listing, bankruptcy or dissolution;

   (6) The Company repurchases and cancels the shares, resulting in delisting because it fails to fulfill the listing conditions;

   (7) Profits have not been duly distributed in accordance with laws, regulations, the Articles of Association or public undertakings within 36 months after listing;

   (8) Equity incentives are not allowed to be implemented under the laws and regulations;

(9) Other circumstances stipulated by the CSRC under which the Incentive Scheme shall be terminated.

2. In case of merger or division or change in control of the Company, in principle, all the granted Restricted Shares will not be changed. However, if the underlying shares involved in the Incentive Scheme change due to the merger, division or change in control, the Restricted Shares shall be adjusted to ensure the expected return of the Incentive Participants remains unchanged.

3. During the process of implementation of the Incentive Scheme, where false statements, misleading statements or material omissions from financial accounting documents or the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for exercise of rights, Incentive Participants shall not exercise the outstanding rights, and the Company shall recover all interests gained by Incentive Participants through relevant Scheme and shall not grant new rights to relevant liable Incentive Participants.

(II) Handling of Changes in Personal Conditions of Incentive Participants

1. If the Incentive Participant loses the eligibility to participate in the Incentive Scheme due to any of the following circumstances, the Restricted Shares of the Incentive Participant that have been unlocked shall remain valid. The Restricted Shares that have not been unlocked shall be repurchased by the Company at the lower of the Grant Price and the stock market price at the time of repurchase (the average trading price of the underlying stock of the Company on the trading day before the repurchase matters are deliberated by the Board). The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

(1) he/she has been recognized as an ineligible candidate by the stock exchange during the latest 12 months;

(2) he/she has been recognized as an ineligible candidate by the CSRC and its delegated institutions during the latest 12 months;

(3) he/she has been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or non-compliance with laws and regulations during the latest 12 months;

(4) he/she has been prohibited from being appointed as a director or a senior management according to the requirements of the Company Law;

(5) he/she has been prohibited from participating in equity incentive schemes of the listed company according to the requirements of laws and regulations;

(6) other circumstances as stipulated by the CSRC.

2. If the Incentive Participant has his/her position changed, but still works in the Company (including its branches) or its wholly-owned and majority-controlled subsidiaries, and the labor relationship is not dissolved or terminated, the Restricted Shares granted to him/her shall be processed in full accordance with the procedures set forth in the Incentive Scheme before the change in his/her position. If Incentive Participant becomes a Supervisor or an independent Director of the Company or other person who cannot hold the Restricted Shares of the Company, the Restricted Shares that have been granted to Incentive Participants but have not been unlocked under the Incentive Scheme shall be repurchased by the Company at the Grant Price plus interest calculated based on the benchmark deposit rate of the corresponding period published by the People's Bank of China at the time of the repurchase. The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

   However, in case of occurrence of the following circumstances to Incentive Participants, the Restricted Shares that have been granted but have not been unlocked shall not be unlocked, but shall be repurchased by the Company at the lower of the Grant Price and the stock market price at the time of repurchase (the average trading price of the underlying stock of the Company on the trading day before the repurchase matters are deliberated by the Board). The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations. For the Restricted Shares that have been unlocked, the Company may require the Incentive Participant to return the interests derived from the Incentive Scheme:

   (1) The results of economic responsibility audit indicate that the Incentive Participant fails to perform his/her duties effectively or is in serious dereliction of duty or malfeasance;

   (2) The Incentive Participant has acted in violation of the relevant laws and regulations issued by the State and the Articles of Association;

   (3) The Incentive Participant has violated laws and disciplinary regulations and has been correspondingly punished during his/her term of office by accepting or asking for bribes, committing corruption, theft, divulging business and technical secrets of the Company, and implementing related party transactions that harm the interest and reputation of the Company and have material negative effect on its corporate image;

   (4) The Incentive Participant fails to perform his/her duties or duly perform his/her duties, which causes a large loss of assets and other serious adverse consequences to the Company.

3. If the Incentive Participant dissolves or terminates the labor relationship with the Company (including its branches) or its wholly-owned and majority controlled subsidiaries due to work transfer or other reasons, the Company may calculate the number of Restricted Shares eligible for unlocking based on his/her actual years of service, and arrange for the unlocking according to the corresponding unlocking batches, while the Restricted Shares that have been granted but have not been unlocked shall be repurchased by the Company at the Grant Price plus interest calculated based on the benchmark deposit rate of the corresponding period published by the People's Bank of China at the time of the repurchase. The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

   The method for calculating the number of Restricted Shares eligible for unlocking based on the actual years of service are as follows:

   (1) If any of the above circumstances occurs prior to the first date of unlocking: The actual number of Restricted Shares of the Incentive Participant eligible for unlocking on the first date of unlocking = The number of Restricted Shares of the Incentive Participant eligible for unlocking in the current period based on the corresponding annual performance appraisal results × number of days from the date when the registration of Restricted Shares is completed to the last working day of the Incentive Participant ÷365÷2.

   (2) If any of the above circumstances occurs after the first date of unlocking: The actual number of Restricted Shares of the Incentive Participant eligible for unlocking in an unlocking period = The number of Restricted Shares of the Incentive Participant eligible for unlocking in the current period based on the corresponding annual performance appraisal results × number of days from the first date of the last unlocking period to the last working day of the Incentive Participant ÷365.

4. If the Incentive Participant dissolves or terminates the labor relationship with the Company (including the branches) or its wholly-owned and majority controlled subsidiaries due to his/her normal retirement at the mandatory retirement age, the Restricted Shares granted to the Incentive Participant shall be processed in accordance with the procedures set forth in the Incentive Scheme before the retirement, and his/her individual performance appraisal results shall not be included in the conditions for unlocking.

5. If the Incentive Participant is terminated due to the loss of labor capacity, it shall be handled in two conditions:

   (1) If the Incentive Participant is terminated due to the loss of labor capacity which is caused by the performance of duties, the Restricted Shares granted to the Incentive Participant shall be processed in accordance with the procedures set forth in the Incentive Scheme prior to the loss of labor capacity, and his/her individual performance appraisal results shall not be included in the conditions for unlocking;

   (2) If the Incentive Participant is terminated due to the loss of labor capacity which is not caused by the performance of duties, within six months from the date of occurrence of the situation, the Restricted Shares of the Incentive Participant that meet the unlocking conditions in the current year can be unlocked, while the Restricted Shares that have been granted but have not been unlocked shall be repurchased by the Company at the Grant Price plus interest calculated based on the benchmark deposit rate of the corresponding period published by the People's Bank of China at the time of the repurchase. The repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

6. In case of the death of the Incentive Participant, it shall be handled in two cases:

   (1) If the Incentive Participant dies as a result of performance of his/her duties, as at the occurrence date, the Restricted Shares granted to the Incentive Participant shall be held by the designated heir or legal heir on his/her behalf and processed in accordance with the procedures set forth in the Incentive Scheme prior to the death, and his/her individual performance appraisal results shall not be included in the conditions for unlocking;

   (2) If the Incentive Participant dies for any other reasons, within six months from the date of occurrence of the situation, the Restricted Shares of the Incentive Participant that meet the unlocking conditions in the current year can be unlocked, while the Restricted Shares that have been granted but have not been unlocked shall be repurchased by the Company at the Grant Price plus interest calculated based on the benchmark deposit rate of the corresponding period published by the People's Bank of China at the time of the repurchase. The repurchased shares will be handled in accordance with the Company Law, Implementation Rules for Share Repurchase and other relevant laws and regulations.

7. Except for the dissolution or termination of labor relationship with the Company (including its branches) or its wholly-owned and majority controlled subsidiaries due to the above four cases, namely, work transfer, normal retirement at mandatory age for retirement, loss of labor capacity, and death, if the Incentive Participants dissolve or terminate the labor relationship with the Company (including its branches) or its wholly-owned and majority controlled subsidiaries for any other reason, the Restricted Shares granted to the Incentive Participants but not yet unlocked shall not be unlocked, and shall be repurchased by the Company at the lower of the grant price and the stock market price at the time of repurchase (the average price of the underlying stock of the Company on the trading day before the repurchase matters are deliberated by the Board), and the repurchased shares will be handled in accordance with the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations.

8. Other unspecified cases shall be determined and dealt with by the Board.

(III) Procedures for Amendment to the Incentive Scheme

1. If the Company intends to amend the Incentive Scheme before it is considered at the general meeting, the Incentive Scheme shall be reviewed and approved by the Board.

2. Except as provided in the Incentive Scheme or as authorized by the general meeting, any amendments made by the Company after the Incentive Scheme, which is considered and approved at the general meeting shall be reviewed and approved by the general meeting and shall not include the following situations:

   (1) leading to the early unlocking of the Restricted Shares;

   (2) leading to a reduction in Grant Price.

3. The independent Directors and the Supervisory Committee shall provide definite opinions on whether the scheme after change is conducive to the sustainable development of the Company, and whether there exist any situations that obviously damage the interests of the Company and all the shareholders.

4. The law firm shall provide professional opinions on whether the scheme after change complies with the requirements of the Incentive Scheme and the relevant laws and regulations, and whether there exist any situations that obviously damage the interests of the Company and all the shareholders.

(IV) Procedures for Termination of the Incentive Scheme

1. Proposed termination of the Incentive Scheme by the Company prior to its consideration at a general meeting shall be subject to consideration and approval of the Board.

2. Termination of the Incentive Scheme by the Company upon its consideration and approval at a general meeting shall be subject to consideration and approval at a general meeting.

3. The law firm shall provide professional opinions on whether the termination of the Incentive Scheme complies with the requirements of the Administrative Measures for Equity Incentives and the relevant laws and regulations, and whether there exist any situations that obviously damage the interests of the Company and all the shareholders.

4. Upon the termination of the Incentive Scheme, the Company shall repurchase the Restricted Shares that have not been unlocked and handle the same in accordance with the requirements of the Company Law and the Implementation Rules for Share Repurchase.

5. Before the repurchase of the Restricted Shares, the Company shall seek approval from the stock exchange. After the confirmation given by the stock exchange, the registration and clearing matters shall be handled by the relevant registration and clearing institutions.

XIV. ACCOUNTING TREATMENT METHOD AND ITS EFFECTS ON OPERATING RESULTS

(I) Accounting Treatment

In accordance with the requirements of the "Accounting Standards for Business Enterprises No. 11 – Share-based Payments", at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted Shares, completion of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

1. Grant Date

The bank deposit, treasury stock and capital reserve (share capital premium) shall be determined or written off according to the granting of Shares to the Incentive Participants by the Company, and liabilities shall be recognized for its repurchasing obligation concurrently.

2. Each balance sheet date prior to the Unlocking Date

   In accordance with the accounting standards, as at each balance sheet date within the Lock-up Period, the services provided by the staff will be recognized in the costs or expenses based on the fair value of the equity instruments granted on the Grant Date and the unlocking ratio of the Restricted Shares in each period, and the owner' s equity or liability will be recognized at the same time.

3. Unlocking Date

   On the unlocking date, the Shares can be unlocked if all conditions of unlocking are satisfied; if all or part of the Shares are not unlocked, they shall be repurchased and processed by the Company according to the Company Law, the Implementation Rules for Share Repurchase and other relevant laws and regulations as well as the accounting standards and relevant requirements.

(II) Fair Value of the Restricted Shares and Its Determination Method

In accordance with the Accounting Standards for Business Enterprises No. 11 – Share-based Payment and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company measures the fair value of the granted Restricted Shares based on the market price. The fair value of the Restricted Shares shall be determined on the basis of the market price on the Grant Date and the subscription price factor of the Incentive Participant.

(III) Estimated Impact of the Restricted Shares on Operating Results in Each Period

In accordance with the Accounting Standards for Business Enterprises No. 11 – Share-based Payment, the Company takes the Board meeting date (December 31, 2020) as the base date and estimates the incentive cost of the Restricted Shares granted (on December 31, 2020 presumptively). The total cost of the Restricted Shares is estimated to be RMB406,652,400.

Such expenses will be recognized in stages during the implementation of the Incentive Scheme in accordance with the unlocking rate. The incentive costs derived from the Incentive Scheme will be itemized under the recurring profit and loss.

According to the requirements of Chinese accounting standards, taking the date of Board meeting which reviews the draft of the Incentive Scheme (December 31, 2020) as the base date, and December 31, 2020 as the Grant Date, the impact of Restricted Shares granted under the Incentive Scheme on the accounting costs for each period is shown in the following table:

Unit: 10 thousand RMB

Grant quantity (10,000 shares)	Total expenses to be amortized	2021	2022	2023	2024
4,564.00	40,665.24	14,639.49	14,639.49	7929.72	3456.54

What is shown above is the prediction of the cost of incentives granted under the Incentive Scheme. The actual equity incentive cost will change according to the changes in the parameters after the Grant Date is determined by the Board. The Company will disclose the specific accounting treatment methods and their impact on the Company's financial data in periodic reports.

Without considering the promotion of the Incentive Scheme on the Company's performance, the amortization of its expenses has a certain impact on the net profit of each year within the validity period. As an important measure for the long-term incentive mechanism construction of the Company, the Incentive Scheme is conducive to accelerating the establishment of a market-oriented mechanism for employees and the Company to share benefits and risks, strengthening the cohesion and enthusiasm of the talent team, and further improving the operation efficiency, so as to facilitate the sustainable development of the Company. It is in the interests of all shareholders of the Company.

XV. IMPLICATIONS OF THE HONG KONG LISTING RULES

The Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules.

Under the Incentive Scheme, the Restricted Shares will be granted to Mr. Zhou Yi. Mr. Zhou Yi is the Chief Executive Officer, director of the Executive Committee and executive Director of the Company and is a connected person of the Company in accordance with the Hong Kong Listing Rules. The Restricted Shares granted to Mr. Zhou Yi under the Incentive Scheme will form part of his remunerations under his Directors' service contract and thus can be fully exempted from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Rules 14A.73(6) and 14A.95 of the Hong Kong Listing Rules. Mr. Zhou Yi has abstained from voting on the resolutions in relation to the Incentive Scheme at the meeting of the Board.

XVI. GENERAL MEETING

The Incentive Scheme shall not take effect until it is approved by the general meeting. Please be noted that the Board will duly issue a notice and a circular, proposing to convene a general meeting to consider the resolutions in relation to the Incentive Scheme.

"Administrative Measures for Equity Incentives"	The Administrative Measures on Incentive Scheme of Listed Companies (Decree No.148 of China Securities Regulatory Commission)
"Announcement 35"	Opinions on Supporting Share Repurchase by Listed Companies (CSRC Announcement [2018] No.35)
"Articles of Association"	Articles of Association of Huatai Securities Co., Ltd.
"A Share(s)"	domestic share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
"Board"	the board of Directors of the Company
"Company"	a joint stock company incorporated in the PRC with limited liability under the corporate name 华泰证券股份有限公司(Huatai Securities Co., Ltd.), converted from its 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 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 Hong Kong Stock Exchange 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); the global depository receipts of which have been listed on the London Stock Exchange plc since June 2019 (Symbol: HTSC), unless the context otherwise requires, including its predecessor
"Company Law"	Company Law of the People's Republic of China (as amended from time to time)
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Document 171"	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No.171)
"Document 175"	the Trial Measures on Implementation of Share Incentive Schemes by State-owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No.175)

"Grant Date"	the date on which the Company grants the Restricted Shares to the Incentive Participants and the Grant Date must be a trading day
"Grant Price"	the price at which an A share is granted to the Incentive Participants
"H Share(s)"	foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Implementation Rules for Share Repurchase"	Implementation Rules for Share Repurchase by Listed Companies in the Shanghai Stock Exchange
"Incentive Participant"	the person(s) to whom the Restricted Shares are to be granted under the Incentive Scheme
"Incentive Scheme"	The Restricted Share Incentive Scheme of A Shares of the Company
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Restricted Shares"	a certain number of shares granted by the Company to the Incentive Participants on such conditions, and at such prices, as specified under the Incentive Scheme. Such shares are subject a certain Lock-up Period and such lock-up restrictions can be lifted only when the conditions for lifting such restrictions under the Incentive Scheme have been satisfied
"Securities Law"	Securities Law of the People's Republic of China (as amended from time to time)
"Supervisor"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"%"	per cent

By order of the Board of Directors of the Company
Zhang Hui
Joint Company Secretary

Jiangsu, the PRC, December 31, 2020