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

中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6066)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors of CSC Financial Co., Ltd. (the "**Company**") hereby announces the consolidated results of the Group for the year ended December 31, 2020. This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The printed version of the Company's 2020 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.csc108.com by the end of April 2021.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC, March 31, 2021

As at the date of this announcement, the executive Directors of the Company are Mr. WANG Changqing and Mr. LI Geping; the non-executive Directors of the Company are Mr. YU Zhongfu, Mr. WANG Xiaolin, Ms. ZHANG Qin, Ms. ZHU Jia, Mr. WANG Hao; and the independent non-executive Directors of the Company are Mr. FENG Genfu, Ms. ZHU Shengqin, Mr. DAI Deming, Mr. BAI Jianjun and Mr. LIU Qiao.

CONTENTS

DEFINITIONS		2
CHAIRMAN'S STATEMENT		6
SECTION 1	IMPORTANT NOTICE	9
SECTION 2	COMPANY INFORMATION	11
SECTION 3	FINANCIAL SUMMARY	37
SECTION 4	MANAGEMENT DISCUSSION AND ANALYSIS	43
SECTION 5	REPORT OF DIRECTORS	112
SECTION 6	OTHER SIGNIFICANT EVENTS	135
SECTION 7	CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS	147
SECTION 8	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	151
SECTION 9	CORPORATE GOVERNANCE REPORT	182
SECTION 10	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	216
Annex	Independent Auditor's Report and Notes to the Consolidated Financial Statements	235

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this annual report:

"A Share(s)"	listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
"Articles of Association" or "Articles"	the articles of association of the Company
"Beijing Financial Holdings Group"	Beijing Financial Holdings Group Limited (北京金融控股集團有限公司)
"Board" or "Board of Directors"	the Board of Directors of our Company
"BSCOMC"	Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心)
"Central Huijin"	Central Huijin Investment Limited (中央匯金投資有限責任公司)
"Century Jinyuan"	Century Jinyuan Investment Group Limited (世紀金源投資集團有限公司)
"China Jianyin"	China Jianyin Investment Limited (中國建銀投資有限責任公司)
"China Securities Capital"	China Capital Management Limited (中信建投資本管理有限公司)
"China Securities Funds"	China Securities Funds Management Limited (中信建投基金管理有限公司)
"China Securities Futures"	China Futures Co., Ltd. (中信建投期貨有限公司)
"China Securities International"	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
"China Securities Investment"	China Securities Investment Limited (中信建投投資有限公司)
"CIC"	China Investment Corporation (中國投資有限責任公司)

"CITIC Corporation"	CITIC Corporation Limited (中國中信有限公司)
"CITIC Group"	CITIC Group Corporation Ltd. (中國中信集團有限公司)
"CITIC Limited"	CITIC Limited (中國中信股份有限公司)
"CITIC Securities"	CITIC Securities Co., Ltd. (中信證券股份有限公司)
"Company Law"	Company Law of the People's Republic of China
"connected transaction"	has the same meaning ascribed to it under the Hong Kong Listing Rules
"CSC" or "Company", "our Company", "parent company"	CSC Financial Co., Ltd.
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Date of Disclosure of the Report"	March 31, 2021
"Director(s)"	the director(s) of our Company
"E-Capital"	E-Capital Transfer Co., Ltd. (證通股份有限公司)
"FICC"	Fixed-income securities, currencies and commodities
"Glasslake Holdings"	Glasslake Holdings Limited (鏡湖控股有限公司)
"Group"	CSC Financial Co., Ltd. and its subsidiaries
"H Share(s)"	listed overseas foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HK dollars
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"IPO"	Initial Public Offering
"Listing Rules of the SSE"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"NEEQ"	the National Equities Exchange and Quotations
"NEEQ Company"	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
"Non-Public Issuance"	the Company's non-public issuance of 110,309,559 A shares with the total amount of proceeds of RMB3.884 billion, which was completed in December 2020
"PRC" or "China"	the People's Republic of China
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"QDII"	Qualified Domestic Institutional Investor
"QFII"	Qualified Foreign Institutional Investor
"related party/connected transaction"	related party transaction(s) and connected transaction(s)
"related party transaction(s)"	has the same meaning ascribed to it under the Listing Rules of the SSE
"Reporting Period/2020"	from January 1, 2020 to December 31, 2020

"RMB" or "Renminbi"	the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor
"Securities Law"	Securities Law of the People's Republic of China
"Shanghai and Shenzhen Stock Exchanges"	Shanghai Stock Exchange and Shenzhen Stock Exchange
"Shanghai Shangyan"	Shanghai Shangyan Investment Center (Limited Partnership) (上海商言投資中心(有限合夥))
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"SSE"	Shanghai Stock Exchange
"State-owned Assets Supervision and Administration Commission of Beijing"	the State-owned Assets Supervision and Administration Commission of People's Government of the Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"SZSE"	Shenzhen Stock Exchange
"Tengyun Investment"	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司)
"the end of the Reporting Period" or "the end of 2020"	December 31, 2020
"US$"	United States dollars, the lawful currency of the United States
"Wind Info", "Wind"	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司)

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is a great honor to be here to share with you our achievements and feelings over the past year. 2020 is an extraordinary year in the history of CSC. In the face of the COVID-19 pandemic sweeping the world and the volatile economy in the world, we have achieved the best operating results since our inception by virtue of our firm confidence in China's securities market and our own excellent business capability. Our annual income and net profit both reached the best level in history, and the growth level was higher the average level in the industry. According to the audited financial data of China Accounting Standards for Business Enterprises, as of the end of 2020, the total assets of the Group amounted to RMB371,228 million, representing a year-on-year increase of 29.95%, and the net assets attributable to equity holders of the Company of RMB67,735 million, representing a year-on-year increase of 19.71%. In 2020, the Group achieved operating income of RMB23,351 million, representing a year-on-year increase of 70.53%, and net profit attributable to equity holders of the Company of RMB9,509 million, representing a year-on-year increase of 72.85%, with a return on weighted average equity exceeding 18.18%, providing shareholders with relatively good return.

The world today is in a period of great development, great transformation and great adjustment. The China securities market has also entered a new stage of high-quality development, showing a trend of accelerating the concentration of various resources, such as talents, customers and capital to head-office securities firms. The China securities market are calling for genuinely competitive securities firms to differentiate themselves from many of their competitors through innovative development, which in turn drive the overall progress of the industry. The tide of the era has approached, and all companies shall embrace and dare to confront challenges, respect and take advantage of market rules to win the trust of the market and customers, so as to become the mainstay of the industry. The new era envisions new opportunities for aspiring securities firms that are eager to improve service quality and competitiveness in the larger era, and achieve great leap-forward development to show their capabilities. we are also fortunate to achieve the following outstanding achievements in 2020 under the background of this era.

STEADY RISE OF CORE INDICATORS

Brilliant operating results are our best feedback to our broad shareholders. Through years of pragmatic and proactive strategic adjustment, we have successfully built up high quality market brands and professional staff, and have achieved remarkable results across our business lines. Investment banking remains our core and representative significant business. With the well-recognized reputation in the market, we successfully sponsored five projects, namely the Beijing-Shanghai High-speed Railway IPO, the Jinlongyu IPO, the Qi An Xin IPO, the SMIC IPO and the Bestechnic IPO, among the top 10 IPOs under the 2020 A-Share market financing. We have ranked first in the industry in terms of number of sponsored and underwritten issuers among the first batch of enterprises in the NEEQ and the first batch of listed companies under the GEM reform and pilot registration system. The results of the bond underwriting business have also been remarkable, and the number and amount of corporate bond underwriters have ranked first in the industry for six consecutive years. Our wealth management business has also been a long-term focus on us, and we have regarded it as an important business for improving our industry ranking and influence in the future. Relying on our deep customer base and active secondary market environment, we have continuously increased our customer development efforts and strived to improve the level of customer service, and the core indicators of our wealth management business have risen steadily. There has been significant increase in income of agency trading securities business and the market share of trading volume of equity funds. The Company has also been selected into the first batch of pilot brokerage business and has achieved outstanding results. The trading and institutional client services business has become an important source of profit for the

Company. We have accurately grasped the market conditions and opportunities, significantly enhanced our investment scale as well as research and development capabilities, continued to strengthen our customer service capabilities, and achieved better absolute returns, thereby driving significant increase in our revenue and net profit. In the asset management business segment, we have steadily advanced key initiatives such as large-scale collective renovation, and accelerated the transformation to active management, with continuous increase in active management scale and proportion. The profit margin of the asset management department and relevant subsidiaries increased significantly, and the industry ranking of the size of the non-monetary funds of the China Securities Funds were significantly improved, with the size of China Securities Funds' new filing fund ranking 4th among private equity subsidiaries of the securities firms.

COMPREHENSIVE PROMOTION OF DIGITAL TRANSFORMATION

We recognize that the successful implementation of the digital transformation will directly affect the service experience of our customers as well as their operational efficiency and even their overall competitiveness. After several years of attempts and key construction, our digital transformation has been fully advanced. We have set up information specialist positions in each specialized unit to serve as a communication bridge between the demand side and the technology side, streamline the business process systematically and clarify the development requirements of information system. This arrangement plays an important role in the digital transformation. We have also improved the service experience and loyalty of our customers by facilitating the launch of our mobile operation platform (PAD) and customer post-investment analysis system. An electronic version of the script has also been launched in the investment banking business. We have also established an institutional client mapping system and an institutional client integrated services platform. We have preliminarily achieved the incorporation and demonstration of business cooperation between our institutional clients, and completed the online process and digitalization of various types of businesses and services. The "Octopus" system, a big data platform for sales of bonds, has been officially launched, and the sales of bonds have been fully upgraded. The digital transformation is our strategic development plan, and we will strive to become a leader in the digital transformation of the industry through a combination of short-term goals and long-term goals.

SIGNIFICANT CROSS-BORDER BUSINESS

International business is an important sector of our comprehensive and integrated services to our customers in the future and an important aspect of our long-term development goals in the future. While being deeply rooted in our domestic market, we are always at the same time exploring the possibilities of going global of Chinese securities firms, proposing and implementing the concept of integrated cross-border business management, providing more comprehensive services to our customers as well as greater room of development for ourselves. Up to now, the Company's fixed income proprietary and derivatives integration operations have been well-established, with continuous expansion in scale. The integrated mechanism of the research business is functioning normally and our voice and influence in the Hong Kong market is gradually increasing. The integration of other business and management efforts is also carried out in an orderly manner. We have gained increasing attention in the international market, thanks to our excellent track record and positive market image over the years. The Company was included in the FTSE China A50 Index by FTSE Russell and is considered as one of the representatives of listed companies in the Chinese A Share market. Among the international credit ratings, the Company was reviewed as Moody's Baa1 (with stable outlook) and Fitch BBB+ (with stable outlook), being the highest international credit rating of domestic securities firms in the above rating agencies. In addition, the Company has successfully issued US$500 million of overseas bonds at a relatively low interest rate.

In addition to the continuous improvement of its operating results and major business, the Company has also obtained the following qualifications, honors and achievements: the Company has become one of the six pilot enterprises in the industry with consolidated financial statements, obtained the pilot qualification for foreign exchange settlement and sales, and obtained AA rating of A type from the CSRC for the 11th consecutive years, and was the only enterprise rated as the sixth session of "National Civilized Unit" in the securities industry. We successfully completed the initial non-public offering of our A Shares and achieved a financing of RMB3,884 million, partially satisfying the urgent needs for our supplementary capital, as well as our investors' confidence in the prospects of our future growth. Gaining the above achievements not only relies on the hard work and unremitting efforts of all the people from CSC, but also benefits from the long-term support of our shareholders, and we would like to express our sincere gratitude to our shareholders!

We have historically cherished our honors and strive for excellence, and we will never stop at the status quo. After fifteen years of hard work, the Company has become a renowned market leader and a strong competitor. We are soberly aware that the securities market and our broad shareholders have high expectations for us, and we need to continue to work harder and better, consolidate our fundamentals, serve the real economy, better serve the wealth management needs of citizens, and return to our shareholders with superb operating results.

The majestic roads are the same, and now they are moving from scratch. With the full implementation of the stock issuance registration system, the establishment of normal delisting mechanism, the introduction of major reform policies in the capital market, such as increasing the proportion of direct financing, a new round of securities market development has begun, and the securities industry will become more stable with high quality. In the face of this important development opportunity, we will continue to leverage our strengths and features, keep pace with the era, develop our complementary strengths and synergies, actively pursue new breakthroughs, and strive to build CSC into a reliable and first-class investment bank in the PRC trusted by our clients, recognized by our employees and satisfied by our shareholders.

Thank you!

Chairman
WANG Changqing
March 31, 2021

SECTION 1 IMPORTANT NOTICE

I. The Board of Directors, the Supervisory Committee of the Company, the Directors, the Supervisors and the senior management warrant the truthfulness, accuracy and completeness of this annual report and that there is no misrepresentation on, misleading statement in, or material omission from, this annual report, and will assume joint and several liabilities.

II. This report was considered and approved at the 30th meeting of the second session of the Board of Directors of the Company. All Directors of the Company attended the board meeting. No Director raised any objection to this annual report.

III. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers issued the auditor's reports with standard unqualified audit opinion, respectively.

IV. Wang Changqing, Chairman of the Company, Li Geping, the General Manager and the Chief Financial Officer, and Zhao Ming, head of the Company's accounting department (chief accountant), warrant that the financial statements set out in this annual report are true, accurate and complete.

V. The plans for profit distribution or capital reserve capitalization for the reporting period were considered by the Board of Directors

The 2020 profit distribution plan formulated by the Company is as follows: the Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 shares in the total issued share capital as at December 31, 2020, RMB3.75 (tax inclusive) for every 10 shares to all Shareholders. The proposal has yet to be submitted at the general meeting of the Company for approval.

VI. Risk statement for forward-looking statements

Forward looking statements, including future plans and development strategies, contained in this report do not constitute a substantive commitment to investors by the Company. Investors should be aware of investment risks.

VII. Whether there was any appropriation of funds by controlling shareholder(s) or its/their related parties for non-operating purposes

No

VIII. Whether any guarantee was made to external parties against the stipulated decision-making Process

No

IX. Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

X. Material risk warning

During the reporting period, no material risk matter existed in the Company. The Company has described the relevant potential risks in this report in detail. Please refer to "Potential Risks" in Section 4 Management Discussion and Analysis of this annual report.

XI. Others

The Company prepared this annual report in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this annual report, the Chinese version shall prevail. In this annual report, the currency is mainly RMB or Hong Kong dollar. If there is no specific indication, the currency is RMB; the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.

I. PROFILE

Name in Chinese	中信建投証券股份有限公司
Abbreviation in Chinese	中信建投証券
Name in English	China Securities Co., Ltd. CSC Financial Co., Ltd. (carrying on business in Hong Kong with such registered English name)
Abbreviation in English	CSC
Legal Representative	Wang Changqing
General Manager	Li Geping
Authorized Representatives	Wang Changqing, Li Geping
Joint Company Secretaries	Wang Guangxue, Huang Huiling

Registered Capital and Net Capital of the Company

Unit: RMB

	As at the end of the Reporting Period (December 31, 2020)	As at the end of the previous year (December 31, 2019)
Registered Capital	7,646,385,238	7,646,385,238
Net Capital	65,034,974,819.98	54,789,341,273.32

Note1: As of 31 December 2020, the total number of shares of the Company was 7,756,694,797, and the registered capital shall be changed to RMB7,756,694,797 accordingly. The Company is going through the procedures of changing its registered capital.

Note2: The net capital and relevant risk control indicators as at the end of last year have been restated in accordance with the CSRC Announcement [2020] No. 10 regarding the Provision on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》).

Scope of Business and Business Qualifications for Each Individual Business of the Company

The business scope of the Company mainly includes: securities brokerage; securities investment consulting; financial advisory relating to securities trading and securities investment activities; securities underwriting and sponsoring; proprietary securities trading; securities asset management; agency sale of securities investment funds; provision of intermediary business to futures companies; margin financing and securities lending; agency sale of financial products; stock options market making; custodian for securities investment fund; sale of precious metal products.

In addition, the Company also possesses the following major individual business qualifications (items 71–85 were business qualifications newly obtained in 2020):

1. Clearing Member of the China Central Depository & Clearing Co., Ltd. (Group A)
2. Qualification of Trading Business in the national interbank bond market of the PRC
3. Class B Clearing Participant of the China Securities Depository and Clearing Corporation Limited
4. Interbank lending qualifications
5. Qualification to engage in direct investment business
6. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of SSE
7. Securities companies lease trading seats to insurance institutional investors
8. Clearing Member of the Interbank Market Settlement Co., Limited (direct clearing member)
9. Qualification for securities account opening agency business
10. Qualification of Securities Business and Foreign Exchange Operating License
11. Qualification of interest rate swap using its proprietary funds of securities
12. Qualification of refinancing business
13. Qualification of trader of CRMW instruments
14. Qualification of contractual repurchase securities transaction business
15. Qualification of counter trading business
16. Class A lead underwriter of inter-bank debt financing instruments price quotation for non-financial companies
17. Business qualification of entrusted management of insurance funds
18. Chief agency broker of National Equities Exchange and Quotations System for small and medium enterprise
19. Qualifications of securities companies for business engagement with special institutional clients of insurance institutions
20. Qualification of collateralized stock repurchase business
21. Issuing institution of CRMW
22. Qualification of trading business for proprietary business to engage in treasury bond futures
23. Qualification of financial derivatives business (Swapping financial derivatives and counter trading business of OTC option)
24. Qualification of conducting capital consumption payment services for client securities
25. Qualification of bond repurchase business with collateralized quotes
26. Trial market making business in the inter-bank bond market
27. Qualification for Interbank Market Settlement Co., Limited to participate in the mutual swap and central clearing of Renminbi interest rates
28. Qualification of market making business of National Equities Exchange and Quotations System
29. Participant of quotation and service system for inter-institutional private equity products
30. Special Membership of Shanghai Gold Exchange
31. Qualification of piloting of Internet securities business
32. Qualification of CRMW instruments selling business

33. Qualification for conducting Southbound Trading business under the Shanghai-Hong Kong Stock Connect
34. Qualification of agency business for precious metal spot contracts and proprietary business for spot gold contracts
35. Qualification of business of financing of exercising Share incentive scheme of listed companies
36. Participant for stock options trading of SSE
37. Business Qualification for Options Settlement
38. Qualification of Interbank Market Settlement Co., Limited to participate in the Bond Transaction Net Clearing Business
39. Qualification of Interbank Market Settlement Co., Limited to participate in the remote Centralized Clearing Business of standard bond transactions
40. Qualification for conducting overseas securities investment and management business by Qualified Domestic Institutional Investor (QDII)
41. Foreign currency lending membership of China Foreign Exchange Trading System
42. Private fund outsourcing business
43. Qualification of interbank gold inquiry business
44. Class A General Clearing Members of Interbank Market Settlement Co., Limited
45. Qualification of Interbank Market Settlement Co., Limited to participate in the Central Clearing Transaction of Shipping and Commodities Derivatives
46. International Member (Class A) of Shanghai Gold Exchange
47. Qualification of Free Zone Bond Business of Interbank Market Settlement Co., Limited
48. Key trader of CRMW instruments
49. Issuing institution of credit-linked notes
50. Qualification for conducting Southbound Trading business under Shenzhen-Hong Kong Stock Connect
51. Qualification of Credit Assets Registration and Transfer Business
52. Member of book-entry treasury bond underwriting syndicates (2018-2020)
53. Participant of the Chinese commercial paper trading system
54. Northbound Trading Quote Agency
55. Primary trader for OTC option
56. Pilot qualification of cross-border business
57. Qualification of credit derivatives business
58. Major market maker of the listed fund on SSE
59. SSE core market maker of credit protection contract
60. Qualification of investor securities registration business
61. Qualification for Interbank Market Settlement Co., Limited to participate in the Business of Central Clearing for Credit Default Swap
62. SZSE core dealer of credit protection contract
63. Qualification of Business of the transfer of Science and Technology Innovation Board to margin securities

64. Qualification of consultation services for military confidential business
65. Qualification of Shanghai Free Trade Zone and overseas bond business
66. Qualification of consultation stock options business on SZSE
67. Issuer of credit protection certificate (SSE)
68. Qualification of market making business for Stock Options
69. Qualification of market maker of CSI 300ETF options of China Financial Futures Exchange
70. Lead Market Maker of CSI 300ETF options of Shanghai Stock Exchange
71. Business qualification for sale and purchase of foreign currencies
72. Participants in RMB foreign exchange inquiry trading and clearing business in the interbank market
73. Partner of the valuation of Chinese bonds
74. Member of the interbank foreign exchange market
75. Member of inter-bank foreign currency market
76. Pilot qualification of fund investment advisory business
77. Member of the financial bond underwriting market group of China Development Bank
78. Members of the interest rate option market
79. Member of the financial bond underwriting market group of Export-Import Bank of China
80. Qualification of trustee for debt financing instruments of non-financial institutions
81. Qualification of H-share Full Circulation Business
82. Qualification of foreign exchange client business
83. Primary market makers of SSE 50ETF Options
84. Qualification for independent underwriting of debt financing instruments of non-financial institutions
85. Member of book-entry treasury bond underwriting syndicates (2021–2023)

II. CONTACT PERSONS AND DETAILS

	Secretary to the Board, Company Secretary
Contact Person	Wang Guangxue
Contact Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Telephone	86-10-65608107
Facsimile	86-10-65186399
Email	investorrelations@csc.com.cn

III. BASIC INFORMATION

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Office Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Postal Code of Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	investorrelations@csc.com.cn
Telephone	86-10-85130588
Facsimile	86-10-65186399
National Customer Service Hotline	95587/4008888108
Investor Relations Hotline	86-10-65608107
United Social Credibility Code	91110000781703453H

IV. INFORMATION DISCLOSURE AND AVAILABILITY PLACES

Media designated for information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by CSRC for publication of the Annual Reports	Website designated by CSRC: www.sse.com.cn (website of SSE) Website designated by the Hong Kong Stock Exchange: www.hkexnews.hk (HKExnews website of the HKEX)
Places where annual reports of the Company are available	No. 188 Chaonei Avenue, Dongcheng District, Beijing Unit 4, No. 66 Anli Road, Chaoyang District, Beijing 18/F, Two Exchange Square, Central, Hong Kong

V. BRIEF INFORMATION OF THE SHARES OF THE COMPANY

Brief information of the shares of the Company				
Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code	Stock name before change
A Shares	SSE	CSC	601066	Not applicable
H Shares	HKEX	CSC	6066	Not applicable

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including reform and restructuring, increasing in share capital and other matters in prior years

1. Establishment of Company

China Securities Finance Limited (中信建投証券有限責任公司) (the "CSF Limited"), the Company's predecessor, was jointly invested and established by CITIC Securities and China Jianyin in 2005 pursuant to the Approval for Commencing Operation of China Securities Finance Limited (Zheng Jian Ji Gou Zi [2005] No. 112) (《關於同意中信建投証券有限責任公司開業的批覆》(證監機構字[2005]112號)) issued by the CSRC. On November 2, 2005, CSF Limited obtained the business license of corporate legal representative from the Administration for Industry and Commerce. The registered address is Unit 4, No. 66 Anli Road, Chaoyang District, Beijing, with registered capital of RMB2,700,000,000, of which CITIC Securities and China Jianyin made cash contribution of RMB1,620,000,000 and RMB1,080,000,000, in proportion of 60% and 40%, respectively. CSF Limited was established to acquire the securities business and related assets originally owned by Huaxia Securities Co., Ltd. and then operated as a comprehensive securities firm.

2. Change of Shareholding in 2010

(1) BSCOMC Becomes a Shareholder

On November 9, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1588) (《關於核准中信建投証券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1588號)) to approve the eligibility of BSCOMC as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB1,215,000,000 equity interests of the CSF Limited (representing 45% of the total capital contribution) originally held by CITIC Securities to BSCOMC. On November 15, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

(2) Central Huijin Becomes a Shareholder

Pursuant to the Approval of the Ministry of Finance for Asset Transfer by China Jianyin to Central Huijin (Cai Jin Han [2009] No. 77) (《財政部關於中國建銀投資有限責任公司向中央匯金投資有限責任公司劃轉資產的批覆》(財金函[2009]77號)), China Jianyin, a Shareholder of CSF Limited originally holding 40% equity interests, transferred its equity interests in CSF Limited to Central Huijin at nil consideration. On November 18, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1659) (《關於核准中信建投証券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1659號)) to approve the eligibility of Central Huijin as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB1,080,000,000 equity interests of the CSF Limited (representing 40% of the total capital contribution) originally held by China Jianyin to Central Huijin. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

(3) Central Jinyuan Becomes a Shareholder

On November 23, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1693) (《關於核准中信建投証券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1693號)) to approve the eligibility of Century Jinyuan as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB216,000,000 equity interests of the CSF Limited (representing 8% of the total capital contribution) originally held by CITIC Securities to Century Jinyuan. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

3. Conversion to a Joint Stock Limited Company as a Whole in 2011

On June 30, 2011, the CSRC issued the Approval for the Conversion of China Securities Finance Limited into a Joint Stock Limited Company (Zheng Jian Xu Ke [2011] No. 1037) (《關於核准中信建投証券有限責任公司變更為股份有限公司的批覆》(證監許可[2011]1037號)) to approve the conversion of CSF Limited into a joint stock limited company as a whole. Upon completion of the conversion, the Company was renamed CSC Financial Co., Ltd. with registered capital of RMB6,100,000,000. On September 28, 2011, the Company completed the change of registration in relation to the conversion into a joint stock limited company as a whole with the Administration for Industry and Commerce.

4. Change of Shareholding in 2016

(1) Xizang Shannan Century Jinyuan Investment Management Limited Becomes a Shareholder

On March 8, 2016, Century Jinyuan entered into a Share Transfer Agreement with Xizang Shannan Century Jinyuan Investment Management Limited (the "Shannan Jinyuan", currently known as Xizang Tengyun Investment Management Limited), which stipulated that Century Jinyuan shall transfer those 300,000,000 shares of the Company held by it to Shannan Jinyuan, representing 4.92% of the total share capital of the Company. The above transfer was completed in July 2016.

(2) Shanghai Shangyan Becomes a Shareholder

On August 22, 2016, Century Jinyuan entered into a Share Transfer Agreement with Shanghai Shangyan, which stipulated that Century Jinyuan shall transfer those 150,624,815 shares of the Company held by it to Shanghai Shangyan, representing 2.47% of the total share capital of the Company. The above transfer was completed in September 2016.

5. IPO of H Shares in 2016

On November 3, 2016, the CSRC issued the Approval for Issuance of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) (《關於核准中信建投証券股份有限公司發行境外上市外資股的批覆》(證監許可[2016]2529號)), which approved the overseas IPO of the Company no more than 1,237,940,000 overseas listed foreign shares, with a par value of RMB1 per share, all of which were ordinary shares.

On December 9, 2016, the Company was listed and traded on the main board of the Hong Kong Stock Exchange, with an IPO of 1,130,293,500 H Shares (including 1,076,470,000 new shares) (stock code: 6066.HK). On December 30, 2016, the Company exercised the over-allotment option partially and issued 73,411,000 additional H Shares (including 69,915,238 new shares) resulting in issuance a total of 1,203,704,500 H Shares (including 1,146,385,238 new shares) at an issue price of HKD6.81 per share.

According to the Approval for the Issues Concerning the Transfer of State-owned Shares Held by CSC Financial Co., Ltd. (Guo Zi Chan Quan [2016] No. 967) (《關於中信建投証券股份有限公司國有股轉持有關問題的批覆》(國資產權[2016]967號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, and the Letter on the Issues Concerning the Reduction and Transfer of Hong Kong-listed, State-owned Shares Held by CSC Financial Co., Ltd. (She Bao Ji Jin Fa [2016] No. 152) (《關於中信建投証券股份有限公司香港上市國有股減轉持問題的函》(社保基金發[2016]152號)) issued by the National Council for Social Security Fund of the PRC (the "NSSF"), certain existing Shareholders of the state-owned shares of the Company carried out their obligations of state-owned share reduction and have transferred an aggregate of 114,638,524 Shares of the Company to the NSSF based on 10% of the actual number of Shares issued, and such Shares were then converted into overseas listed foreign invested shares (H shares) on a one-for-one basis. According to the entrustment of the NSSF, the Company would transfer 57,319,262 Shares out of the Shares for public offering, and the proceeds would be transferred to the NSSF.

After the IPO and listing of H Shares by the Company, the total share capital was changed from 6,100,000,000 Shares to 7,246,385,238 Shares, including 5,985,361,476 domestic Shares and 1,261,023,762 H Shares.

6. IPO of A Shares in 2018

On May 18, 2018, the CSRC issued the Approval for Approving the Initial Public Offering of CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) (《關於核准中信建投証券股份有限公司首次公開發行股票的批覆》(證監許可[2018]828號)) to approve the public offering of no more than 400 million A Shares by the Company.

On June 20, 2018, the Company was listed on the main board of the SSE, with an IPO of 400,000,000 A Shares (stock code: 601066.SH) at an issue price of RMB5.42 per share.

After the IPO and listing of A Shares, the total share capital of the Company was changed from 7,246,385,238 Shares to 7,646,385,238 Shares, including 6,385,361,476 A Shares and 1,261,023,762 H Shares.

7. Change of Shareholding in 2020

On October 19, 2020, the CSRC issued the Approval for the Change of Substantial Shareholder by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 2619) (《關於核准中信建投証券股份有限公司變更主要股東的批覆》(證監許可[2020]2619號)) to approve Beijing Financial Holdings Group to become the substantial shareholder of the Company, with no objection to the lawful transfer of 2,684,309,017 shares of the Company (representing 35.11% of the total shares) originally held by BSCOMC to Beijing Financial Holdings Group. On November 30, 2020, the share transfer registration was completed, and BSCOMC no longer directly held the shares of the Company, and Beijing Financial Holdings Group became the largest shareholder of the Company.

8. Non-public issuance of A shares in 2020

On February 28, 2020, the CSRC promulgated the Approval for the Non-public Issuance of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 345) (《關於核准中信建投証券股份有限公司非公開發行股票的批覆》(證監許可[2020]345號)) to approve the non-public issuance of no more than 1,277,072,295 A shares of the Company.

On December 28, 2020, the 110,309,559 new A shares of the non-public issuance completed the share registration procedures at the Shanghai branch of China Securities Depositary and Clearing Corporation Limited. After the completion of the non-public issuance, the total share capital of the Company was changed from 7,646,385,238 Shares to 7,756,694,797 Shares, including 6,495,671,035 A Shares and 1,261,023,762 H Shares.

(II) Change of Substantial Shareholders

Please refer to the "Section 2 Company Information – VI. Other Information of the Company – (I) History of the Company, mainly including reform and restructuring, increasing in share capital and other matters in prior years" of this annual report for details.

(III) Organizational Structure of Company

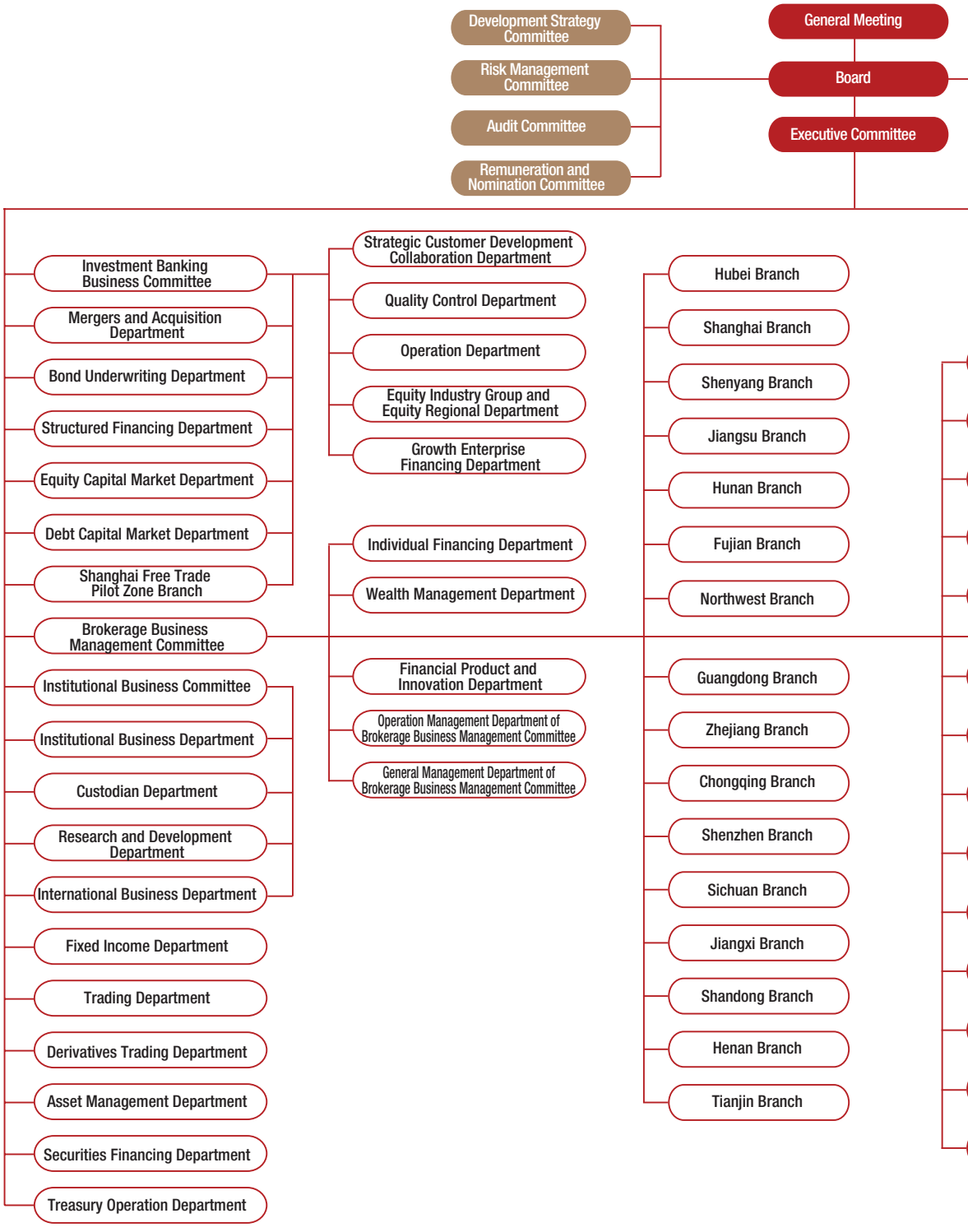
In accordance with the requirements of the Company Law, the Securities Law, the Guidances for the Internal Control of Securities Companies (《證券公司內部控制指引》), the relevant rules and regulations of CSRC, the Listing Rules of the SSE, the Hong Kong Listing Rules and the Articles of Association, the Company regulates its standard operation, constantly improves the operation mechanism and system establishment for its general meeting, the Board of Directors, the Supervisory Committee and the executive management. The Company has established standardized and scientific corporate governance structure, set up an organizational structure that meets its development needs.

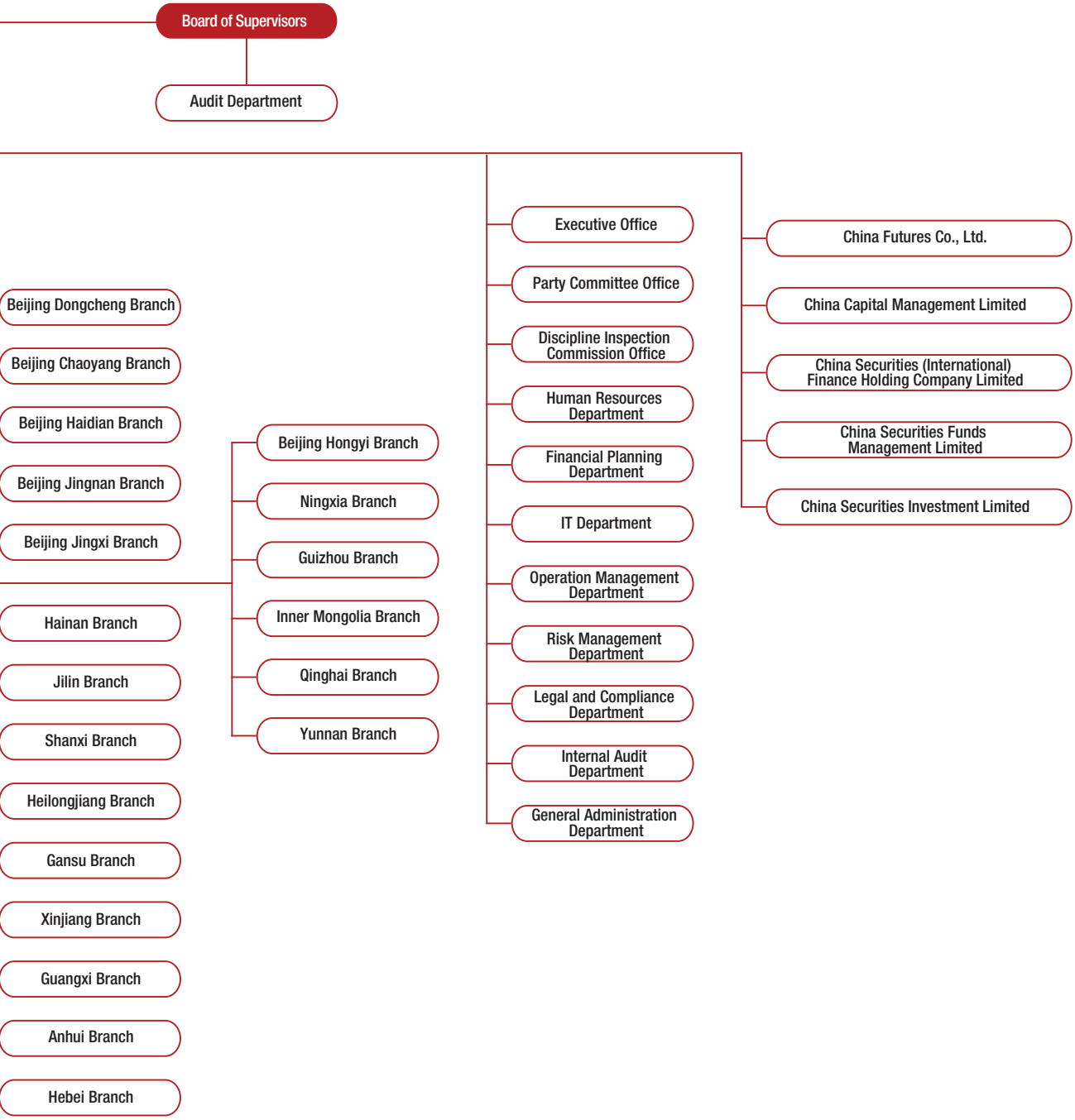
Subsequent events:

On January 27, 2021, the 29th meeting of the second session of the Board of the Company considered and approved the Proposal on Adjusting the Organizational Structure of Investment Banking Business of the Company, which agreed to establish the investment banking management committee (hereinafter referred to as the "Investment Banking Committee") to coordinate the management of the Company's domestic and overseas investment banking business; abolish the investment banking department and the innovation financing department; its subordinate teams were divided into each equity industry group, each equity regional department and the growth enterprise financing department, which were directly managed by the Investment Banking Committee; rename the capital market department as the equity capital market department; establish the debt capital market department.

The meeting also considered and approved the Proposal on Adjusting the Organizational Structure of the Branches of the Company" to further optimize and adjust the set-up of the branches. For details, please refer to VI. Other Information of the Company — (IV) Number and Network of Securities Branches of the Company of this section and SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS — VIII. INTRODUCTION OF SECURITIES BRANCHES.

As of the Date of Disclosure of the Report, the organizational structure of the Company is as follows:




Board of Supervisors
Audit Department
Executive Office
Party Committee Office
Discipline Inspection Commission Office
Human Resources Department
Financial Planning Department
IT Department
Operation Management Department
Risk Management Department
Legal and Compliance Department
Internal Audit Department
General Administration Department
China Futures Co., Ltd.
China Capital Management Limited
China Securities (International) Finance Holding Company Limited
China Securities Funds Management Limited
China Securities Investment Limited
Beijing Dongcheng Branch
Beijing Chaoyang Branch
Beijing Haidian Branch
Beijing Jingnan Branch
Beijing Jingxi Branch
Hainan Branch
Jilin Branch
Shanxi Branch
Heilongjiang Branch
Gansu Branch
Xinjiang Branch
Guangxi Branch
Anhui Branch
Hebei Branch
Beijing Hongyi Branch
Ningxia Branch
Guizhou Branch
Inner Mongolia Branch
Qinghai Branch
Yunnan Branch

As of the end of the Reporting Period, the Company has four wholly-owned subsidiaries, namely China Securities Futures, China Securities Capital, China Securities International and China Securities Investment, and one controlled subsidiary, namely China Securities Funds. Please refer to "Section 4 Management Discussion and Analysis – VII. Analysis of Principal Subsidiaries" of this report for details.

(IV) Number and Network of Securities Branches of the Company

As of the end of the Reporting Period, the Company had established a network of 292 securities branches in total as follows:

Province/autonomous regions/municipalities	Number of branches
Beijing	53
Guangdong	30
Jiangsu	21
Shanghai	18
Hubei	16
Zhejiang	16
Fujian	16
Jiangxi	15
Shandong	13
Hunan	13
Chongqing	11
Shaanxi	10
Sichuan	9
Henan	8
Hebei	7
Tianjin	6
Liaoning	6
Anhui	4
Heilongjiang	3
Hainan	3
Gansu	3
Jilin	2
Shanxi	2
Guangxi	2
Xinjiang	2
Yunnan	1
Inner Mongolia	1
Qinghai	1
Total	292

Subsequent events:

On January 27, 2021, the 29th meeting of the second session of the Board of the Company considered and approved the "Proposal on Adjusting the Organizational Structure of Investment Banking Business of the Company. The adjustment involved the adjustment on the branches and securities branches, and some business departments were changed into branches. As of the Date of Disclosure of the Report, the Company had established a network of 276 securities branches in total as follows:

Province/autonomous regions/municipalities	Number of branches
Beijing	48
Guangdong	30
Jiangsu	21
Shanghai	18
Hubei	16
Zhejiang	16
Fujian	16
Jiangxi	15
Shandong	13
Hunan	13
Chongqing	11
Shaanxi	10
Sichuan	9
Henan	8
Hebei	6
Tianjin	6
Liaoning	6
Anhui	3
Hainan	3
Gansu	2
Heilongjiang	2
Jilin	1
Shanxi	1
Guangxi	1
Xinjiang	1
Total	276

(V) Number and Network of Other Branches of the Company

As of the end of the Reporting Period, China Securities Futures, a wholly-owned subsidiary of the Company, had set up a total of 25 branches, including three branches in Shanghai, three branches in Beijing, two branches in Guangzhou, and one branch in each of the provinces including Jinan, Changsha, Dalian, Nanchang, Zhengzhou, Langfang, Zhangzhou, Chongqing, Hefei, Xi'an, Chengdu, Shenzhen, Hangzhou, Ningbo, Wuhan, Nanjing, Taiyuan.

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
	Name of signing accountant	Han Dan, Chen Jinzhan
Accounting firm engaged by the Company (overseas)	Name	PricewaterhouseCoopers
	Office Address	22/F, Prince's Building, Central, Hong Kong
	Name of signing accountant	Xiao Jianchen
Sponsor institution that perform the duties of continuous supervision during the Reporting Period	Name	Great Wall Securities Co., Ltd.
	Office Address	10/F–19/F, South Tower, Energy Building, No. 2026, Jintian Road, Futian Sub-district, Futian District, Shenzhen City, Guangdong Province
	Name of signing sponsor representative	Lin Ying, Chen Lu (IPO of A Shares and non-public offering)
	Period of continuous supervision	August 30, 2019 to December 31, 2021
Sponsor institution that perform the duties of continuous supervision during the Reporting Period	Name	China Galaxy Securities Co., Ltd.
	Office Address	Qinghai Finance Building, Building No. 1, No. 8 Xiying Street, Fengtai District, Beijing
	Name of signing sponsor representative	Ma Feng, Liu Maosen (IPO of A Shares) Ma Feng, Peng Qiang (Non-public issuance)
	Period of continuous supervision	June 20, 2018 to December 31, 2021
Registrar Office Address	Office Address of A Share Registrar	China Securities Depositary and Clearing Corporation Limited
	Office Address of H Share Registrar	Computershare Hong Kong Investor Services Limited

VIII. AWARDS OF THE GROUP IN 2020

1. The Whole Nation Civilized Unit

   Issued by: The Central Guidance Commission on Building Spiritual Civilization

2. Demonstration Unit of National Financial System Workers' Congress System Construction

   Issued by: National Committee of Chinese Financial Workers' Union

3. Outstanding Market Maker of ETF

   Issued by: SSE

4. Outstanding Bond Dealer, Outstanding Underwriter of Local Government Bonds, Outstanding Bond Investment Agency (proprietary trading), Excellent Underwriter of Corporate Bonds, Excellent Underwriter of Corporate Bond Innovative Product, Excellent Trustee, Excellent Manager for Asset Securitization Business

   Issued by: SSE

5. 2020 Outstanding Member for Investor Education and Excellent Institution of the Year

   Issued by: SSE

6. 2020 Outstanding ETF Liquidity Service Provider

   Issued by: SZSE

7. Outstanding Interest Rate Bond Undertaking Institution, Excellent Underwriter of Corporate Bonds, Excellent Private Enterprise Financing Supporting Institution, Excellent Asset-Backed Special Manager, Excellent Bond Investment Trading Institution

   Issued by: SZSE

8. Participating Unit of Information Technology Application Innovation Center of Securities and Fund Industry

   Issued by: SZSE

9. Third Prize of 2019 Research Projects of the Fintech Research and Development Center (Shenzhen) of Securities and Futures Industry

   Issued by: SZSE

10. First and Third prizes for Outstanding Investor Education Works in Reform of GEM

    Issued by: SZSE

11. Outstanding Information Service Provider of Southbound Trading

    Issued by: HKEX

12. Outstanding Contribution Prize of Local Bonds from Non-banking Underwriters

    Issued by: China Government Securities Depository Trust & Clearing Co. Ltd.

13. Core Dealers, Outstanding Bond Market Dealers

    Issued by: National Interbank Funding Center

14. Most Popular Securities Company among Insurance Capital in China's Insurance Asset Management Industry, Most Popular Securities Company among Insurance Capital – Entrusted Business, Most Popular Securities Company among Insurance Capital – Trading Services

    Issued by: Insurance Asset Management Association of China

15. Evaluation as Trustee Outside the Insurance Funds Industry in 2020

    (1) Overall Evaluation of the Company: Five-star Evaluation

    (2) Evaluation of Insurance Capital Management: Five-star Evaluation

    Issued by: Insurance Asset Management Association of China

16. 2020 Outstanding Proprietor for Bond Transaction Settlement

    Issued by: China Government Securities Depository Trust & Clearing Co. Ltd.

17. Leading Institution in Corporate Bond Business, Excellent Institution in Comprehensive Services, and High-quality Institution in Comprehensive Credit

    Issued by: China Government Securities Depository Trust & Clearing Co. Ltd.

18. Top Ten 2020 Most Influential Essay Award at the Event of Digital Transformation and Securities Science and Technology Innovation Selection of Securities Institutions

    Issued by: Securities Associations of China, Tsinghua PBCSF

19. 2020 Top Ten Golden Bull Securities Companies, 2020 Securities Company Social Responsibility Awards, 2020 Securities Industry Cultural Construction Awards, 2020 Golden Bull Asset Management Team

    Issued by: China Securities Journal

20. 2020 China Securities Industry Analyst Golden Bull Award

    Team Award: Five Golden Bull Research Institution

    Objective Quantitative List Best Industry Analysis Team Golden Bull Awards:

    (1) Electrical equipment

    (2) Electronics

    (3) Real estate

    (4) Public utilities

    (5) National defense industry

    (6) Automobiles

    (7) Light Industry Manufacturing

    (8) Banks

    (9) Non-ferrous metals

    Issued by: China Securities Journal

21. 2020 China's Enterprise ESG Golden Responsibility Award Best Securities Company Award for Responsible Investment

    Issued by: Sina Finance

22. 2019 Best Fund Sales Broker

Issued by: China Fund

23. 13th China Best Investment Bank

Team awards:

(1) Best Local Investment Bank

(2) Best Equity Underwriting Investment Bank

(3) Best Debt Underwriting Investment Bank

(4) Best IPO Investment Bank

(5) Best Re-financing Investment Bank

(6) Best STAR Market Investment Bank

(7) Best Investment Bank for Mergers and Acquisitions

(8) Most Innovative Investment Bank

(9) Best Investment Bank in Financial and Real Estate Sector

(10) Best Investment Bank in Medicine and Health

(11) Best Investment Bank in Aerospace and Military Industry

Project awards:

(1) Best IPO Project: CGN, Lakala

(2) Best STAR Market Project: Montage Technology

(3) Best Re-financing Project: ICBC, Easy home and China Railway

(4) Best Corporate Bond Project: Public Issuance of Green Exchangeable Corporate bonds of China Three Gorges Group Co., Ltd in 2019, Special Bailout Bonds of State-owned Capital Operation and Management Center of Chaoyang District, Beijing

(5) Best Convertible Bonds Project: Tongwei Convertible Bonds

(6) Best Asset–backed Securitization Project: Feichi Jianrong 2019 Third Credit Asset-backed Securities

(7) Best Overseas Project: Baiyin Nonferrous' Acquisition of Central Africa Gold

Issued by: New Fortune Magazine

24. 2020 18th New Wealth Best Analyst Selection

Team awards:

(1) 9th most influential research institution

(2) 10th best local research institution

Industry awards:

(1) 1st in communications

(2) 2nd in machinery

(3) 5th in research on Hong Kong stocks and overseas markets

Industry research team awards:

(1) 10th in science and technology

(2) 10th in manufacturing

(3) 9th in energy and materials

Issued by: New Fortune Magazine

25. Best Investment Advisory Team Award and Best Organisation Award

Issued by: New Fortune Magazine

26. 2020 Jun Ding Award for Full-Service Investment Bank in China, 2020 Jun Ding Award for STAR Market Investment Bank in China and 2020 Jun Ding Award for Main Board Investment Bank in China

Issued by: Securities Times

27. 2020 Jun Ding Award for Top Ten Brand APP, Jun Ding Award for Investment Advisory Service APP and Jun Ding Award for Functional Innovation APP in China's securities industry

    Issued by: Securities Times, China Broker

28. 2020 Jun Ding Award for Asset Management Broker in China, 2020 Jun Ding Award for Equity Investment Team in China and 2020 Jun Ding Award for Quantitative Investment Team in China

    Issued by: China Broker

29. Best Investment Bank selected by Wind: Best Investment Bank, Best Equity Underwriter, Best IPO Underwriter, Best Re-financing Underwriter, Best STAR Market Equity Underwriter, Best GEM Equity Underwriter, Best NEEQ Selective Layer Equity Underwriter, Best Bond Underwriter, Best Credit Bond Underwriter – Outstanding Stock Broker Award, Best Private Enterprise Bond Underwriter, Best Med- to Long-Term Bond Underwriter, Best ABS Underwriter, Best Credit ABS Underwriter, Best Corporate ABS Underwriter, Best ABN Underwriter, Best Financial Bond Underwriter – Outstanding Stock Broker Award, Best Corporate Bond Underwriter, Best Corporate Bond Underwriter, Best Convertible Bond Underwriter, Best Exchangeable Bond Underwriter

    Issued by: Wind

30. The 14th (2020) Crystal Ball Award for Best Vendor Analyst

    Overall ranking:

    (1) 4th in light paper-making industry

    (2) 5th in non-metallic construction materials

    (3) 3rd in machinery

    (4) 1st in communications

    (5) 5th in real estate

    (6) 5th in military industry

    (7) 5th in team leading

Public offering ranking:

(1) 5th in light paper-making industry

(2) 5th in machinery

(3) 1st in communications

(4) 5th in military industry

(5) 3rd in overseas

Issued by: Securities Market Weekly

31. Outstanding APP Award of China Securities Company, Outstanding Investment Advisory Prize for China Securities Companies and Outstanding Wealth Management Award of China Securities Company

Issued by：JRJ.com

32. Caixin Capital Market Achievement Awards for 2019

(1) List of capital market achievement awards: 2nd Best Debt Underwriter, 2nd Best Stock Underwriter

(2) List of investment banks: 2nd Best Investment Bank, 1st Best Investment Bank in Industries, 2nd Best Investment Bank in Financial Industry

(3) List of stock capital market business: 2nd Best A-share Underwriter and 1st Best A-share Non-public Offering Underwriter

(4) Debt capital market business list: 1st Best Company Bond Underwriter and 3rd Best Corporate Bond Underwriter

Issued by: Caixin Insight Group

33. China Golden Cauldron Award Best A-share Underwriter of 2020, 2020 Most Comprehensive Research Institute, Classic Project of GEM Registration System in 2020

Issued by: National Business Daily

34. Best Service Organization of the Year, Top Ten IPOs of the Year (ArcSoft Technology), and Top Ten Mergers and Acquisitions of the Year (Great Star Group combined with Great Star Technology and Hangcha Group to acquire the controlling rights of Zhongce Rubber)

    Issued by: Zhejiang Investment and M&A Association

35. Outstanding Contribution Award for Financial Technology Innovation, Operation and Maintenance Innovation Contribution Award

    Issued by: Financial Computerizing

36. Best Innovation Practice of the Year

    Issued by: RPA Industry Development Work Committee

China Securities Futures

1. 2019 Silver Prize for Excellent Members

   Issued by: Shanghai Futures Exchange

2. 2020 Prize for Excellent Members

   Issued by: Shanghai Futures Exchange

3. 2019 Prize for Excellent Members

   Issued by: Dalian Commodity Exchange

4. 2020 Prize for Excellent Members, Excellent Institution Service

   Issued by: Dalian Commodity Exchange

5. 2019 Outstanding Members for Market Growth, Outstanding Members for Industry Service Growth, Excellent Member of Cotton Variety Service, Excellent Sales Department of Cotton Variety Service (China Securities Futures Henan Branch)

   Issued by: Zhengzhou Commodity Exchange

6. 2020 Excellent Members of Market Growth, Excellent Members of Variety Service (white sugar, PTA, staple fiber, methanol, urea and soda ash) and Excellent Business Departments of Variety Service (Ningbo Branch -PTA, Shanghai Branch-staple fiber, Shenzhen Branch-methanol, Henan Branch-urea, Xi 'an Business Department-soda ash, Chengdu Business Department-white sugar)

   Issued by: Zhengzhou Commodity Exchange

7. Third Prize of 2020 Excellent Member Unit of Option Simulation Trading Competition

   Issued by: Zhengzhou Commodity Exchange

8. Third Prize of 2019 Natural Rubber "Insurance + Futures" Targeted Poverty Alleviation Pilot Project

   Issued by: Shanghai Futures Exchange

9. 2019 Platinum Prize for Excellent Members

   Issued by: China Financial Futures Exchange

10. 2020 Platinum Prize for Excellent Members

    Issued by: China Financial Futures Exchange

11. Award for Excellent Customer Service in the 14th National Competition of Futures (Options) Trading

    Issued by: Futures Daily, Securities Times

12. 13th Best Futures Operation Institution and the Best Futures Analyst Selection in China: Best Futures Company in China, Best Service Award for Financial Futures, Best Service Award for Commodities Futures Industry, Best Derivative Integrated Service Innovation Prize, Best Targeted Poverty Alleviation Commonweal Award, Best Award for Enterprise Brand Building and Promotion, China Golden Futures Research Institute, Gold Medal Management Team amongst Futures Companies in China, Best Service Innovation Award for Risk Management Subsidiary, Best Futures Operation Branch in China (China Securities Futures Beijing Chaoyangmen North Street Outlet)

    Issued by: Futures Daily, Securities Times

13. 2020 1st Wind Gold Medal Futures Research Award: Gold Medal Futures Research Award, Financial Futures Research Award, Commodity Futures Research Award

    Issued by: Wind

China Securities Funds

1. 2019 China Pilot Annual Outstanding Growing Company Award of the Year

   Issued by: JRJ.com

2. 2019 Top 10 Enterprises for Economic Contribution Award

   Issued by: People's Government of Qiaozi Town of Huairou District in Beijing

3. 2019 Top 10 Enterprises for Economic Contribution Award (CSC Asset Management Co., Ltd.)

   Issued by: People's Government of Qiaozi Town of Huairou District in Beijing

China Securities Capital

1. 2020 Golden Bull Broker's Equity Investment Institutions

   Issued by: China Securities Journal

2. 2020 Top 100 Private Equity Investment Institutions in China, Top 50 China State-owned Institutional Investors, Top 10 Equity Investment Institutions of China Securities Companies

   Issued by: Zero2IPO Group

China Securities International

1. Caring Company Award

   Issued by: Hong Kong Council of Social Service

2. 2020 Best Mixed Bonds of China Offshore Companies

   Issued by: The Asset

KEY ACCOUNTING DATA

Unit: RMB million

Items	2020	2019	Increase/ decrease as compared to the same period last year (%)	2018
Total revenue and other income	30,720	19,407	58.29	16,492
Operating profit	12,114	7,161	69.17	4,044
Profit before income tax	12,126	7,154	69.50	4,051
Net profit attributable to equity holders of the Company	9,509	5,502	72.85	3,087
Net cash flow from operating activities	-38,308	17,692	-316.53	10,560

Unit: RMB million

Items	December 31, 2020	December 31, 2019	Increase/ decrease as compared to the same period last year (%)	December 31, 2018
Total assets	371,228	285,670	29.95	195,082
Total liabilities	303,157	228,775	32.51	147,219
Equity attributable to equity holders of the Company	67,735	56,582	19.71	47,577
Total share capital	7,757	7,646	1.44	7,646

KEY FINANCIAL INDICATORS

Items	2020	2019	Increase/ decrease as compared to the same period last year *(%)*	2018
Basic earnings per Share *(RMB Yuan/Share)*	1.20	0.67	79.10	0.37
Diluted earnings per Share *(RMB Yuan/Share)*	1.20	0.67	79.10	0.37
Return on weighted average equity *(%)*	18.12	11.54	Increased by 6.58 percentage points	6.78

Note: Earnings per Share and the return on weighted average equity above are calculated in accordance with the International Accounting Standards, and might be different from those calculated in accordance with the relevant regulations stipulated under the Standards Concerning the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by CSRC.

Items	December 31, 2020	December 31, 2019	Increase/ decrease as compared to the same period last year *(%)*	December 31, 2018
Net assets per Share attributable to equity holders of the Company *(RMB Yuan/Share)*	8.73	7.40	17.97	6.22
Gearing ratio *(%)*	77.04	75.37	Increased by 1.67 percentage points	70.09

Note: In calculating the gearing ratio for the Reporting Period as indicated in the table above, accounts payable to brokerage clients have been excluded from the assets and the liabilities.

In calculating the net assets per Share attributable to equity holders of the Company as indicated in the table above, the perpetual bonds issued by the Company was included in the net assets attributable to equity holders of the Company. After excluding such impact, the net assets per Share attributable to ordinary shareholders of the Company as at the end of Reporting Period was RMB7.45 (December 31, 2019: RMB6.09).

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	December 31, 2020	December 31, 2019
Net capital *(RMB million)*	65,035	54,789
Net assets *(RMB million)*	65,311	54,901
Total risk capital reserves *(RMB million)*	21,027	17,580
Risk coverage ratio *(%)*	309.29	311.65
Capital leverage ratio *(%)*	20.16	24.56
Liquidity coverage ratio *(%)*	215.93	227.69
Net stable funding ratio *(%)*	156.82	172.29
Net capital/net assets *(%)*	99.58	99.80
Net capital/liabilities *(%)*	30.24	36.84
Net assets/liabilities *(%)*	30.36	36.92
Proprietary equity securities and securities derivatives/net capital *(%)*	19.64	16.17
Proprietary non-equity securities and securities derivatives/net capital *(%)*	236.63	192.49

Note1: The net capital and relevant risk control indicators of 31 December 2019 have been restated in accordance with the CSRC Announcement [2020] No. 10 regarding the Provision on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》).

Note2: All risk control indicators of the Company complied with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC.

FINANCIAL POSITION FOR THE LAST FIVE YEARS

Profit Status

Unit: RMB million

Items	2020	2019	2018	2017	2016
Total revenue and other income	30,720	19,407	16,492	16,421	17,584
Total expenses	18,606	12,245	12,448	11,072	10,524
Share of profits and losses of associates	12	-8	8	6	-3
Profit before income tax	12,126	7,154	4,051	5,355	7,057
Net profit attributable to equity holders of the Company	9,509	5,502	3,087	4,015	5,259

Assets Status

Unit: RMB million

Items	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Share capital	7,757	7,646	7,646	7,246	7,176
Total equity	68,071	56,895	47,863	43,999	41,263
Equity attributable to equity holders of the Company	67,735	56,582	47,577	43,754	41,063
Total liabilities	303,157	228,775	147,219	161,885	140,432
Accounts payable to brokerage clients	74,710	54,626	35,039	41,417	56,736
Total assets	371,228	285,670	195,082	205,883	181,695

KEY FINANCIAL INDICATORS

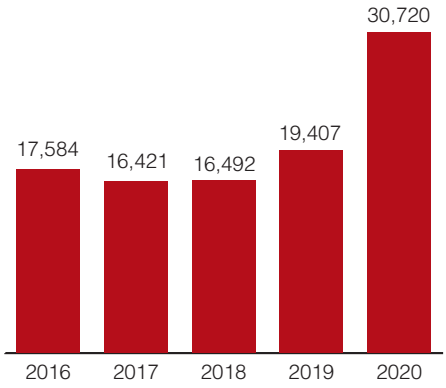
Items	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Dividends per Share *(RMB Yuan)*	0.375(budget)	0.235	0.18	0.18	0.18
Basic earnings per Share *(RMB Yuan)*	1.20	0.67	0.37	0.51	0.81
Diluted earnings per Share *(RMB Yuan)*	1.20	0.67	0.37	0.51	0.81
Return on weighted average equity *(%)*	18.12	11.54	6.78	9.92	18.10
Gearing ratio *(%)*	77.04	75.37	70.09	73.25	66.98

Notes:

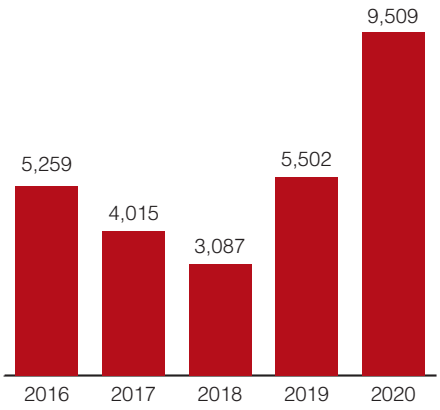
(1) Accounts payable to brokerage clients represent the amount received from and repayable to clients arising from the normal course of the Group's securities brokerage business. Such amounts are subject to regulation of third-party depository institutions.

(2) In calculating the gearing ratio for the Reporting Period of the table above, accounts payable to brokerage clients have been excluded from the assets and the liabilities.

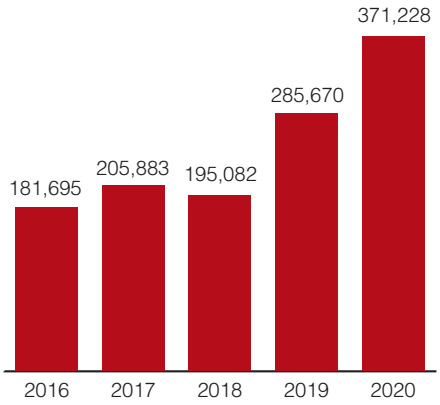
Total revenue and other income
(Unit: RMB million)



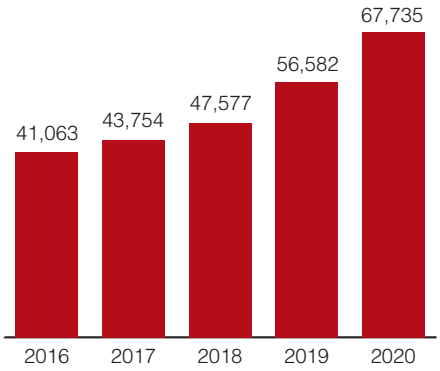
Net profit attributable to the equity holders of the Company
(Unit: RMB million)



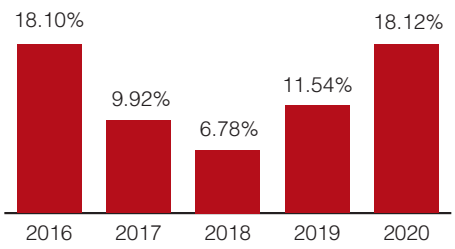
Total assets
(Unit: RMB million)



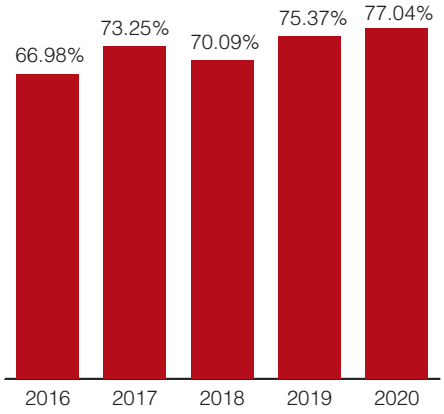
Equity attributable to the equity holders of the Company
(Unit: RMB million)



Return on weighted average equity



Gearing ratio



I. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2020, the Company continued to adhere to the core value of "achievements leading to status", as well as the concepts of "risk management as priority" and "healthy development" to strive for better service for customers and serve the real economy. The Company aimed at taking the advantages of investment banking business as the starting point to steadily develop various core businesses and innovative businesses, achieving high-quality self-development, becoming a best-in-class investment bank in China with outstanding comprehensive service ability, leading technology, excellent reputation and healthy development in domestic and overseas, as well as the global vision leveraging the development trends in the PRC and global capital market.

Investment banking business firmly occupies a leading position in the industry. In 2020, the Company completed 2,446 equity and debt underwriting projects, with a lead underwriting amount of RMB1,373.075 billion, both of which ranked second in the industry and remained among top three in the industry for eight consecutive years. The number of equity projects underwritten by us as a lead underwriter and the amount ranked No. 2, among which the number of IPO projects underwritten by us as a lead underwriter and the amount ranked No. 1. The number of bonds underwritten by us as a lead underwriter ranked No. 2 and the amount ranked No. 2 in the industry, among which, both the number of projects underwritten by us as a lead underwriter and the amount of corporate bonds ranked No. 1. The number of projects sponsored and underwritten by us ranked No. 1 among the first batch of enterprises listed on GEM registration system. The number of projects sponsored and underwritten by us ranked No. 1 among the first batch of NEEQ Select enterprises. (Source: NEEQ Company, Wind Info and statistics of the Company)

The core indicators of the wealth management business have risen steadily. In 2020, the net income from the securities brokerage business of the Company accounted for 3.32% of the market share, representing an increase of 6.68%, ranked No. 10 in the industry; the market share of the turnover of agent equity funds accounted for 3.31%, representing an increase of 13.68%; the net income from the distribution of financial products had a market share of 4.21%, representing an increase of 39.40%, and ranked No. 8 in the industry; the market value of securities under custody for the Company's clients accounts had a market share of 7.22%, and ranked No. 2 in the industry; average monthly active customers of Qingting Dianjin APP, a mobile trading application, ranked No. 8 in the industry. Both interest income from margin financing and securities lending and interest income arising from collateralized stock repurchase business ranked No. 10 in the industry. (Source: the SSE, the SZSE, China Securities Depositary and Clearing Corporation Limited, the Securities Association of China and statistics of the Company)

Trading and institutional customer service business delivered excellent performance. In 2020, with respect to securities trading business, the Company accurately seized opportunity in structural market, and obtained better absolute returns. The increase in the scale of OTC option business was RMB246.485 billion, representing an increase of 25.01% year-on-year, and the increase in the scale of return swaps was RMB41.048 billion, representing an increase of 257.47% year-on-year. In 2020, with respect to fixed income business, the Company continued to maintain sound proprietary investment, and the return on assets far exceeded the market average. Bond sales remained at the leading position as before, the number of competitive sales of credit bonds rose sharply, and the underwriting amount of local government bonds ranked No.2 in the industry "Bond Connect" business continued to remain top five among the securities traders. (Source: Wind Info and statistics of the Company)

The Company accelerated optimization of asset management business. In 2020, the Company accelerated the optimization of asset management business structure and focused on the development of "net-value-based" products. The Company's assets under management ("AUM") of entrusted assets as at the end of the Reporting Period ranked No. 7 in the industry, among which, the AUM of actively managed products as at the end of the period ranked No. 7 in the industry. As of the end of the Reporting Period, 8 out of 17 public fund products of China Securities Funds were included among the top 1/2 in the market, among which 1 entered top 5% of the market and 4 entered top 20% of the market; the projects invested by China Securities Capital project were exited with average investment yield of 108%. (Source: the Securities Association of China, Wind Info and statistics of the Company)

Digitalized transformation has been fully advanced. The Company continued to optimize systems such as Qingting Dianjin APP and Youwen, improved centralized operation platform, enhanced digital applications of business departments, and gradually launched online mobile operation platform, integrated service platform for institutional clients and big data platform for bond sales and so on. The "data security protection system" of the Company was rated as the successful financial information case in the "Jinqi Cup" in 2020. The Company has also obtained 5 software copyrights.

II. BUSINESS OVERVIEW

(I) Overview

As of December 31, 2020, the total assets of the Group were RMB371,228 million, representing a year-on-year ("YoY") increase of 29.95% as compared to that on December 31, 2019. Equity attributable to equity holders of the Company was RMB67,735 million, representing an increase of 19.71% as compared to that on December 31, 2019. During the Reporting Period, total revenue and other income of the Group amounted to RMB30,720 million in aggregate, representing a YoY increase of 58.29%. Total expenses amounted to RMB18,606 million, representing a YoY increase of 51.95%. Net profit attributable to equity holders of the Company amounted to RMB9,509 million, representing a YoY increase of 72.85%.

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and asset management business. During the Reporting Period, total revenue and other income of the investment banking segment amounted to RMB6,184 million in aggregate, representing a YoY increase of 59.67%. Total revenue and other income of the wealth management segment amounted to RMB8,305 million in aggregate, representing a YoY increase of 27.53%. Total revenue and other income of the trading and institutional client services segment amounted to RMB12,542 million in aggregate, representing a YoY increase of 91.66%. Total revenue and other income of the asset management segment amounted to RMB1,736 million in aggregate, representing a YoY increase of 0.23%.

1. Investment Banking Segment

(1) Equity Financing Business

In 2020, the number of equity financings issued on primary market in the PRC was 784, representing a YoY increase of 67.16%. The proceeds raised amounted to RMB1,374,132 million, representing a YoY increase of 13.53%. Without taking into account asset-oriented placements, the number of equity financings issued on market was 692, and the proceeds raised amounted to RMB1,026.522 billion, representing a YoY increase of 96.03% and 51.62%, respectively. In particular, the number of IPO projects launched significantly increased. 396 companies were listed in the whole year, representing a YoY increase of 97.07%. The proceeds raised amounted to RMB469,963 million, representing a YoY increase of 85.57%. (Source: Wind Info)

In 2020, with further capital market reform, first batch of delicately selected enterprises to be quoted on the NEEQ, STAR Market revolution and pilot registration system were successfully implemented, thus continuously improving the quality of listed companies. The Company completed 68 equity financing projects throughout the year, with aggregate amount of equity offerings underwritten by the Company as a lead underwriter of RMB161,878 million, both ranking No. 2 in the industry. According to the ranking by Wind, the number of IPO issuance projects and amount of equity offerings underwritten by the Company as a lead underwriter both ranked No.1 in the industry; the equity re-financing projects ranked No. 3 in the industry, and the amount of equity offerings underwritten by the Company as a lead underwriter ranked No. 2 in the industry. Among the top 10 A Shares IPOs in 2020, the sponsored underwriting projects of companies accounted for 5, including the Beijing-Shanghai Highspeed Railway, which has the highest historical financing limit for A Shares, Golden Dragon Fish, with historical financing limit among the top on the ChiNext, and Qi-Anxin, with the highest financing limit for A Shares unprofitable companies, Bestechnic and SMIC (Joint principal underwriter), with the first red-chip A+H Shares on the Sci-tech Innovation Board. At the same time, the Company also sponsors and underwrites numerous classic projects with greater market influence, such as ZTE's non-public offering, Ningde Times' non-public offering, etc.. After the first batch of sponsorship and underwriting projects ranked No.1 in the industry in 2019, the Company sponsored and underwrote 7 of the first batch of 32 delicately selected enterprises to be quoted on the NEEQ, ranking No.1 in the industry in 2020, and 3 of the first batch of 18 listed enterprises in the GEM reform and pilot registration system, also ranking No. 1 in the industry. Among them, the Company took the lead in sponsoring and underwriting Arawana, China's kitchen food leader, which financed RMB13,933 million and became the largest IPO on the GEM.

As of the end of the Reporting Period, the Company had 57 projects under review, ranked No. 3 in the industry; the Company had 33 equity refinancing projects (including convertible bonds) pending review, ranked No. 2 in the industry. (Source: disclosure of review by CSRC, statistics of the Company and Wind Info)

Details of the Company's equity sponsorship and underwriting in 2020:

Items	2020 Amount of lead underwriting *(RMB'00 million)*	2020 Number of offerings	2019 Amount of lead underwriting *(RMB'00 million)*	2019 Number of offerings
IPO	832.00	39	164.24	21
Refinancing Issuance	786.78	29	217.70	17
Total	1,618.78	68	381.94	38

Source: *statistics of the Company*

Note 1: The statistical scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of non-public issuance and reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

Note 2: According to the statistics of Wind issue date, the company completed 40 IPO orders (including one single issuance of convertible A shares to absorb and merge B shares listing project), ranking No.1 in the industry.

Note 3: The Company sponsored and underwrote 8 projects among the NEEQ selected layer, raising a total of RMB1.768 billion , which is not included in the data of the above table.

For oversea equity financing business, in 2020, China Securities International completed 2 IPOs in Hong Kong market. The equity financing proceeds totaled HK$2.9 billion.

Outlook for 2021

In 2021, the reform of the basic system of capital market and the construction of the rule of law system will be continuously improved, the stock issuance registration system reform will be deepened, a normal delisting mechanism will be established to increase the proportion of direct financing, and the quality of listed companies will be further improved. The Company will continue to enhance project management and risk control capabilities, promote high-quality development, better serve the real economy, strengthen the layout and accumulation of key areas and industries, provide quality services centered on customer needs, enhance valuation, pricing and sales capabilities, and do a good job in domestic and overseas integration. For international business, China Securities International will continue to expand its business scope to meet the needs of current and future business development, diversify different types of products, such as the homecoming of China Concept Stocks, privatization of Hong Kong listed companies and cross-border acquisitions, and keep providing high-quality services such as listing sponsorship and securities underwriting services.

(2) Debt Financing Business

In 2020, the annual interest rate of security market showed a deep V-shaped trend. From the beginning of 2020 to the April, due to the impact of the COVID-19 pandemic, interest rate of security market downward in the fluctuating condition, and the 10-year treasury yield broke the historical low in 2009 and 2016. Under the government's effective prevention and control policies, China's macro economy has obviously recovered. Since May, interest rate of security market has rebounded sharply from the historical low. In addition, due to the outbreak of some credit risk events, institutional risk appetite decreased and credit spreads widened. For international market, affected by the COVID-19 pandemic, major global economies generally faced severe downward pressure, which brought historic challenges and opportunities to overseas business. In 2020, 18,744 credit bonds (excluding interbank certificates of deposit) were issued in the domestic securities market, with an issue scale of RMB18.92 trillion, representing a YoY increase of 34.24% and 28.80%, respectively.

In 2020, the number and size of bonds underwritten by the Company recorded new highs. The Company completed a total of 2,378 underwriting projects as a lead underwriter, with a cumulative total scale of the lead underwriting project of RMB1,211.197 billion, both ranked No. 2 in the industry. For cooperate bonds, a total of 601 lead underwriting projects were completed, with a lead underwriting scale of RMB440.659 billion, which is the largest scale in history, ranked No. 1 in the industry for 6 consecutive years. (Data source: Wind Information) With its long-term advantages in corporate debt business, the Company has accumulated sizable state-owned enterprise customers and high-quality industrial customers including PetroChina, Sinopec, State Grid, China Huaneng and Datang Group. In 2020, the Company newly accumulated China Nonferrous Metal Mining, China Construction First Group Cooperation and other state-owned enterprise customers and high-quality industrial customers. In terms of product innovation, as the lead underwriter, the Company successfully issued nearly 31 green bonds, 55 pandemic prevention and control bonds, 5 bail bonds, 7 double innovation bonds and 7 special poverty alleviation debts. In addition, 20 China Coal 01 is the first registered corporate bond issued in the entire market, and the Datong Coal Mine Supply Chain Asset-Backed Medium-term Notes are the first batch of pilot projects in the ABCP product market in the inter-bank market while Sinopharm Holding (China) Financial Leasing Co., Ltd. issued corporate bonds in non-public in 2020 (Phase II) (COVID-19 pandemic prevention and control bonds), which was the first batch of pandemic prevention and control bonds in the exchange bond market, giving full play to and demonstrating the important role of China Securities in serving the real economy.

Details of debt financing business of the Company in 2019 are as follows:

item	2020 lead underwriting *(RMB'00 million)*	2020 Total project scale *(RMB'00 million)*	2020 Number of offerings	2019 lead underwriting *(RMB'00 million)*	2019 Total project scale *(RMB'00 million)*	2019 Number of offerings
Corporate bonds	4,406.59	9,200.28	601	3,830.34	7,202.54	416
Enterprise bonds	325.50	744.00	53	268.01	1,064.80	33
Convertible bonds	305.00	505.34	26	155.61	611.67	15
Financial bonds	1,725.45	11,829.30	89	1,527.05	8,477.00	59
Others *(Note)*	5,349.43	43,620.91	1,609	3,634.97	32,349.95	954
Total	12,111.97	65,899.83	2,378	9,415.98	49,705.96	1,477

Source: *statistics of the Company*

Note: "Others" mainly consist of medium-term notes, short-term commercial papers, private placement notes, asset-backed securitization and government-backed agency bonds.

For overseas business, in 2020, China Securities International completed 45 overseas bond issuance transactions in offshore market and 2 private placement bonds with an amount underwritten of approximately US$17.9 billion.

Outlook for 2021

In 2021, domestic macro-economy will be problematic in terms of its structure, system and cycle. The Company will be well-positioned to seize market opportunities, enhance internal and external cooperation, consolidate its competitive advantage in traditional business such as corporate bonds, debt financing instruments of non-financial enterprises and enterprise bonds, and will continue to develop debt financing business with great market potential, such as asset-based securities, exchangeable bonds and panda bonds, to increase product diversity. For overseas business, China Securities International will actively develop offshore bond projects of Chinese enterprises, act as global coordinator and bookrunner, and continuously develop rating advisory services. Besides, the Company will enrich the dimension of debt financing products and services under the background of accelerating the integration of domestic and overseas teams.

(3) Financial Advisory Business

In 2020, the Mergers and Acquisitions and Restructuring Committee of CSRC reviewed 79 merger and acquisition projects in A share market in total, representing a decrease of 36.29% year-on-year. The merger and acquisition business of the Company obtained satisfactory results, which further improved balance in the Company's investment banking business structure. In 2020, the Company completed 10 projects of asset acquisition by way of issue of shares and material assets restructuring, ranked No. 3 in the industry, with a transaction amount of RMB34,122 million, ranked No. 5 in the industry. The Company completed the financial assets listing project of State Grid Yingda, and completed the projects of share issuance and assets acquisitions of Guorui Technology, China Sports Industry, Tianjin Quanye and Cuiwei. In addition, the Company continued to maintain a high market share in the bankruptcy and reorganization of listed companies, and participated in reorganization projects such as *ST Tianyu and *ST Pegasus. (Source: Wind Info and statistics of the Company)

As of the end of the Reporting Period, the Company had completed private placement of 21 companies listed on NEEQ market, which raised total proceeds of RMB1,006 million, continuously oversaw 47 enterprises in the innovation sector on the NEEQ, ranked No. 3 in the industry. (Source: NEEQ Company, choice financial terminal)

For overseas business, as of end of the Reporting Period, China Securities International completed five merger projects, and two financing project in Hong Kong's secondary market and six financial advisory projects.

Outlook for 2021

In 2021, the Company will continue to seize market opportunity and improve the ability in integration of merger and acquisition business, and strengthen the service layout of the cross-border business, consolidate its unique advantages in the financial advisory of bankruptcy reorganization of listed companies, and enhance diversified service capability of the Company's merger and acquisition business. The Company will also actively undertake high-quality NEEQ projects to increase the reserve of follow-up projects. For high-quality basic level companies supervised by the Company, we will plan ahead to smoothly enter the innovation level and lay the foundation for the listing on the selected level. For oversea business, in 2021, China Securities International will continue to expand cross-border acquisition, Pre-IPO competition and privatization.

2. Wealth Management Segment

(1) Brokerage and Wealth Management Business

In 2020, the average daily turnover of market equity funds was RMB803.7 billion, representing a YoY increase of 59.81%; (Source: SSE and SZSE). As the competition among securities firms was increasingly fierce on commission rate, business flow, service approach, service provided and expertise of employees, the brokerage business faced severe challenges. The Company endeavored to establish an integrated client services platform and ecological chain to develop businesses covering financial products, margin financing and securities lending, the NEEQ, investment advisory services, futures, options and precious metals business through resource integration. The Company, with customer-oriented culture, continued to strengthen the core competitiveness of brokerage business with clients as the focus through raising the standard of service and enhancing procedures, and strived to fulfill diversified wealth management, investment and financing needs of retail, high net worth, institutional, corporate and other clients at different levels.

With respect to securities brokerage business, in 2020 the net income from the securities brokerage business of the Company accounted for 3.32% of the market share, representing a YoY increase of 6.68%, ranked No. 10 in the industry. As of the end of the Reporting Period, trading volume of the agency sales of equity funds of the Company amounted to RMB12.93 trillion with a market share of 3.31%, representing a YoY increase of 13.68%, ranked No. 10 in the industry. The sale of standardized products amounted to RMB111.4 billion and the net income from the distribution of financial products had a market share of 4.21%, representing a YoY increase of 39.40%, ranked No. 8 in the industry. As of the end of the Reporting Period, the number of new capital accounts was 660,000; the total number of clients' capital accounts was 8,999,400, with a market share of 3.47%, ranking No. 10 in the industry. The market value of securities under custody for the Company's clients accounts was RMB4.31 trillion with a market share of 7.22%, ranked No. 2 in the industry; in which new client assets amounted to RMB1,488,786 million (Sources: SSE, SZSE, China Securities Depositary and Clearing Corporation Limited, The Securities Association of China and statistics of the Company). The Company continued to optimize the experience of Qingting Dianjin APP, a mobile application, with average monthly active customers ranked No.8 in the industry. The Company also continued to consolidate its leading advantage in online investment advisory service platform, and served 36.46 million person/times. The pilot project of fund investment advisory business has

been in smooth progress, with 16,500 contracts signed. The Company kept optimizing its financial product system and continuously perfecting supply of various products. As of the end of the Reporting Period, the Company had 292 securities branches, of which 57% were located in the Five Provinces and Two Municipalities (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), and among which 53 business section were located in Beijing (including Beijing Hongyi Branch). The Company is the securities company with the largest number of securities branches in Beijing. The numerous and orderly distributed securities branches have established a solid client base for the development of brokerage and wealth management businesses of the Company.

In terms of futures brokerage business, in 2020, under the influence of COVID-19 pandemic and complex international and domestic environment, the futures market increased the supply of products and services, and the ability to serve the real economy was significantly enhanced. The trend of "institutionalization" of market participants became more and more obvious, and the degree of specialization continued to improve. The total amount of funds in the futures market reached a new level, and the turnover scale of the national futures market increased significantly year on year. In 2020, the cumulative turnover of the national futures market was 6,152,626,012 lots, with a cumulative turnover of RMB437,525.852 billion, representing a YoY increase of 55.29% and 50.56%, respectively. In 2020, CSC's futures revenue and net profit both reached the new record, achieving an agency transaction volume of RMB11.43 trillion, representing a YoY increase of 45.52%; there were 23,795 new customers, representing a YoY increase of 44.17%. As of the end of the Reporting Period, the scale of customer equity was RMB14.252 billion, representing an increase of 107.36% as compared with the end of 2019. As of the end of the Reporting Period, China Securities Futures had set up 25 branches and a subsidiary in charge of risk management in Chongqing, which has laid a solid foundation for futures brokerage and development of risk management business.

For the overseas business, China Securities International leverages the Company's customer base in Mainland to meet the overseas investment and financial management needs of domestic high-net-worth customers through international products and services. According to the company's "technology empowerment" strategy, China Securities International comprehensively improved various business platforms, and made the whole process of opening accounts and handling business online, thus overcoming the impact on cross-border business under the pandemic situation. In 2020, the aggregate transaction amount of stock agency of China Securities International was HK$43,216 million, representing a YoY increase of 76.03%, with 2,899 new clients, representing a YoY increase of 81.19%; as of end of the Reporting Period 12,757[1] clients in aggregate, and the total market value of stock under custody for the Company's clients' accounts was HK$20,100 million.

Outlook for 2021

In 2021, the Company will continue to focus on increasing income from securities brokerage and regional market shares, enhance the power of financial technology, optimize service system, improve operation efficiency and prevent operation related risks in view of customers' key pain points in both trading and investment, and continue to build the brand of good investment advisor, good products and good transactions to accelerate transformation of brokerage into wealth management.

For overseas business, China Securities International will continue to improve customer service with "technology empowerment", continue to improve the construction of wealth management platform, enrich various overseas and cross-border wealth management products on the platform, focus on overseas insurance brokerage business, leverage the Company's customer base in mainland China and the integration advantages brought by intra-group cooperation, and will satisfy the demand of domestic high-net-worth clients for overseas investment and wealth management through high-quality services and rich product lines.

1. According to the requirements of the Securities and Futures Commission of Hong Kong for the protection of customer assets and the handling of "dormant accounts" in the Customer Service and Account Management Manual, the Company will convert accounts without holding funds or stocks,and the accounts of those users The user who have not conducted any transaction for two years or above or the accounts in frozen status for more than 12 months will be converted into dormant accounts. Dormant accounts were excluded from the statistics of the cumulative number of customers commencing from March 2020.

(2) Margin Financing and Securities Lending Business

In 2020, the scale of margin financing and securities lending business in the whole market slightly increased. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen stock markets was RMB1,619.008 billion, representing a YoY increase of 58.84%. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB55,152 million, representing a YoY increase of 88.34%, and the market share was 3.41%, representing a YoY increase of 0.53 percentage point; the Company ranked No. 10 in the industry in terms of interest income from margin financing and securities lending. There were 158,500 margin financing and securities lending accounts, representing a YoY increase of 8.25%. (Source: Wind Info, the Securities Association of China and statistics of the Company)

For the overseas business, China Securities International follows the principle of financing business to serve real transaction needs, and promotes the development of financing business with the improvement of customer scale and asset scale. As of the end of the Reporting Period, the balance of financing business of China Securities International was HK$109 million, representing a YoY increase of 65%.

Outlook for 2021

In 2021, the Company will fully promote the development of tiered customer service system, in order to provide automatic, smart and differentiated service plan based on customer category and layered management with collateral. In addition, the Company will be committed to improving the outreach of services to high net-worth clients and further improving its capacity of providing specialized services through department coordination and enriching business model.

For overseas business, China Securities International will continue to follow the principle of prioritizing risk control, and identify the financing demands of existing retail customers, and make financing business as the auxiliary means to satisfy the needs of securities trading of customers and the necessary means to support the implementation of new business of various cross-border products.

(3) Repurchase Business

In 2020, stock pledge business related risks were further alleviated. However, affected by strict regulations and new underperform rules, authorities introduced stricter rules on approving such business, collateralized stock repurchase business of the whole market was still in negative growth. As of the end of the Reporting Period, the balance of principal of collateralized stock repurchase business of the Company was RMB19,050 million, among which, scale of investment (in the table) of collateralized stock repurchase business amounted to RMB9,615 million, with an average collateral coverage ratio of 419.99%; the balance of principal of management (off the table) collateralized stock repurchase business amounted to RMB9,435 million; the Company ranked No. 10 in the industry in terms of interest income from collateralized stock repurchase. (Source: the Securities Association of China and the statistics of the Company)

Outlook for 2021

In 2021, under the prerequisite of ensuring risks which can be measured, controlled and at a tolerable level, the Company will stably and prudently carry out stock pledge business. It will accelerate resources integration, and provide a basket of business solutions to the strategic customers. Leveraging on the investment and research capabilities of the Company, the Company will strengthen risk identification on listed companies. The Company will, through restructuring of its business structure, further improve asset quality of its stock pledge business.

3. Trading and Institutional Client Services

(1) Equity Sales and Trading Business

The equity sales and trading business of the Company mainly provides trading, advisory and research services, and distributes equity securities underwritten by the Company to institutional clients. The Company also engages in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and total return swaps. It provides clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demand of institutional clients.

With respect to the securities trading business, in 2020, through flexible position allocation and position structure adjustment, the Company accurately grasped the structural opportunities of the market, and achieved good absolute returns. In the structural market, the Company accurately seized sector opportunity and obtained satisfactory absolute gains. With respect to the derivatives trading business, along with the stable development of the existing business, the Company actively explored new business models in the derivatives trading business to enhance its investment strategies using its own funds to provide solutions to meet the needs of our clients. The Company further diversified the investment variety, expanded the scope of market–making services and provided liquidity and market making services as to fund products in stock exchange and options products in market. The Company stably promoted the OTC derivatives business including OTC options and non-financing swaps, actively explored new types of linked subjects and revenue structure and provided diversified options to meet the personalized investment needs of clients. Meanwhile, the Company actively deployed cross-border derivatives business, effectively meeting the needs of domestic institutional customers to allocate overseas assets such as Hong Kong stocks, US stocks and ETFs. In 2020, the increase in the scale of OTC option business of the Company was RMB246.485 billion, representing an increase of 25.01% year-on-year, and the increase in the scale of return swaps was RMB41.048 billion, representing an increase of 257.47% year-on-year.

With respect to stock sale business, in 2020, the Company completed 76 stock sale projects as a lead underwriter, with a cumulative sales amount of RMB163,646 million, including 39 IPOs, 25 non-public share issuance, 3 placings, 1 public follow-on offering and 8 delicately selected NEEQs quoted on the board. The Company's overall stock sales business achieved new success and completed a number of influential projects: the underwriting amount of IPO projects and non-public offering projects ranked No. 1 and No. 2 in the industry respectively. (Source: Wind Info and statistics by issue date)

For the overseas business, the equity sales and trading business of the Company mainly provides trading, advisory and research services, and distributes equity securities underwritten by the Company to institutional clients. In 2020, China Securities International has formed a cross-industry, cross-market and cross-asset research service matrix, constantly improving the service system for customers of multi-strategic buyer institutions, further enhancing its influence in the secondary stock market in Hong Kong and gradually establishing brand awareness.

Outlook for 2021

In 2021, the Company will continue to keep closer abreast of macro-economic situation, fiscal and monetary policies and extensively research industry and individual share opportunities as to its equity sales and trading business. Upholding the value investing concept, keeping close abreast of changes in fundamentals of investment subject and implementing segment and individual share configuration, the Company will promote the diversification of variety of investment product. In addition, the Company strictly monitor positions and effectively control risks. In order to satisfy clients' needs for asset allocation and risk management, the Company will steadily develop the OTC derivative business, increase resource investment in market-making and continuously promote implementation of cross-border investments to satisfy various needs of clients and improve its investment system using its own funds.

For overseas business, China Securities International will fully promote the support of overseas investment research business for the sales of stocks and trading business, and continuously expand institutional customers of renowned buyers, so as to further build the Company's overseas research brand.

(2) Fixed Income Products Sales and Trading Business

In 2020, the Company maintained a stable pattern in proprietary investment, accurately grasped the market conditions, flexibly adjusted investment strategies, and comprehensively deployed cash bonds and various derivative product management positions. On the basis of low retracement, the return on assets far exceeds the market average level; "Bond Connect" (Northbound Trading) market-making is among the top 5 in the industry. (Source: Company Statistics) The Company newly granted qualification for foreign exchange business, and spot, forward, swap and option businesses were fully developed and revenue has achieved. The FICC full license business system was initially established.

The Company maintained its leading position in terms of bond sales, and actively cooperated with the Investment Banking Committee of the Company in the sales of underwriting projects. The Company recorded significant increase in competitive sale of credit bonds, as it sold 301 credit bonds in the year, 84% of which were included among top two. Interest rate bond sales amounted to RMB135.9 billion in the year, including underwriting amount of local government bonds of RMB53.3 billion, ranked No. 2 in the industry.

(Source: Wind Info) In addition, the repurchase scale of "Gushoubao" ranked No. 3 in the industry. Term and types of products with independent collection, such as "Gushoubao", "Guyilian", "Zhaineiying" and "Zhai e Tong", were constantly enriched, and the brand awareness and the synergy with brokerage business line was greatly improved.

For the overseas business, China Securities International continued to sell and trade overseas bonds. As of the end of the Reporting Period, China Securities International achieved a bond transaction volume of HK$37.1 billion, representing a YoY increase of 101%.

Outlook for 2021

In 2021, the Company will continue to improve its multi-asset sales and trading ability to serve domestic and foreign customers, and build a bridge connecting domestic and foreign customers with the fixed income capital market. Actively expand domestic and overseas bond, foreign exchange, commodities and related derivatives business, establish a rich and complete fixed income product series, integrate domestic and overseas integrated sales resources, cover more types of domestic and overseas customers, and help domestic customers "go global" and overseas customers "bring in" with excellent product design and pricing capabilities.

For overseas business, China Securities International plans to further improve bond trading volume, so as to provide strong liquidity support to clients, and support the development of bond underwriting business in primary market, improve sales capability and intensify coverage of domestic and oversea customers.

(3) Investment Research Business

The investment research business of the Company mainly provides institutional clients with research consultation services covering certain aspects, including macro-economy, fixed income, strategy, financial engineering, large-scale asset allocation, fund research and industry research. The Company's clients mainly include the National Social Security Fund, all mainstream public funds, issuance asset management cooperation, bank, security private equity funds, equity fund, oversea financial institutions and other institutions. The Company

provides clients with professional security research reports and various kinds of tailored research services. In 2020, under the COVID-19 pandemic and complex international condition, the Company strengthened targeted research planning and cross-industry research interaction, and better grasped the market conditions and market hotspots. In the first half of 2020, China Securities International public fund commissions accounted for 5.16%, ranking No. 3 in the industry (data source: Wind Info). As at the end of the Reporting Period, the Company's research and sale teams comprised 172 members, who published a total of 5,077 research reports of various types, extending the industry coverage and coverage of overseas listed companies during the Reporting Period. At present, the Company's research operations has 10 big research teams, covering 34 areas. In 2020, the Company organized 25,497 road shows, 570 surveys, and successfully organized large and professional conferences including "Capital Market Forum", "Special Meeting for Experts". The Company's research business is also committed to providing policy research support for government departments and regulatory agencies.

For the overseas business, China Securities International fully gives play to the advantages of cross-market research resources such as A shares and Hong Kong stock market, provides high-quality research services according to the investment preferences of overseas institutional customers, and further enhances the popularity of research business in Hong Kong and overseas markets.

Outlook for 2021

In 2021, the Company's research business will further strengthen the three core directions of internationalization, financial technology and professional deepening. By consolidating the foundation of research work, the influence of research business, the research ranking of head customers and diversified profitability will be comprehensively improved. In 2021, according to the market characteristics during the pandemic period, the Company will continue to improve the digital service and management level, strengthen the collaborative research of the industrial chain, vigorously strengthen overseas services, explore the income-generating mode of international business, continuously improve the breadth and depth of research coverage, and provide more comprehensive and in-depth service support for various institutional customers and various business lines of the Company.

(4) Prime Brokerage Business

The prime brokerage system of the Company is one of the most comprehensive system with the widest range of supportive systems among the securities brokers in the industry, which connects markets of margin financing and securities lending services, stock index futures, commodity futures stock options, the NEEQ and Southbound trading markets to offer its clients with convenience and favourable experience in carrying out various businesses at the same time. The self-developed algorithmic trading platform within the prime brokerage system maintained a leading position in the industry in terms of the efficiency of execution of algorithmic trading, which is widely recognised and trusted by various clients including those from the banking, insurance, public offering, private equity and QFII sectors and enterprises as well as high-net-worth individual clients. Newly developed services including bonds, treasury bond repurchases and selected NEEQ layers satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, public offerings and insurance customers. The turnover of the main broker business continued to grow, the trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of Prime Brokerage Business (PB) existing customers of the Company was 3,918, representing a YoY increase of 75.62%; a total of 21 public fund companies and 9 insurance asset management institution used the Company's algorithm trading services; A total of 60 customers used the agency reduction service of our Company.

The Company comprehensively promoted the construction of the platform for custodian outsourcing managers, continuously improved customer service capabilities, and managed 9 ETFs (including connections) and public funds with brokerage settlement mode, and achieving diversified development of innovative products such as bank wealth management and trust. As of the end of the Reporting Period, the total scale of asset custody and operation services of the Company was RMB404.435 billion, representing a YoY increase of 34.81%. Among them, there were 2,589 asset custody products and 2,454 operational service products, representing a YoY increase of 42.96% and 48.10% respectively.

Outlook for 2021

In 2021, with the aim to constantly satisfy institutional investors' trading needs, the Company continued to improve its various types of prime brokerage system and counter services for institutions. The embedded algorithmic platform will connect with more trading software and will provide algorithm trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy changes to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients. The Company will also comply with the market development trend, constantly improve the "internal strength", and strive to create a "tailor-made front desk, innovative and flexible middle desk, and efficient operation back stage", improve the service carrying capacity, improve the operation informationization rate, and strive to manage and operate the service business to a higher level.

(5) QFII Business and RQFII Business

As a domestic brokerage agency for QFII and RQFII businesses, with the help of the Company's first-class investment research service resources, in 2020, the Company integrated various advantages of the Company's domestic business, continued to explore the international market, and actively explored the business model of overseas institutions represented by QFII and RQFII, started to open up the upstream and downstream of the industrial chain, so as to provide QFII and RQII customers with full-product financial services with investment research as the entry point. At present, the Company has developed a professional service brand featuring advanced transaction system and trading algorithm and extensive research information services.

Outlook for 2021

In 2021, the Company will continue to build a diversified client network, proactively carry out QFII and RQFII businesses with an aim to provide its clients with advanced investment research services, and promote cross-border integrated development by means of specialized sale and services. Under the background of QFII and RQFII new regulations and policies, all departments of the Company will integrate superior resources and actively coordinate, so as to provide its clients with high-level, all-round, diversified, differentiated and integrated financial services.

(6) Other Investment Businesses

In 2020, affected by COVID-19, the domestic macroeconomic downward pressure increases, and the private equity investment market became less active. China Securities Investment did a good job in project development, reserve and investment layout in an orderly manner by following the principle of "maintain stable and sustainable development" and the concept of "serve real economy, serve technological innovation, serve economic transformation", and completed 62 investment projects (including 11 IPO co-investments on STAR Market) with an aggregate investment amount of RMB1,497 million during the Reporting Period.

Outlook for 2021

In 2021, China Securities Investment will adhere to large-scale investment, implement investment layout by putting strict control over project quality as the top priority, and build an asset portfolio with equity investment as the core, pan-equity investment, innovative product investment and other forms of both depth and breadth, while continue to promote the IPO co-investment on STAR Market and GEM.

4. Asset Management Segment

(1) Asset Management Business of Securities Company

The Company provides professional asset management services including collective asset management business, targeted asset management business, specialized asset management, in order to help clients preserve and increase the value of financial assets. At present, the Company has built a complete product line to meet the investment needs of clients with different preferences on risks and return.

In 2020, the Company exerted great efforts to develop its investment management capacity with an excellent product performance. The Company accelerated optimization of asset management business structure, increased its efforts in development of "net value" products, and extensively issued active management products. As at the end of the Reporting Period, the Company's entrusted AUM reached approximately RMB490,282 million, ranked No. 7 in the industry according to the statistics of Securities Association of China. Among which, the active AUM reached approximately RMB336,661 million, with an annual increase of RMB104,347 million, representing a YoY increase of 44.92%. According to the statistics of Asset Management Association of China, the Company's active management scale ranked No.7 in the industry in the fourth quarter of 2020.

In 2020, the Company strictly implemented the new regulations on asset management and the requirements for collective rectification. As at the end of the Reporting Period, through continuous rectification work, the scale of rectification had been reduced to nearly RMB390 billion. In 2020, the Company completed the public offering transformation of the first large-scale collective product, the value growth collective asset management plan of China Securities Investment.

The scale of the Company's asset management business is as follows:

Unit: RMB'00 million

Name of business type	Scale of asset management	
	December 31, 2020	December 31, 2019
Collective asset management business	501.76	285.59
Targeted asset management business	2,982.15	4,385.80
Specialized asset management business	1,418.91	806.30
Total	4,902.82	5,477.69

Source: The Securities Association of China, the Asset Management Association of China and statistics of the Company

Outlook for 2021

In 2021, the Company will seize the opportunity of industry reform, focus on product net value transformation, actively expand outsourcing business of bank wealth management subsidiaries and bank agency sales, and actively deploy major asset management business. On the one hand, the Company will strictly implement the requirements under the new asset management regulations and steadily advance the rectification work. On the other hand, the Company will promote the development of asset management business by continuously improving its investment management capacity, diversifying asset management products, and actively developing bank distribution channels, so as to actively respond to industry competition by empowering through the Company's platform, expanding the new business track. Meanwhile, the Company will continue to enhance product risk control and compliance management and operation management, in order to ensure robust operation of asset management business.

(2) Fund Management Business

In 2020, China Securities Funds focused on enhancing market competitiveness by strengthening its investment and research capabilities, diversified product lines and improve the customer service system, actively explored new business fields, accelerated product launch and optimized product structure. As at the end of the Reporting Period, the AUM of China Securities Funds was RMB55,317 million, including AUM of public offering products of RMB26,687 million, representing a YoY increase of 55.17%; AUM of special account products of RMB27,873 million, representing a YoY decrease of 55.19%; active AUM of special account products of RMB19,446 million, representing a YoY decrease of 43.37%; AUM of channel business of RMB8,427 million, representing a YoY decrease of 69.75%; AUM of ABS products of RMB757 million, representing a YoY decrease of 8.24%. As of the end of Reporting Period, China Securities Funds managed a total of 23 public funds (including 5 products established in 2020 and one liquidated product not included in ranking); 8 of 17 products were included among the top 1/2 in the market, among which 1 entered top 5% of the market and 4 entered top 20% of the market. (Source: the Securities Association of China, Wind Info and statistics of the Company)

Outlook for 2021

In 2021, conforming to the development orientation of the asset management industry in the new era, China Securities Funds will continue to diversify its product portfolio and take the initiative to promote active management capability, with an aim to drive business development by enhancing internal governance, improving management level, and nurturing core talents, and will further develop its investment research capability, expand client base and launch key and core products to realize a stable growth in management scale and the value preservation and appreciation of the clients' assets, to strengthen its core competitiveness and improve its brand influence.

(3) Private Equity Investment Business

In 2020, affected by COVID-19, activities of the private equity investment market declined, making it more difficult to raise funds. China Securities Capital continued to follow market hotspots and technological developments, selectively conducted in-depth research in key investment areas, gradually deepened and systemized industry research, so as to improve project development efficiency and investment quality, with an investment in projects completed throughout the year near RMB1,600 million. In 2020, 6 portfolio companies invested by China Securities Capital passed the IPO review of the CSRC, including 5 on STAR Market and 1 on GEM. Among which, Jingyuan Environmental Protection, Tinavi, QI AN-XIN, and 3 One Data had completed their listings.

As of the end of the Reporting Period, China Securities Capital operated a total of 41 funds, with a filing scale of RMB37,214 million, representing a filing scale increase of RMB6,561 million over the year. As of the end of the Reporting Period, China Securities Capital completed a total investment of 158 companies, including 10 main board listings, 3 SME board listings, 8 GEM listings, 7 STAR Market listings and 25 NEEQ listings. The Company completed 6 merger and acquisition projects, including one cross-border merger and acquisition project, with an average investment yield from exit projects reaching 108%.

Outlook for 2021

In 2021, China Securities Capital will, by focusing on "value identification, customer satisfaction and prudent investment", carry out fundraising work around central enterprises, industrial funds, and government guidance funds. Combining market hotspots and technological developments, China Securities Capital will selectively conduct in-depth research in fields and directions such as artificial intelligence, new energy vehicles, high-end manufacturing, healthcare and pharmaceuticals, and strive to gradually deepen and systemize industry research, so as to improve project development efficiency and investment quality.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Structure and Trend

1. Profound changes in macroeconomic environment

The current domestic and foreign market environment is undergoing profound changes, wherein overseas pandemic continue to break out, domestic prevention and control pressure remains unabated, and the global economy is still in a period of in-depth adjustment under the pandemic recovery. The fifth plenary session of the 19th CPC Central Committee and the Central Economic Working Conference pointed out that with the theme of promoting high-quality development, we should adhere to the strategic basis of expanding domestic demand, and accelerate the construction of a new development pattern with domestic circulation as the main body and domestic and foreign double circulation to promote each other. In 2020, China's macro policies had followed the trend, strengthened counter-cyclical adjustments, maintained reasonable and sufficient liquidity, and delivered a brilliant economic response in the context of pandemic prevention and control. With the continuous improvement of the domestic macro economy, China became the only major economy in the world to achieve positive economic growth. In 2021, China's economy will better strive a balance between development and risk in the course of structural transformation, and maintain steady and sustainable growth.

2. Re-acceleration in capital market reform

2020 was the closing year of the "13th Five-Year Plan" and the 30th year of the growth of China's capital market. The amended "Securities Law" was officially implemented in March 2020, and the capital market ushered in a new round of high-quality development. The financing capacity of the financial market had repeatedly hit record highs under the reform of STAR Market and GEM registration system, and the capital market's pivotal function in the national economy had become increasingly prominent. The "14th Five-Year Plan" period is the first five years that China has embarked on a new journey of comprehensively building a modern socialist country. Increasing the proportion of direct financing is of great significance for deepening the structural reform of the financial supply side, accelerating the construction of a new development pattern, and achieving higher-quality, more efficient, fairer, more sustainable and safer development.

3. New development of securities industry

Deepening the reform of the capital market has created space for the development of the securities industry, leading securities companies to play the functions of "financing arranger", "wealth manager", "trading service and liquidity provider", "important market investor" and "risk manager", which is a historic opportunity for the comprehensive development of the securities industry. The following important changes in the securities industry in 2020 will continue to have a significant impact on the development of the securities market in 2021:

First, emphasizing the development of capitalization improved the ability to utilize the balance sheet. In May 2020, the China Securities Regulatory Commission revised the Provisions on the Administration of Subordinated Bonds of Securities Companies, allowing securities companies to publicly issue subordinated bonds to expand the ways for securities companies to replenish their net capital. Risk control indicators were revised to increase leverage for high-rated securities companies. Consolidated supervision pilots were carried out to increase leverage for pilot securities companies.

Second, professional development improved the service capabilities of investment and financing customers. In March 2020, with the approval of the China Securities Regulatory Commission, seven securities companies had obtained pilot qualifications for fund investment advisory services. Under such model, the securities company could accept the client's discretionary entrustment and charge investment advisory fees. It would provide personalized investment strategies based on customers' risk tolerance, income expectations and liquidity arrangements, build fund investment portfolios on behalf of customers, and better help customers achieve the maintenance and increase of the value of their assets.

Third, differentiated development fostered carrier-level securities companies and boutique small and medium-sized securities companies. In July 2020, the China Securities Regulatory Commission issued the Provisions on the Administration of Equities of Securities Companies, which put forward the principles of "classified management, good qualifications, well-defined power and responsibility, clear structure, orderly changes, openness and transparency", and cleared that securities companies should be classified as a professional securities company engaged in traditional conventional securities businesses (such as securities brokerage, securities investment consulting, financial advisory, securities underwriting and sponsorship, securities self-operation, etc.) and a comprehensive securities company engaged in businesses between which have significant leverage and cross-risks (such as stock option market making, over-the-counter derivatives, stock pledge repurchase, etc.) based on the complexity of the business. The regulation on classification strengthened the orientation of professional services and guided the differentiated development of the industry.

(II) Development Strategies of the Company

The Company strives to be a first-class investment bank in China that is trusted by customers, recognized by employees, and satisfactory to shareholders. The Company kept its mission of "bringing together talents, serving customers, creating value and contributing to society" firmly in mind, and attached great importance to its corporate culture of "people-oriented, learn modestly from others and learn from history". The Company insisted on the correct and clear strategic direction, balanced the development speed and quality, put risk management in an important position, insisted on the employment ideality of people first and employing people from all corners of the world, so as to the path of healthy development. The Company expects to be committed to improving customer service capability, supporting the real economy, and improving efficiency in wealth accumulation and management through establishing long-term effective strategies, so as to achieve high-quality development of itself along with the securities industry.

In order to materialize above visions, the Company will consolidate its advantage of leading in value-creating ability and attach great importance to promoting work on customer development and customer service to improve service quality; strengthen talent strategy to improve team quality; increase capital and fund strength to optimize and improve balance sheet performance; improve information technology capability to promote digital transformation of the Company; keep improving compliance risk control capability to ensure sound development of the Company; keep increasing modern management and operation capabilities to improve efficiency and benefits.

(III) Business Plan

In 2021, the Company will, under the consistent guidance of political development, continue to promote comprehensive and rigorous administration of the Party; fully promote internal and external cooperation, give full play to synergies; expand the scale of asset management business, enhance its capabilities in active management; comprehensively promote integrated construction, accelerate the increase of cross-border business income; consolidate and increase buyer's revenue, enhance asset-liability management capability; continue to strengthen digital transformation and construction, explore cooperative development model; maintain precautions to guard against potential business risks; strengthen the training of young cadres, and enhance employees' sense of gain and sense of achievement.

(IV) Capital Requirement

In 2020, the Company continued to conduct its businesses in a healthy and well-organized manner. During the Reporting Period, in order to satisfy business development requirement, the Company, according to the arrangements of asset and liability management work, successfully completed public offering of four tranches of corporation bonds with a total issuance amount of RMB18 billion; public offering of two tranche of subordinated bonds with an issuance amount of RMB11 billion; non-public offering of one tranche of perpetual subordinated bonds with a total issuance amount of RMB5 billion. The Company's indirect wholly-owned subsidiary, as the issuer, completed the first withdrawal and issuance under the guaranteed overseas medium-term notes program, with an issuance amount of US$500 million; public offering of seventeen tranches of company short-term financing bonds with a total issuance amount of RMB68.5 billion (as of the end of the Reporting Period, outstanding balance to be paid amounted to RMB16 billion); issuance of 590 tranches of structured notes with a total issuance amount of approximately RMB68.4 billion (as of the end of the Reporting Period, the outstanding balance amounted to approximately RMB26 billion).

In 2021, the Company will manage the size and structure of liabilities in a scientific manner based on business development needs and maintain a healthy gearing ratio, and properly manage liabilities and liquidity.

(V) Access to and Ability of Financing

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by way of bond repurchases, inter-bank lending, margin refinancing, issuance of short-term commercial papers, issuance of beneficiary certificates, issuance of short-term financing bonds by securities companies etc., to investors on the SSE, and to commercial banks through inter-bank market, inter-institutional private equity products quotation and service system and OTC market in accordance with the relevant policies and regulations. As of the end of the Reporting Period, as approved by the People's Bank of China, the Company can implement a maximum inter-bank borrowing of RMB32,800 million, with a sufficient credit line for approved large-scale state-owned joint-stock commercial banks, which effectively guaranteed the placements obtained by the Company through monetary market in a timely manner.

In addition, the Company may, subject to market conditions and its own demands, finance by way of equity financing, placing, rights issue, issuance of corporate bonds, financial bonds, subordinated bonds, perpetual subordinated bonds and private placement bonds and other financing methods as approved by the competent authorities.

To maintain a balance between liquidity and profitability, the Company held a number of fixed income products, and changes in interest rates will have direct impact on the interests received from the bank deposits held by the Company, as well as the market price of the bond investment and the investment income. Meanwhile, equity investment of the Company is also impacted, though indirectly, by changes in interest rates. In addition, the Company has subsidiaries which are incorporated outside mainland China, with the amounts invested by the Company denominated in foreign currencies. As the Company has foreign currency denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies by its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the Company.

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by its treasury department. There are also a comprehensive management system and corresponding work flows in place. The Company adjusts the structures of its different classes of assets and liabilities in a timely manner and utilizes corresponding financial tools to mitigate the risks and the impacts of the above factors.

(VI) Potential Risks (including Implementation of Comprehensive Risk Management and Compliance Risk Control, and Investment in Information Technology)

1. Potential Risks faced by the Company

The Company may be mainly exposed to the following risks: market risk, credit risk and liquidity risk. Specifically, the Company may be mainly exposed to market risk brought by fluctuations in stock and bond markets to investment portfolio of the Company; credit risk brought by insufficient repayment capability of financiers in financing business or abnormal price of shares secured (or pledged) to the Company, credit risk brought by bonds default and decreased credit qualification of the issuer to bond portfolio of the Company, and liquidity risk brought by reasonable neutral capital supply and rising financing costs at a specific time point in the expected context of overall capital supply balance. In addition, the Company may be exposed to other risks including strategic risk, operational risk, compliance risk, legal risk, technical risk and reputational risk. Joint effect of above risks will pose certain challenge to the operation of the Company.

2. Implementation of Comprehensive Risk Management of the Company

The Company has attached great importance to risk management. Over more than a decade of exploration and practices, and pursuant to the requirements of regulatory regulations and self-regulatory rules, including the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》), Regulations for Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and Guidelines for the Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) etc., the Company has established a relatively complete and comprehensive risk management system. Since the second half of 2016, the Company has achieved strong results in terms of consolidated management, comprehensive business coverage, subsidiary risk management, risk response mechanism, investment of risk management resources and construction of risk control system. In 2020, the Company further optimized certain aspects such as counterparty management, subsidiary risk management, risk data management and system construction, as well as the introduction of professional talents, and was officially included in the consolidated supervision pilot by China Securities Regulatory Commission ("CSRC"). Please refer to "Risk Management" in Part IV of this section for details of the Company's comprehensive risk management.

3. Establishment of Dynamic Control System for Risk Control Indicators

Pursuant to the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC, the Company has formulated and continued to revise relevant measures such as the Measures for the Control of Risk Control Indicators of the Company (《公司風險控制指標監控辦法》) in accordance with the implementation, established a dynamic monitoring mechanism for risk control indicators, and arranged special posts for daily monitoring, in order to make timely report of various anomalies. At the same time, the Company has established a dynamic monitoring and evaluation system for net capital, based on the regulatory standards and early warning standards of risk control indicators prescribed by the regulatory authorities. The Company has added more stringent corporate monitoring standards as the monitoring threshold, forming a three-level early warning standard of risk control indicators based on the early warning line of the Company, the early warning line of the regulatory departments as well as supervision line of the regulatory departments. The Company has also established and improved the reporting and response plans to ensure that net capital and other risk control indicators meet the regulatory requirements.

The Company has established a net capital replenishment mechanism. Approaches to replenishing net capital include but are not limited to equity financing as authorized by the general meeting, increase of discretionary surplus reserve, reduction or suspension of profit distribution, and issuance of subordinated debt, etc. The Company has established a forward-looking adjustment mechanism for risk control indicators to ensure that the risk control indicators are maintained at a robust and compliant level by replenishing net capital, adjusting the structure of assets and liabilities, as well as reducing the scale of business, etc. when there are abnormal changes or early warning shown in the risk control indicators.

In 2020, the Company's net capital and other risk control indicators continued to meet the regulatory standards, and the main risk control indicators were at a healthy level and no warning standards were triggered.

4. Investments in Corporate Compliance Risk Control and Information Technology

The Company attaches great importance to compliance management and risk management, continuously optimizes the construction of compliance management and risk management systems, continuously expands the team of compliance risk control personnel and enhances its allocation; The Company also continuously promotes the construction of compliance risk control system through a combination of self-development and outsourced procurement. Investment is continuously increased to promote the timeliness and professionalism of compliance risk control. The Company's investment in compliance risk control mainly includes: investment in compliance risk control personnel, investment in the construction of compliance related risk control system and operating expenses of the relevant compliance risk control departments. In 2020, in terms of the parent company, the Company's total investment in compliance control amounted to RMB424.1711 million.

The Company continued to increase investment in information technology. The Company continued to invest in areas such as construction and transformation of the infrastructures, continuous improvement of system functions and innovation and development, etc., and in the meantime laid a solid data foundation for the construction of a digitalized enterprise. The Company continued to put efforts in the introduction of information technology talents, focusing on the cultivation of talents for both self-development and new technologies, and gradually formed the Company's core information technology competitiveness. The Company's investment in information technology mainly includes: information technology related capital expenditure, daily operation and maintenance expenses, leasing and depreciation expenses, and wages of information technology personnel. In 2020, in terms of the parent company, the Company's total investment in information technology amounted to RMB777.8981 million.

IV. FINANCIAL STATEMENT ANALYSIS

Profitability Analysis

In 2020, domestic capital market maintained good development trend and A-share market showed rise in both volume and price. Under such market environment, the Company was well-positioned to seize opportunities, and maintained a sound development in respect of its various business operations. Operating results of the Company increased as compared with that in 2019.

In 2020, the Group recognized total operating revenue and other income of RMB30,720 million, representing a YoY increase of 58.29%. Net profit attributable to equity holders of the Company amounted to RMB9,509 million, representing a YoY increase of 72.85%. Basic earnings per Share amounted to RMB1.20, representing a YoY increase of 79.10%. Return on weighted average equity was 18.12%, increasing YoY by 6.58 percentage points.

Asset Structure and Asset Quality

During the Reporting Period, the Company replenished working capital by issuing non-public A Share and one tranche of perpetual bonds, and maintained sound liquidity. The Company recorded growth in both total assets and total liabilities to different extents. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of December 31, 2020, the Group's total assets amounted to RMB371,228 million, representing an increase of RMB85,559 million, or 29.95%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total assets amounted to RMB296,518 million, representing an increase of RMB65,474 million, or 28.34%, as compared with that as at the end of preceding year. Among which, investment assets mainly include investments in associates and investments in financial assets, accounted for 63.61% of the total assets; margin accounts and financial assets held under resale agreements accounted for 21.12% of the total assets; cash and bank balances accounted for 9.64% of the total assets; and other assets in aggregate accounted for 5.63% of the total assets.

Please refer to "Financial assets at fair value through profit or loss" in Note 22, "Financial assets at fair value through other comprehensive income" in Note 23 and "cash and bank balances" in Note 32 for the restriction of main assets as of the end of the Reporting Period in the Annual Report.

As of December 31, 2020, the Group's total liabilities amounted to RMB303,157 million, representing an increase of RMB74,382 million, or 32.51%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total liabilities amounted to RMB228,446 million, representing an increase of RMB54,297 million, or 31.18%, as compared with that as at the end of preceding year. Among which, the amount from financial assets sold under repurchase agreements was RMB84,512 million, accounting for 36.99% of the total liabilities; the amount from short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year was RMB67,261 million, accounting for 29.44% of the total liabilities; the amount from bonds in issue was RMB50,016 million, accounting for 21.90% of the total liabilities; the amount from financial liabilities at fair value through profit or loss and derivative financial liabilities was RMB4,020 million, accounting for 1.76% of the total liabilities; and the amount from other liabilities in aggregate was RMB22,637 million, accounting for 9.91% of the total liabilities.

As of December 31, 2020, the Group's equity attributable to equity holders of the Company amounted to RMB67,735 million, representing an increase of RMB11,153 million, or 19.71%, as compared with that as at the end of preceding year.

As of December 31, 2020, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 77.04%, representing an increase of 1.67 percentage points, as compared with that as at the end of preceding year.

Cash Flow Status

After deducting accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB-18,895 million in 2020, representing a YoY decrease of RMB48,925 million, which was mainly due to the YoY increase in net cash outflow from operating and investment activities.

Net cash flow from operating activities in 2020 was RMB-38,308 million, representing a YoY increase of net cash outflow of RMB56,000 million as compared to a net cash flow of RMB17,692 million for the corresponding period of 2019, which was mainly attributable to YoY increase in net cash outflow from operating activities due to the decrease of accounts payable to underwriting clients and the increase of margin accounts and financial assets at fair value through profit or loss.

Net cash flow from investing activities in 2020 was RMB-11,412 million, representing a YoY increase of net cash outflow of RMB8,469 million as compared to a net cash flow of RMB-2,943 million in 2019, which was mainly attributable to the increase in net cash outflow caused by the purchase of financial assets at fair value through other comprehensive income.

Net cash flow from financing activities in 2020 was RMB30,825 million, representing a YoY increase of net cash inflow of RMB15,543 million as compared to a net cash flow of RMB15,282 million for the corresponding period of 2019, which was mainly attributable to the increase in cash inflow due to the issuance of bonds and non-public issuance of additional shares in this year.

V. ANALYSIS ON INCOME STATEMENT

Financial Highlights

In 2020, the Group accomplished a profit before income tax of RMB12,126 million, representing a YoY increase of 69.50%. Major financial highlights of the Group are as below:

Unit: RMB million

Items	2020	2019
Fee and commission income	13,624	8,633
Interest income	7,104	6,243
Investment gains	8,673	4,407
Other income	1,319	124
Total expenses	18,606	12,245
Share of profits and losses of associates	12	-8
Profit before income tax	12,126	7,154
Income tax expense	2,589	1,624
Profit attributable to equity holders of the Company	9,509	5,502

Structure of Total Revenue and Other Income

In 2020, the total operating revenue and other income of the Group amounted to RMB30,720 million, representing a YoY increase of 58.29%. The structure of revenue remained relatively stable. The revenue structure of the Group in the past five years is as follows:

Items	2020	2019	2018	2017	2016
Fee and commission income	44.35%	44.48%	43.85%	53.47%	60.19%
Interest income	23.12%	32.17%	41.02%	32.01%	25.25%
Investment gains	28.23%	22.71%	14.66%	14.70%	13.72%
Other income	4.30%	0.64%	0.47%	-0.18%	0.84%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Fee and Commission Income

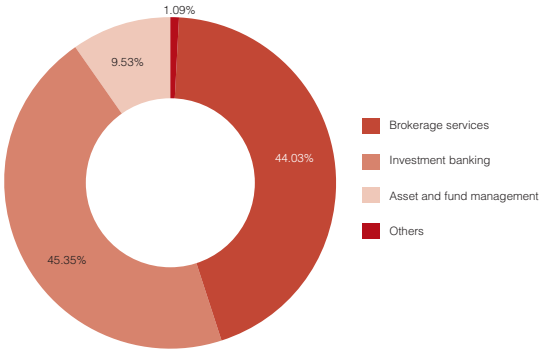
In 2020, the net fee and commission income of the Group amounted to RMB12,024 million, representing a YoY increase of 57.70%, which was mainly due to the increase in fee and commission income from brokerage business and investment banking business. The breakdown of fee and commission income of the Group during 2019 and 2020 is as follows:

Unit: RMB million

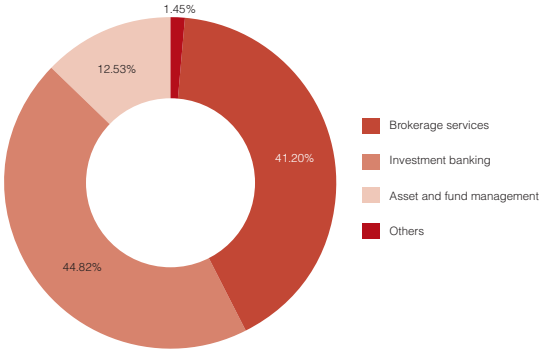
Items	2020	2019	Change	Change in percentage *(%)*
Fee and commission income				
– Brokerage services	5,999	3,557	2,442	68.65
– Investment banking	6,179	3,869	2,310	59.71
– Asset and fund management	1,299	1,082	217	20.06
– Others	147	125	22	17.60
Fee and commission expenses	1,600	1,008	592	58.73
Net fee and commission income	12,024	7,625	4,399	57.70

The Breakdown of Fee and Commission Income in 2019 and 2020

The Breakdown of Fee and Commission Income in 2020



The Breakdown of Fee and Commission Income in 2019



The fee and commission income from brokerage business increased by RMB2,442 million, or 68.65% YoY, which was mainly due to the YoY increase in the income of brokerage securities trading service business of the Company.

The fee and commission income from investment banking business increased by RMB2,310 million, or 59.71% YoY, which was mainly due to the YoY increase in the fee income of securities underwriting business of the Company.

The fee and commission income from asset and fund management business increased by RMB217 million, or 20.06% YoY, which was mainly due to the YoY increase in the fee income of fund management business and directional asset management business of the Company.

Interest Income

In 2020, the net interest income of the Group amounted to RMB1,331 million, representing a YoY decrease of RMB229 million, or 14.68%. The table below sets out the major composition of the net interest income of the Group during the indicated periods:

Unit: RMB million

Items	2020	2019	Change	Change in percentage *(%)*
Interest Income				
– Margin financing and securities lending	2,869	1,955	914	46.75
– Financial assets held under resale agreements	809	1,222	-413	-33.80
– Bank deposits	2,116	1,801	315	17.49
– Financial assets measured at fair value through other comprehensive income ("FVOCI")	1,310	1,259	51	4.05
– Financial assets measured at amortized cost	–	6	-6	-100.00
Interest expenses				
– Accounts payable to brokerage clients	284	179	105	58.66
– Financial assets sold under repurchase agreements	1,511	1,176	335	28.49
– Placements from banks and other financial institutions	558	310	248	80.00
– Borrowings	12	26	-14	-53.85
– Bonds in issue and short-term financing instruments payable	3,293	2,888	405	14.02
– Others	115	104	11	10.58
Net interest income	1,331	1,560	-229	-14.68

Interest income from margin financing and securities lending increased by RMB914 million, or 46.75% YoY, which was mainly due to the increase of average scale in margin financing and securities lending business in the year.

Interest income from financial assets held under resale agreements decreased by RMB413 million, or 33.80% YoY, which was mainly due to the decrease of average scale in stock-pledged repurchase business in this year.

Interest income from bank deposit increased by RMB315 million, or 17.49% YoY, which was mainly due to the increase of average scale in the cash held on behalf of clients.

Interest expenses increased by RMB1,090 million, or 23.28% YoY, which was mainly due to the increase in the interest expense of bonds in issue and short-term financing instruments payable and financial assets sold under repurchase agreements.

Net Investment Gains

In 2020, the net investment gains of the Group amounted to RMB8,673 million, representing a YoY increase of 96.80%. The table below sets out the major composition of the net investment gains of the Group during the indicated periods:

Unit: RMB million

Items	2020	2019	Change	Change in percentage *(%)*
Financial instruments measured at fair value through other comprehensive income ("FVOCI")	409	259	150	57.92
Financial instruments at fair value through profit or loss("FVPL")	9,361	5,126	4,235	82.62
Derivative financial instruments	-755	-473	-282	N/A
Others	-342	-505	163	N/A
Total	8,673	4,407	4,266	96.80

Net investment income from financial instruments measured at fair value through other comprehensive income increased by RMB150 million, or 57.92% YoY. In particular, gains from disposal of financial instruments measured at fair value through other comprehensive income increased by RMB247 million, or 156.54% YoY; dividends from financial instruments measured at fair value through other comprehensive income decreased by RMB97 million, or 94.79% YoY.

Net investment income from financial instruments at fair value through profit or loss increased by RMB4,235 million, or 82.62% YoY. In particular, gains from disposal of financial instruments at fair value through profit or loss increased by RMB4,148 million, or 2,689.82% YoY; gains from holding financial assets at fair value through profit or loss increased by RMB87 million, or 1.74% YoY.

Net investment income from derivative financial instruments decreased by RMB282 million, which was mainly due to decrease in the disposal income of equity derivative financial instruments.

Gains from other investment increased by RMB163 million YoY, which was mainly due to decrease in the net losses attributable to other interest holders of consolidated structured entities.

Total Expenses

In 2020, the total expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB11,233 million, representing a YoY increase of RMB4,679 million, or 71.39%.

The table below sets out the major composition of the expenses of the Group during the indicated periods:

Unit: RMB million

Items	2020	2019	Change	Change in percentage *(%)*
Staff costs	6,436	4,710	1,726	36.65
Tax and surcharges	156	99	57	57.58
Other operating expenses and costs	3,245	1,804	1,441	79.88
Credit impairment losses	1,319	-59	1,378	N/A
Impairment losses on other assets	77	–	77	N/A
Total	11,233	6,554	4,679	71.39

Staff costs for the year increased by RMB1,726 million, or 36.65% YoY, which was mainly due to the increase in performance-based remuneration.

Credit impairment losses in this year amounted to RMB1,378 million, which was mainly due to the increase of provision for financial assets held under resale agreements, financial assets at fair value through other comprehensive income and margin accounts.

The table below sets out the composition of the credit impairment losses of the Group during the indicated periods:

Unit: RMB million

Items	2020	2019	Change	Change in percentage *(%)*
Financial assets measured at fair value through other comprehensive income ("FVOCI")	290	18	272	1,511.11
Margin financing and securities lending	28	-53	81	N/A
Financial assets held under resale agreements	989	-23	1,012	N/A
Others	12	-1	13	N/A
Total	1,319	-59	1,378	N/A

The impairment loss on other assets in this year increased by RMB77 million, which was mainly due to the provision for impairment of investments in associates.

VI. ANALYSIS ON FINANCIAL POSITION

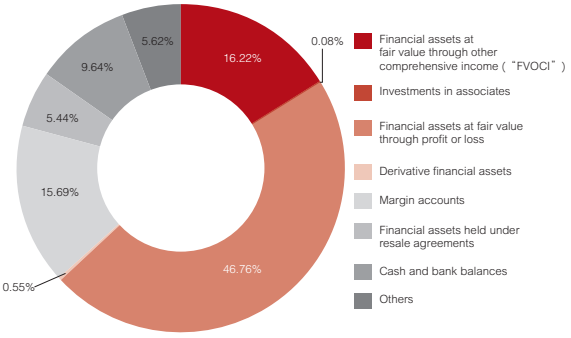
Assets

As of December 31, 2020, the total assets of the Group amounted to RMB371,228 million, representing an increase of RMB85,559 million, or 29.95%, as compared with that as at the end of preceding year. Excluding the effect of accounts payable to brokerage clients, the total assets of the Group amounted to RMB296,518 million as at December 31, 2020, representing an increase of RMB65,474 million, or 28.34%, as compared with that as at the end of preceding year, and changes were as follows:

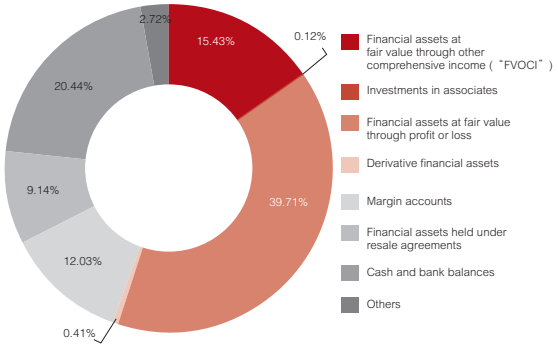
Unit: RMB million

Items	December 31, 2020	December 31, 2019	Change	Change in percentage *(%)*
Financial assets measured at fair value through other comprehensive income ("FVOCI")	48,097	35,644	12,453	34.94
Investments in associates	229	270	-41	-15.19
Financial assets at fair value through profit or loss	138,656	91,756	46,900	51.11
Derivative financial assets	1,632	955	677	70.89
Margin accounts	46,515	27,806	18,709	67.28
Financial assets held under resale agreements	16,117	21,119	-5,002	-23.68
Cash and bank balances	28,580	47,221	-18,641	-39.48
Others	16,692	6,273	10,419	166.09
Total	296,518	231,044	65,474	28.34

Analysis of the Components of Assets in 2020



Analysis of the Components of Assets in 2019



Investments

The investment of the Group primarily comprises financial assets measured at fair value through other comprehensive income ("FVOCI"), investments in associates, financial assets at fair value through profit or loss ("FVPL"), derivative financial assets, etc.

As of December 31, 2020, the total external investments of the Group amounted to RMB188,614 million, representing an increase of RMB59,989 million, or 46.64%, as compared with that as at the end of preceding year.

The following table sets out, as of the dates indicated, the investments of the Group and its percentage to the total assets by category:

Unit: RMB million

Items	December 31, 2020 Amount	December 31, 2020 Percentage to total assets (%)	December 31, 2019 Amount	December 31, 2019 Percentage to total assets (%)
Financial assets at fair value through other comprehensive income ("FVOCI")	48,097	16.22	35,644	15.43
Investments in associates	229	0.08	270	0.12
Financial assets at fair value through profit or loss ("FVPL")	138,656	46.76	91,756	39.71
Derivative financial assets	1,632	0.55	955	0.41
Total	188,614	63.61	128,625	55.67

Financial Asset Investments

As of December 31, 2020, total financial asset investments of the Group amounted to RMB188,385 million, accounting for 63.53% of total assets, representing an increase of RMB60,030 million, or 46.77%, as compared with that as at the end of preceding year, which was mainly due to the increase in debt instruments and equity investment. The table below sets out the composition of the financial asset investment portfolio of the Group:

Unit: RMB million

Items	December 31, 2020 Amount	December 31, 2020 Percentage to total financial asset investments (%)	December 31, 2019 Amount	December 31, 2019 Percentage to total financial asset investments (%)
Debt instruments	127,132	67.49	83,154	64.78
Equity investments	18,134	9.63	11,237	8.75
Fund investments	10,461	5.55	8,082	6.30
Derivative financial assets	1,632	0.87	955	0.74
Others	31,026	16.46	24,927	19.43
Total	188,385	100.00	128,355	100.00

Investments in Associates

Unit: RMB million

Items	December 31, 2020	December 31, 2019	Change	Change in percentage *(%)*
Investments in associates	229	270	-41	-15.19

As of December 31, 2020, the Group's investments in associates amounted to RMB229 million, representing a decrease of RMB41 million, or 15.19%, as compared with that as at the end of preceding year, which was mainly due to the provision for impairment of investments in associates during the Reporting Period.

Cash and Bank Balances

As of December 31, 2020, cash and cash balances amounted to RMB28,580 million, representing a decrease of RMB18,641 million or 39.48%, as compared with that as at the end of preceding year, which was mainly due to the negative net changes in cash and cash equivalents caused by the increase of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and margin accounts and the decrease of accounts payable to underwriting clients.

Unit: RMB million

Items	December 31, 2020	December 31, 2019	Change	Change in percentage *(%)*
Cash and bank balances	28,580	47,221	-18,641	-39.48

Liabilities

As of December 31, 2020, total liabilities of the Group amounted to RMB303,157 million, representing an increase of RMB74,382 million, or 32.51%, as compared with that as at the end of preceding year. Excluding the effect of accounts payable to brokerage clients, total liabilities of the Group amounted to RMB228,446 million as at December 31, 2020, representing an increase of RMB54,297 million, or 31.18%, as compared with that as at the end of preceding year. The following table sets out the breakdown of the total liabilities of the Group as of the dates indicated:

Unit: RMB million

Items	December 31, 2020	December 31, 2019	Change	Change in percentage *(%)*
Accounts payable to brokerage clients	74,710	54,626	20,084	36.77
Short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year	67,261	50,400	16,861	33.45
Financial liabilities at fair value through profit or loss	1,596	1,126	470	41.74
Derivative financial liabilities	2,425	762	1,663	218.24
Financial assets sold under repurchase agreements	84,512	55,533	28,979	52.18
Bonds in issue	50,016	34,133	15,883	46.53
Others	22,637	32,195	-9,558	-29.69
Total	303,157	228,775	74,382	32.51

In 2020, the A share market and fund market in China recorded a YoY increase in overall trading volume. As of December 31, 2020, total accounts payable to brokerage clients of the Group amounted to RMB74,710 million and accounted for 24.64% of the total liabilities of the Group, representing an increase of RMB20,084 million, or 36.77%, as compared with that as at the end of preceding year.

The following table sets out the Group's accounts payable to brokerage clients by geographical locations and types of customers as of the dates indicated:

Unit: RMB million

Items	December 31, 2020	December 31, 2019	Change	Change in percentage *(%)*
Mainland China	73,463	53,680	19,783	36.85
– Individual	45,173	36,278	8,895	24.52
– Corporate	28,290	17,402	10,888	62.57
Outside Mainland China	1,247	946	301	31.82
Total	74,710	54,626	20,084	36.77

As of December 31, 2020, short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year amounted to RMB67,261 million in aggregate, representing an increase of RMB16,861 million, or 33.45%, as compared with that as at the end of preceding year, mainly attributable to the YoY increase in the balance of structured notes payables at the end of the period.

As of December 31, 2020, financial assets sold under repurchase agreements amounted to RMB84,512 million, representing an increase of RMB28,979 million, or 52.18%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of financial assets sold under repurchase agreements through collateralized repurchase.

As of December 31, 2020, the Group's total outstanding amount of bonds payable due beyond one year amounted to RMB50,016 million, representing an increase of RMB15,883 million, or 46.53%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of the subordinated bonds and corporate bonds issued by the Company.

Equity

As of December 31, 2020, the total equity of the Group amounted to RMB68,071 million, representing an increase of RMB11,176 million, or 19.64%, as compared with that as at the end of preceding year, mainly attributable to the Company's non-public issuance of A shares and profits of this year during the Reporting Period. The following table sets out the components of the Group's total equity as at the dates indicated:

Unit: RMB million

Items	December 31, 2020	December 31, 2019
Share capital	7,757	7,646
Other equity instruments	9,962	9,981
Capital reserve	12,491	8,753
Surplus reserves	4,525	3,573
General reserve	10,549	8,692
Investment revaluation reserve	286	203
Foreign currency translation reserve	89	191
Retained earnings	22,076	17,543
Non-controlling interests	336	313
Total	68,071	56,895

VII. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of Establishment	Registered Capital	Place of Business	Registered Address	Contact Number
China Securities Futures	100%	March 16, 1993	RMB1,000 million	11-B (Parallel to Ground Level)/11-A, 8-B4, 9-B&C (Nominal Level), Shangzhan Building, 107 Zhongshan, Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A， 8-B4，9-B、C)	11-B (Parallel to Ground Level)/11-A, 8-B4, 9-B&C (Nominal Level), Shangzhan Building, 107 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A，8-B4， 9-B、C)	023-86769605
China Securities Capital	100%	July 31, 2009	RMB1,650 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	010-85130648
China Securities International	100%	July 12, 2012	Share capital of HK$2,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600
China Securities Funds	55%	September 9, 2013	RMB300 million	17&19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	010-59100288
China Securities Investment	100%	November 27, 2017	RMB6,100 million	11/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座11層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街1號北京基金小鎮大廈C座109)	010-85130622

1. China Securities Futures: As of the end of the Reporting Period, total assets and net assets of China Securities Futures amounted to RMB17,627.18 million and RMB1,999.97 million, respectively. In 2020, China Securities Futures recognized a total revenue and other income of RMB1,855.92 million in aggregate and net profit amounting to RMB252.34 million.

   Principal businesses of China Securities Futures: commodities futures brokerage, financial futures brokerage, futures investment consultancy, assets management, funds sale.

2. China Securities Capital: As of the end of the Reporting Period, total assets and net assets of China Securities Capital amounted to RMB2,648.46 million and RMB1,775.03 million, respectively. In 2020, China Securities Capital realized a total revenue and other income of RMB306.92 million in aggregate and net profit amounting to RMB127.82 million.

   Principal businesses of China Securities Capital: project investment, investment management, asset management and financial advisory (excluding intermediary services).

3. China Securities International: As of the end of the Reporting Period, total assets and net assets of China Securities International amounted to RMB7,239.19 million and RMB1,645.78 million, respectively. In 2020, China Securities International recognized a total revenue and other income of RMB434.45 million in aggregate and net profit amounting to RMB45.39 million.

   Principal businesses of China Securities International: investment holding. Its subsidiaries engage in the business of securities brokerage, asset management, investment banking, pledge and financing, dealing in futures and proprietary investment.

4. China Securities Funds: As of the end of the Reporting Period, total assets and net assets of China Securities Funds amounted to RMB698.20 million and RMB592.93 million, respectively. In 2020, China Securities Funds recognized a total revenue and other income of RMB300.96 million in aggregate and net profit amounting to RMB47.53 million.

   Principal businesses of China Securities Funds: fundraising, fund sale, asset management for specific clients, asset management and other business as approved by the CSRC.

5. China Securities Investment: As of the end of the Reporting Period, total assets and net assets of China Securities Investment amounted to RMB3,470.77 million and RMB3,309.08 million, respectively. In 2020, China Securities Investment recognized a total revenue and other income of RMB602.03 million in aggregate and net profit amounting to RMB421.47 million.

   Principal businesses of China Securities Investment: investment management (except for intermediary services) and project investment.

Subsequent events:

On February 26, 2021, the office address and registered address of China Securities Futures were changed to 27th floor and 30th floor at Hilton Business Affairs Office, 131 Zhongshan Third Road, Yuzhong District, Chongqing.

VIII. INTRODUCTION OF SECURITIES BRANCHES

No.	Name of Branch	Establishment date	Registered address	Contact number
1	Hubei Branch	February 6, 2012	3rd Floor, Block A, Longyuan Building, No. 24 Zhongbei Road, Wuchang District, Wuhan, Hubei Province	027-87890128
2	Shanghai Branch	February 6, 2012	Room 1806 and 1807, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	February 7, 2012	No. 1, 12/F, No. 61 North Station Road, Shenhe District, Shenyang City, Liaoning Province	024-24863279
4	Jiangsu Branch	February 13, 2012	2nd Floor, Yellow River Building, No. 58 Longyuan West Road, Gulou District, Nanjing, Jiangsu Province	025-83156571
5	Hunan Branch	March 1, 2013	No. 9, Section 2 Furong Middle Road, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	April 16, 2013	3rd Floor, Wuyi Center, No. 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	April 18, 2013	Room 604, 6th Floor, No. 225 Qingchun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	April 19, 2013	No. 56 South Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	April 24, 2013	Room 5102 and 5105, No. 30 Pearl River East Road, Tianhe District, Guangzhou, Guangdong Province	020-38381917
10	Chongqing Branch	April 14, 2014	2-2, Building 2, Yijing • Fenghao, No. 195 Longshan Road, Longshan Street, Yubei District, Chongqing	023-63624398

No.	Name of Branch	Establishment date	Registered address	Contact number
11	Shenzhen Branch	April 21, 2014	22/F, Building B, Rongchao Business Center, No. 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	0755-23953860
12	Sichuan Branch	April 25, 2014	No. 25, South 3rd Section of Yihuan Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	May 23, 2014	11th Floor of No. 4 Building, No. 8 Long'ao North Road, Lixia District, Jinan City, Shangdong Province	0531-68655601
14	Jiangxi Branch	May 28, 2014	Unit 05, 30th Floor, Building 2#, Heping International Hotel, No. 69 North Yanjiang Road, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	June 3, 2014	2nd Floor, China Building, No. 3 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	0371-69092409
16	Shanghai Free Trade Zone Branch	September 26, 2014	Room 2206, North Block, No. 528 Pudong South Road, China (Shanghai) Free Trade Pilot Zone	021-68801573
17	Tianjin Branch	November 10, 2014	No. 389 Jiefang South Road, Hexi District, Tianjin City	022-23660571
18	Beijing Hongyi Branch	March 19, 2019	4-4, Third Section, 6/F, Building No. 4, 66 Anli Road, Chaoyang District, Beijing City	010-56161928
19	Hainan Branch	December 29, 2020	1st, 2nd Floor, Yindu Building, No. 38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	December 30, 2020	No. 65 Hubin West Street, Xingqing District, Yinchuan City	0951-6737057
21	Guizhou Branch	December 31, 2020	No. 2, 1–8/F, No. 13 Yanan Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300

Subsequent events:

On January 27, 2021, the 29th meeting of the second session of the Board of the Company considered and approved the Resolution on Adjusting the Organizational Structure of the Branches of the Company to further optimize and adjust the set-up of branches. Through this adjustment, the Company cancelled the structure of the original central business department forming a three-level branch and business department management system, among which the existing first-tier branches remained unchanged, all central business departments and some business departments were changed to second-tier branches, and some business departments were changed to third-tier branches. As of the Date of Disclosure of the Report, the branches of the Company are as follows:

No.	Name of Branch	Establishment date	Registered address	Contact number
1	Hubei Branch	February 6, 2012	3rd Floor, Block A, Longyuan Building, No. 24 Zhongbei Road, Wuchang District, Wuhan, Hubei Province	027-87890128
2	Shanghai Branch	February 6, 2012	Room 1806 and 1807, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	February 7, 2012	No. 1, 12/F, No. 61 North Station Road, Shenhe District, Shenyang City, Liaoning Province	024-24863279
4	Jiangsu Branch	February 13, 2012	2nd Floor, Yellow River Building, No. 58 Longyuan West Road, Gulou District, Nanjing, Jiangsu Province	025-83156571
5	Hunan Branch	March 1, 2013	No. 9, Section 2 Furong Middle Road, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	April 16, 2013	3rd Floor, Wuyi Center, No. 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	April 18, 2013	Room 604, 6th Floor, No. 225 Qingchun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252

No.	Name of Branch	Establishment date	Registered address	Contact number
8	Northwest Branch	April 19, 2013	No. 56 South Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	April 24, 2013	Room 5102 and 5105, No. 30 Pearl River East Road, Tianhe District, Guangzhou, Guangdong Province	020-38381917
10	Chongqing Branch	April 14, 2014	2-2, Building 2, Yijing • Fenghao, No. 195 Longshan Road, Longshan Street, Yubei District, Chongqing	023-63624398
11	Shenzhen Branch	April 21, 2014	22/F, Building B, Rongchao Business Center, No. 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	0755-23953860
12	Sichuan Branch	April 25, 2014	No. 25, South 3rd Section of Yihuan Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	May 23, 2014	11th Floor of No.4 Building, No. 8 Long'ao North Road, Lixia District, Jinan City, Shangdong Province	0531- 68655601
14	Jiangxi Branch	May 28, 2014	Unit 05, 30th Floor, Building 2#, Heping International Hotel, No. 69 North Yanjiang Road, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	June 3, 2014	2nd Floor, China Building, No. 3 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	0371-69092409
16	Shanghai Free Trade Zone Branch	September 26, 2014	Room 2206, North Block, No. 528 Pudong South Road, China (Shanghai) Free Trade Pilot Zone	021-68801573
17	Tianjin Branch	November 10, 2014	No. 389 Jiefang South Road, Hexi District, Tianjin City	022-23660571
18	Beijing Hongyi Branch	March 19, 2019	4-4, Third Section, 6/F, Building No. 4, 66 Anli Road, Chaoyang District, Beijing City	010-56161928

No.	Name of Branch	Establishment date	Registered address	Contact number
19	Hainan Branch	December 29, 2020	1st, 2nd Floor, Yindu Building, No. 38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	December 30, 2020	No. 65 Hubin West Street, Xingqing District, Yinchuan City	0951-6737057
21	Guizhou Branch	December 31, 2020	No. 2, 1–8/F, No. 13 Yanan Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300
22	Jilin Branch	January 5, 2021	19th floor, Zhengrong Building, No. 621 Changchun Street, Nanguan District, Changchun City, Jilin Province	0431-81939383
23	Shanxi Branch	January 7, 2021	Floor 7, Crown Building, No. 252 Xinjian Road, Xinghualing District, Taiyuan City	0351-4071017
24	Heilongjiang Branch	January 8, 2021	No. 99, (Baishunfanghua Apartment) Traditional Chinese Medicine Street, Daoli District, Harbin City, Heilongjiang Province	0451-84639678
25	Xinjiang Branch	January 12, 2021	No.9 Nanhu North Road, Shuimogou District, Urumqi, Xinjiang	0991-4165680
26	Gansu Branch	January 12, 2021	Room 001, Floor 2, Block B, Yongli Building, No. 58 Gaolan Road, Chengguan District, Lanzhou City, Gansu Province	0931-8871103
27	Inner Mongolia Branch	January 12, 2021	Room 101, Building 105, Gardening New Home, Wulanchabu East Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region	0471-6248166
28	Guangxi Branch	January 14, 2021	No. 07, Building 1, No. 1 Lingshijun, No. 10 Zhongwen Road, Qingxiu District, Nanning, Guangxi	0771-5772676

No.	Name of Branch	Establishment date	Registered address	Contact number
29	Beijing Dongcheng Branch	January 15, 2021	No. 6 Dongzhimen South Street, Dongcheng District, Beijing	010-64172800
30	Anhui Branch	January 15, 2021	No. 113, 114, Building 1 and Building 2, Fengle Century Apartment, No. 499 Changjiang West Road, Shushan District, Hefei City, Anhui Province	0551-5501717
31	Qinghai Branch	January 18, 2021	Room 27–53, Buildings 1, 2 and 4, Hezheng Jiayuan, No. 27 North Street, Chengzhong District, Xining City	0971-8276730
32	Beijing Chaoyang Branch	January 20, 2021	Building 4, No. 66 Anli Road, Chaoyang District, Beijing	010-56326080
33	Beijing Haidian Branch	January 20, 2021	No. 108, first floor & whole second floor, No. 18 Danling Street, Haidian District, Beijing	010-82666938
34	Beijing South Branch	January 26, 2021	South section of Meiyuan Market, No. 15 South Dahongmen Road, Fengtai District, Beijing	010-68759957
35	Beijing West Branch	January 29, 2021	No. 39 Sanlihe Road, Haidian District, Beijing	010-58739666
36	Yunnan Branch	February 2, 2021	2/F, Hydropower Technology Building, No. 115 Renmin East Road, Panlong District, Kunming City, Yunnan Province	0871-63117584
37	Hebei Branch	February 9, 2021	No. 29 Jianshe South Street, Chang'an District, Shijiazhuang City	0311-86682430

Note: Among the date of establishment of the above-mentioned branches, those that occur after January 1, 2020 shall be subject to the date of obtaining the Securities and Futures Business License.

IX. EXPLANATION IN SCOPE OF STATEMENT CONSOLIDATION

As of December 31, 2020, the number of structural entities included in the consolidated financial statements of the Company was five. The number of primary entities included in the consolidated financial statement of the Company was ten.

X. NO CHANGE IN THE INCOME TAX POLICY OF THE COMPANY DURING THE REPORTING PERIOD

From January 1, 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) became effective for the Company and other subsidiaries (except China Securities Futures and China Securities (International). Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations ([2012] No. 57) (《國家税務總局關於印發〈跨地區經營匯總納税企業所得税徵收管理辦法〉的公告》([2012]57號)). The income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy (《關於執行國家西部大開發所得税優惠政策的説明》) issued by the local taxation bureau in Yuzhong District, Chongqing City, the applicable income tax rate for China Securities Futures was 15%.

The applicable income tax rate for China Securities (International) was 16.5%.

XI. PROFIT DISTRIBUTION POLICY OF THE COMPANY

(I) Formulation, implementation or adjustment of cash dividend policy

The Articles of Association of the Company set out the basic principles of the profit distribution policy and specific policy and provided that "the Company shall give priority to the distribution of dividends in cash", and "provided that the Company does not have material investment plans, major cash expenses, etc. and that the capital needs for normal operation of the Company are met, the profits distributed by the Company in cash shall not be less than 10% of the distributable profits of the same year, and within any three consecutive years, the accumulated profit distribution in cash shall not be less than 30% of the average annual distributable profit for those three years".

The Company attaches much importance to providing reasonable returns to investors and maintaining the continuity and stability of the Company's profit distribution policy, while taking into account the company's long-term interests, the overall interests of all shareholders and the company's sustainable development. Development and execution of profit distribution of the Company, in particular cash dividend policy, are in strict accordance with relevant provisions of the Articles of Association and procedures of consideration, with clear standards and proportion of dividends and well-established decision-making procedures and mechanism. In considerations at Board meeting, independent non-executive directors of the Company, from the perspective of safeguarding the interests of investors, expressed their objective and independent opinions; in considerations at general meeting, all minority shareholders of the Company were entitled to express their opinions and appeals and their legitimate interests were safeguarded.

On June 5, 2020, 2019 profit distribution plan of the Company was considered and approved at the 2019 annual general meeting, i.e., RMB2.35 (tax inclusive) distributed for every 10 Shares. This plan has been fully implemented by June 30, 2020. This profit distribution involved cash dividends representing 35.03% of net profit attributable to ordinary equity holders of the Company for 2019. This profit distribution has complied with the provisions of the Guidelines for Cash Dividends of Listed Companies of the SSE (《上海證券交易所上市公司分紅指引》) and the Articles of Association. Independent non-executive directors of the Company have expressed independent opinions on 2019 profit distribution and were of the view that this profit distribution has complied with the relevant provisions of laws, regulations, regulatory documents and the Articles of Association, and was in line with the actual conditions of the Company and the long-term interests of shareholders as a whole, and was favorable for the long-term development of the Company, therefore they have agreed to this profit distribution plan.

(II) Ordinary share dividend distribution plans or budgets over the past three years (including the Reporting Period)

Profit distribution plans of the Company were considered and decided at the general meeting after being considered and approved by the Board of Directors and the Board of Supervisors.

From 2018 to 2020, the Company's dividend was as follows:

Unit: RMB

Year of dividend	Amount of dividends per ten shares (tax inclusive)	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary equity holders of the listed company in the consolidated financial statements of the dividend year	Proportion of net profit attributable to ordinary equity holders of the parent company in the consolidated financial statements
2020 (budget)	3.75	2,908,760,548.88	9,138,942,498.88	31.83%
2019	2.35	1,796,900,530.93	5,130,270,443.24	35.03%
2018	1.80	1,376,349,342.84	2,793,459,930.82	49.27%

2020 Profit distribution budget:

Confirmed by the external of auditors, the Company (refers to the "Parent Company", the same thereafter) achieved a net profit of RMB8,675,945,259.99 in 2020.

According to relevant provisions of the Company Law, the Securities Law, the Financial Regulations of Financial Enterprises (《金融企業財務規則》), the Interim Measures for the Supervision and Administration of the Risk Reserves of Public Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》) and the Articles of Association, the Company intended to distribute its net profit for 2020 according to the following orders:

According to 10% of net profit, a statutory reserve of RMB867,594,526.00 was drawn;

According to 10% of net profit, a general risk reserve of RMB867,594,526.00 was drawn;

According to 10% of net profit, a trading risk reserve of RMB867,594,526.00 was drawn;

RMB582,349.25 of risk reserve for mutual funds custodian business was drawn;

RMB58,546,703.93 of risk reserve for large-scale collective product asset management business was drawn.

The above items totaled RMB2,661,912,631.18, subtracting the Company's interest on perpetual bonds of RMB370,486,301.37 and subtracting the dividends for 2019 distributed in the year 2020 of RMB1,796,900,530.93 and adding undistributed profit at the beginning of the year of RMB16,415,271,513.73, and the Company's undistributed profit at the end of 2020 was RMB20,261,917,310.24.

Based on an overall consideration of the long-term development of the Company and the interests of shareholders, 2020 profit distribution budget is as follows:

The Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 Shares in the total issued share capital as of December 31, 2020, RMB3.75 (tax inclusive) for every 10 Shares to all shareholders, amounting to RMB2,908,760,548.88 (tax inclusive) in aggregate, representing 31.83% of net profit attributable to ordinary equity holders of the Company in the consolidated financial statements for 2020. The remaining undistributed profit will be carried forward to the subsequent year. If the total share capital of the Company changes before the share registration date for conducting profit distribution, then the distribution percentage per share remains unchanged while the total distribution amount will be adjusted accordingly, particulars of which will be further announced.

Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual amount declared in Hong Kong dollars will be calculated based on the average of the intermediate exchange rate for conversion of Hong Kong dollars to RMB as announced by the People's Bank of China one calendar week prior to the date of convening the 2020 annual general meeting of the Company.

After the budget is considered and approved at the general meeting, the Company will distribute cash dividends within two months after the date of convening the general meeting. The Company expects to pay the dividend on or about August 19, 2021 (Thursday). The Company will make further announcement on, among others, equity registration date and date of distribution in relation to this equity distribution.

XII. RISK MANAGEMENT

(I) Overview

The Company attaches great importance to the formation of a risk management system all the time. Adopting the risk management concept of "risk management as priority, risk management by all", the Company regards alignment with the general operating strategic goal of the Company and risk maintenance at a tolerable level as the foundation of risk management and seeks to ensure that risks associated with various businesses of the Company are measurable, controllable and commensurate with returns. The Company continues to enhance its risk management system in accordance with the needs arising from its business development, market condition changes and the regulatory requirements, so the Company can ensure the enhancement and effective operation of a comprehensive risk management mechanism during the Reporting period.

(II) Structure of Risk Management

The Board of Directors is the Company's ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before, during and after the event, according to their respective roles and responsibilities.

The Board of Directors makes decisions with respect to the Company's risk management strategies and policies, internal control arrangements, as well as the resolution of significant risk events. The Supervisory Committee carries out supervision on the performance of risk management duties of the Board of Directors, Executive Committee and senior management in accordance with laws, regulations and the Articles of Association.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and ensuring the risks are adequately managed so that management activities may be effectively carried out on risks associated with the Company's business and operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management, confirms the specific constitution of risk management strategies and risk management resources so that they are aligned with the internal risk management policies; formulates tolerance level for major risks; and supervises and reviews the risk management policies and makes recommendations to the Board.

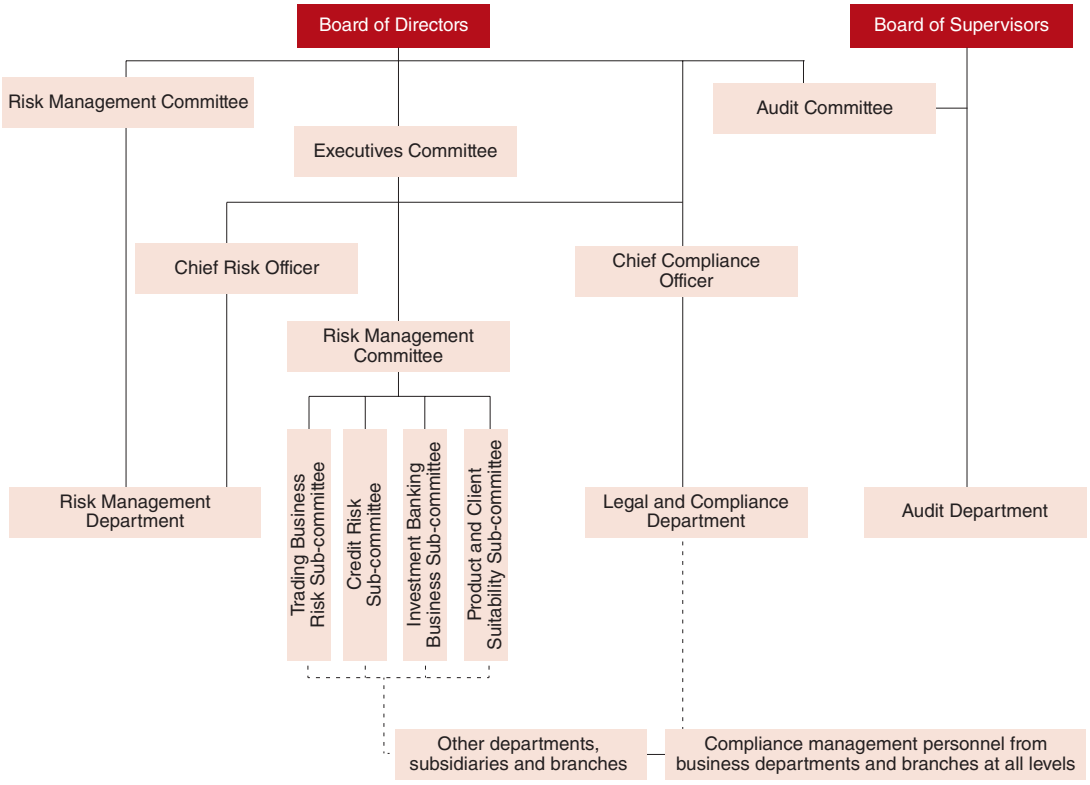
Executive Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level and major risk limits; formulating and promoting the implementation of the Company's risk management rules and procedures; approving risk limits and risk control standards specific to each business line; reviewing and approving new businesses and products; reviewing and approving the Company's risk reports; conducting research on risk control strategies and action plans for major business matters.

The Chief Risk Officer of the Company is responsible for leading professional risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

Each and every department, branch and subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the rules and procedures, and risk control polices, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. The employees of the Company shall have the responsibility to earnestly comply with the Company's relevant rules and procedures and contribute to daily risk control efforts as part of the job responsibilities.

The Risk Management Department is responsible for risk management; the Legal and Compliance Department is responsible for legal affairs and compliance management, and the Internal Audit Department is responsible for the internal audit activities. The aforementioned three independent risk management departments establish their own rules and procedures and operate independently to promote risk management of the Company. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal and Compliance Department is responsible for managing the overall legal and compliance risks, and the Internal Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.



In addition, he Company has established the internal audit department in 2018. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, and performed ultimate approval of decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, strengthening Risk Management for Investment Banking.

(III) Risk Management Mechanism

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, issue the Risk Catalogue and Key Control List, and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, and asset management business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings. Main businesses of subsidiaries fall within the scope of monitoring.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, risk incidents and the risk-adjusted income level of the departments, branches and subsidiaries as a key component of their performance assessment.

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk, reputation risk and information technology risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction system, while emergency response mechanism has been established and is drilled sporadically on a regular basis.

The Company is responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and Risk Management Committee or executive management, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

The Legal and Compliance Department manages legal and compliance risks through compliance consultation, compliance review, compliance inspection, compliance supervision, compliance reporting, complaints reporting and handling, compliance accountability, information segregation wall, anti-money laundering and a series of compliance management methods as well as contracts, litigation management and other before- and during-the-event management for business lines.

The Internal Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee, management, the Legal and Compliance Department and the Risk Management Department, and drives any follow-up corrections and rectifications.

In 2020, the Company was formally adopted by the CSRC as one of the pilot securities companies under consolidated supervision. The Company further optimized the comprehensive risk management mechanism, kept enhancing internal control, risk measurement, credit risk management and risk management and strengthened the vertical control and in the subsidiaries. The risk management capability of grouping and fine management level of the Company has been further strengthened by increasing input in staffing and development of risk management system.

(IV) Details of the Primary Risks Associated with the Operation of the Company

The risks in the daily operating activities of the Company primarily include strategic risk, credit risk, liquidity risk, market risk, operational risk, information technology risk, legal risk and compliance risk and reputation risk. The Company has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built a sound control mechanism and information technology systems to effectively monitor and control these risks. The major risks and risk management of the Company during the Reporting Period are as follows:

1. Strategic Risk Management

Strategic risks refer to the risks that affects the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness.

The Company established rational organizational structure of strategic management, including the Board of Directors and the Development Strategy Committee, the Executive Committee and the Executive Office (leading organizational department for strategic planning) under the Board of Directors, as well as each department, each branch and subsidiary

The Company has clearly formulated the procedures and methods of strategic planning, established assessment mechanism for strategic risk, including analysis on potential risk factors when formulating strategic plans, as well as regular review and discussion performed by the Board of Directors and the Executive Committee during the process of strategic planning. The Company will, based on the assessment on the implementation of strategic planning, make adjustment to the strategic plans or adopt targeted measures to control the strategic risk when necessary.

2. Credit Risk Management

Credit risks refer to the risks arising from the economic loss caused by failure of performing the obligations by counterparties, issuers of debt financing instruments (or financiers).

Credit risks of the Company arising from securities financial business primarily includes risks from decline in value or insufficient liquidity of collateral provided by counterparties due to insufficient repayment ability, customers' failure to repay debts in full in a timely manner due to involvement in legal disputes of collateral assets, and credit risks arising from fraudulent credit information, violation of contracts and regulatory requirements in transaction actions. Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the requirements of accounting standards, and actively recover debts from defaulting clients.

Credit risk arising from bond investments is primarily due to bond financing instrument issuer defaults or decline in the creditworthiness of issuers, defaults of counterparty to bond trade, among others. The Company conducts necessary due diligence to issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparty, executes access and limit management based on internal and external rating, and controls credit risk of bond investment by periodic and non-periodic risk screening and post-investment tracking

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled in full margin, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients. With regard to clients' credit risk, the Company has adopted safeguarding measures to prevent overdraft or negative balance of equivalent securities for repurchase financing clients, including due diligence of clients, establishing reasonable trade limit with customers, discount rate of pledged bonds, minimum ratio of equivalent securities retained, maximum leverage ratio and pledge concentration of single bond, and established various rules and practices to manage the credit risk of option trading clients, including margin management, position limits, and forced closeout.

Furthermore, Risk Management Department monitors the credit risk on an ongoing basis, including tracking the credit qualification status of counterparties and bond issuers, monitoring coverage of collateral for securities and financial business, requiring the business department to fulfill its duty of post-investment management, as well as using stress testing and sensitivity analysis, among others, to measure the credit risk of major business lines.

3. Liquidity Risk Management

Liquidity risks refer to the risks that a commercial bank is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Company has established clear decision-making levels, along with authority mechanism, mechanism for hierarchical control, and has clearly defined the duties and functions of the Board of Directors, as well as executive management and business departments of the Company in terms of liquidity risk management. The Company has established strict administrative measures of proprietary funds, and requires strict compliance with such system in implementing foreign liabilities, guarantees and investments. The Company also implements management on liquidity risk limits and conducts daily position analyses and monthly liquidity position analyses mechanism to manage liquidity movements in a timely manner. In respect of business management, in order to effectively control the market liquidity risk of its securities portfolios, the Company has implemented securities centralized management system in securities investment and securities financial business, and adopted bond credit rating standards for fixed income securities investments. The Company has calculated liquidity coverage rates and net stable funds rates in accordance with regulatory requirements and controlled all indicators to be fell within the safety and compliance interval.

The Asset and Liability Management Committee, which is under Executive Committee, is responsible for organizing and managing the asset and liability allocation plan of the Company, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Company established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Company has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. In addition, in 2020, the Company rationally planned the scale of our assets and liabilities, further optimized the maturity structure of liabilities, maintained adequate liquidity reserve and secured liquidity risk to be measurable and controllable.

4. Market Risk Management

Market risks refer to the risks of losses in the Company's on-and-off balance sheet business due to adverse changes in the market price (interest rate, exchange rate, securities price and commodity price).

For market risks, the Company has established an integrated risk management organizational structure, implemented stage-by-stage authorization, provided clear structure of duties and authorities of the Board of Directors, executive management and business department in market risk control and built risk management processes that enable coverage of activities before, during and after making investments, with an overall risk limits application. The Company annually reviews and approves risk limits for the entire Company as well as each proprietary business line, including: exposure limits, stop-loss limits, value-at-risk ("VaR") limits, limits of sensitive indicators and stress testing limits, with the Risk Management Department monitoring and supervising their implementation and compliance. The Company has established various methods of valuation of financial instruments and adopted daily mark-to-market practices, and implemented stop-loss procedures which commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of risk control and revenue after risk adjustment, and includes the assessment results in the performance evaluation of these business lines. The Company makes ongoing efforts to improve its proprietary business management system, to steadily realize automated controls over relevant limit indicators. The Company adopts VaR as a tool to measure the market risk of its investment portfolio comprising securities and its derivatives. VaR is a method that estimates the maximum possible loss on the

portfolio due to movements in interest rates or market prices such as stock price over designated period and within a given confidence interval. As this method mainly relies on relevant information of historical data, it has certain inherent limitations. To complement, the Company implements daily and specific stress tests to assess the impact on the risk control indicators of net capital of the Company and profit or loss of proprietary portfolio from extreme adverse changes of risk factors, and proposes emergency plans with relevant recommendations and measures in accordance with the assessment.

The Company uses sensitivity analysis as a primary instrument to monitor the interest rate risk. Sensitivity analysis measures the impact on the total income and shareholders' equity interests arising from fair value changes of various financial instruments held at the end of the period when there are reasonable and possible changes in interest rates, on the assumptions that all other variables remain constant and overall market interest rates shift in a parallel manner, while risk management activities which may be taken by the Company to reduce interest rate risks are not taken into consideration.

With regard to foreign exchange rate risk, in 2020, the Company commenced the foreign exchange settlement and sale business with the approval of the SAFE, and China Securities International, the overseas subsidiary of the Company, held foreign currency assets and liabilities. As the proportion of assets denominated in foreign currencies held by our Company is insignificant, and represents a small portion of the income structure, the Company is of the view that the impact of foreign exchange rate risk on the Company's current operation is significant in general. The Company established a reign exchange risk management mechanism and managed its foreign exchange rate risk by overseas business management, limiting the size of assets and liabilities denominated in foreign currencies and risk exposures, assigning stop-loss limits for investments in companies and risk hedging with foreign exchange derivatives. Other price risks refer to risks of fair value decline to the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, primarily including commodity prices. The Company's investment portfolio primarily comprises equity securities and their derivative instruments as well as fixed income businesses. Other market price-related businesses include gold trading and commodity derivatives trading where the Company primarily focuses on providing liquidity services and arbitrage trading in this type of business, representing small risk exposure. Accordingly, the Company believes that the other price risks do not have a significant impact on the Company's current operations.

5. Operational Risk

Operational Risks refer to the risks of losses caused by imperfect or problematic internal procedures, employees, IT systems or external events.

Concerning the potential operational risks in each business and management activity of the Company, the Company carries out the segregation of various businesses with three lines of defense comprising a system of checks and balances between its front, middle and back offices. A business authority delegation and accountability system, as well as a management system, procedures and risk control measures for each business has been established and reinforced. Within the scope of authority of the Company, operational risks are transferred or mitigated by personnel and operation outsourcing and, where necessary, insurance is purchased to the extent authorized. Mechanisms for information exchange, reporting of major events and information feedback have also been set up.

The Risk Management Department monitors and assesses the operational risks of various businesses including the brokerage business, and also implements regular risk control evaluation. It examines the key risks of various business and management lines, and establishes and implements key control measures in practical business procedures. The department also develops and improves internal control matrix. The business departments are organized to conduct self-evaluation of risk and control to identify new material risks and take appropriate risk control measures. Statistical analysis on various types of operational risk events is performed at least on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend of risk and risk allocations. In 2020, the Company further implemented various risk warnings and risk education programs, and held "Securities Industry Culture and Employee Practice Compliance Examination" attended by all the staff members, enhanced targeted monitoring and investigation of major risks, improved internal control system and matrix, and kept promoting the applications of various operational risk management tools such as the key risk indicators, the risk control self-assessment and loss data collection.

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws while the information technology is applied in the Company.

The Information Technology Department of the Company is responsible for the management of planning, establishment and operation maintenance of the information technology system. The Company carries out centralized management and backup of the data in transaction system, implementation of mutual separation of development, testing and operation maintenance of information technology system, as well as mutual separation of data management and application system, and implements strict control of access authority and track record, controls the choice of relevant software, hardware and external suppliers of information technology system, enhances external system management, performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In addition, the emergency management of business continuity of the Company is led by the Risk Management Department, and the Information Technology Department is responsible for the technical support work.

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk from contracts not being performed due to invalidity within the law, or improper entering into of the contracts; Compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory measures, major property loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory rules, self-regulatory rules as well as code of conduct applicable for our own business activities.

The Legal and Compliance Department unified to manage legal affairs of the Company and controlled legal risks. It led to review all agreements and contracts of the Company, provided legal opinions on major business matters of the Company and performed centralized management, as well as instructed to handle litigations of the Company. Meanwhile, it is also the department responsible for compliance management under the guidance of the Chief Compliance Officer to carry out independent compliance management of the Company. The main responsibilities of compliance management of the Legal and Compliance Department are tracking, analysis, propaganda of laws and regulatory rules currently in effect and timely identifying, evaluating and managing compliance risk in business operation and

business innovation of the Company through methods of compliance inspection, compliance review, compliance checking, compliance supervision. Specific or part-time compliance management officers are engaged in all functional departments, business lines and securities branches of the Company, and are responsible for daily compliance management in their own departments. The compliance management of the Company has permeated all divisions of the Company, such as decision-making, implementation, supervision and feedback, which have been included in the whole process of executive management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardized development.

8. Reputation Risk Management

Reputation risks refer to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events.

The Company strictly upholds the compliance operation concept in accordance with laws, enhances information disclosure management, treasuring and proactively maintaining its reputation. The Executive Office of the Company, the leading department for reputation risk management, is responsible for comprehending the emergency issues and other issues which may have impact on the reputation of the Company by improving reputation risk management system and mechanism and continuously carrying out the media monitoring, timely evaluate and coordinate response to the reputation risk. In 2020, the Company maintained a normal and good operating environment in response to timely clarification of the Company's misrepresentation.

XIII. IMPACT OF COVID-19 PANDEMIC

Since the outbreak of COVID-19 pandemic, the Company has attached great importance to the prevention and control of the pandemic, and has taken various prevention and control measures. The Company always prioritizes the health of employees and provides them with a safe working environment; provides the customers with good securities services for the resumption of work and production of the real economy, and comprehensively promotes digital transformation to enhance customer service capability in this special period. As of the date of disclosure of the Report, the Company was operating in good condition, while the employee management and business development were not significantly affected by the pandemic.

SECTION 5 REPORT OF DIRECTORS

I. BUSINESS REVIEW

In face of the complicated and ever-changing market environment in 2020, the Company actively took responsive measures and forge forward, ensuring favorable development of various businesses. Please refer to the section headed "Section 4 – Management Discussion and Analysis" in the report for the details on principal businesses, operating model and industry review.

II. MAJOR RISKS AND UNCERTAINTIES

The major risks the Company is exposed to include market risks, credit risks and liquidity risks. For the risk management objectives and policies of the Company, please refer to the description on risk management of the Company set out in this annual report. Please refer to the "Section 4 – Management Discussion and Analysis – III. Discussion and Analysis on Future Development of the Company – (VI) Potential Risks" of this annual report for the major risks and uncertainties the Company faced in 2020.

III. RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Adhering to the principle of operating according to laws and regulations, the Company complies with the national laws, regulations, normative documents and various regulatory requirements.

In order to control operational risks, the Company established a sound and systematic mechanism by setting up a basic system at company level, under which each business line, department and branch shall establish a highly controllable management system, operational process and standardized regulations. The system covers all businesses and processes of the Company. In 2020, the Company formulated/amended and reviewed over 200 policies on internal management to enhance internal control capabilities according to regulatory requirements and the needs for business management of the Company; the Legal and Compliance Department of the Company is the department for the management of policies of the Company and shall be responsible for reviewing and approving the policies of the Company, requiring the business and management departments of the Company to implement the requirements of the regulatory authorities and self-regulatory organizations in businesses systems of the Company in a timely manner, ensuring that each internal policy of the Company is implemented in accordance with the laws and regulations, normative documents and regulatory requirements, and guaranteeing the coordination and uniformity among policies.

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation of the cash dividend policy and the 2020 profit distribution plan of the Company are set out in the "Section 4 Management Discussion and Analysis – XI. "Profit Distribution Policy of the Company" section of this annual report.

V. TAX RELIEF

(I) Tax Relief of A Shareholders

Pursuant to "Notice on Relevant Issues Concerning Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies" (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2015]101號)) and "Notice on Relevant Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies" (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2012]85號), issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses received by individual investors from listed companies, from the date when individual investors obtain the Company's stocks to the equity registration date, if the term of shareholding exceeds one year, individual income tax will be temporarily exempted; if the term of shareholding does not exceed one year (including one year), the listed company will not withhold individual income tax, and will make corresponding adjustments in accordance with the above notification requirements when individual investors transfer stocks.

For shareholders of resident enterprises, income tax dividends and bonuses are calculated and paid by itself in accordance with regulations.

For qualified foreign institutional investors (QFII), pursuant to the "Notice on Relevant Issues Concerning the Payment of Dividends, Bonuses and Interests and Withholding the Enterprise Income Tax by Chinese Resident Enterprises to Qualified Foreign Institutional Investors" (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得税有關問題的通知》(國税函[2009]47號)) issued by the State Administration of Taxation, the listed company withholds corporate income tax at a rate of 10%. If the dividends received by QFII shareholders require to enjoy the treatment of Tax Treaty (arrangement), they may apply for tax refunds to the competent tax authorities after receiving the dividends in accordance with the regulations.

Pursuant to the "Notice on the Tax Policies Concerning the Pilot Programs Mechanism of Shanghai-Hong Kong Stock Connect Stock Market" (Cai Shui [2014] No. 81) (《股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the State Administration of Taxation issued by the Ministry of Finance, the state Administration of Taxation and CSRC for the dividends and bonuses received by Hong Kong market investors (including enterprises and individuals) by investing A Shares listed on the Shanghai Stock Exchange, before fulfilling the condition of provision of identities of investors, period of shareholding and other details and data to CSDC by Hong Kong Securities Clearing Co., Ltd., differential taxation policies are not implemented temporarily in accordance with the period of shareholding. Instead, the listed company withholds income tax at a rate of 10%, and handles the withholding declaration with its competent tax authorities. For Hong Kong investors who are tax residents in other countries and whose country enters into Tax Treaty with China that dividend and bonus income tax rate is less than 10%, enterprise or individual may, on its own or entrusting withholding agent, submit an application for tax treaty treatment to the competent tax authorities of the listed company. After the review by the competent tax authorities, tax refund shall be implemented based on the difference between the tax pad and the taxable amount calculated according to the tax treaty rate.

(II) Tax Relief of H Shareholders

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the PRC State Administration of Taxation, the dividends received by overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong are subject to the payment of individual income tax according to the items of "interests, dividend and bonus income," which shall be withheld by the withholding agents in accordance with the relevant laws. Overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China, or the tax arrangements between the Mainland and Hong Kong (Macau). The relevant dividend tax rate under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. In circumstances where the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries falling under agreements subject to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement to the relevant agreed upon preferential treatments, and upon

approval by the tax authorities, excessive withheld tax amounts will be refunded; (2) for citizens from countries falling under agreements subject to tax rates higher than 10% but lower than 20%, the withholding agents shall withhold individual income tax at the agreed upon effective tax rate upon distribution of dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or under other circumstances, the withholding agents shall withhold individual income tax at a tax rate of 20% upon distribution of dividends.

Pursuant to the regulations in the Circular Concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute to Overseas Non-resident Corporate Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008] 897號)) issued by the State Administration of Taxation, any PRC resident enterprises distributing dividends for the years from 2008 to overseas non-resident corporate shareholders shall withhold enterprise income tax at a uniform rate of 10%.

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), the Announcement on the Continued Implementation of Individual Income Tax Policy of the Shanghai and Hong Kong as well as Shenzhen and Hong Kong Stock Markets Interconnection Mechanism and Mutual Recognition of Funds between the Mainland and Hong Kong (MOF announcement No. 93 2019)(《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得税政策的公告》(財政部公告2019年第93號)) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends derived by mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect shall be included in their total revenue, and the enterprise income tax thereon may be levied according to the tax law. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

VI. ANALYSIS AND DESCRIPTION OF REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, AND RECTIFICATION ON SIGNIFICANT ACCOUNTING ERRORS

The Company has no relevant circumstances in 2020.

VII. SIGNIFICANT FINANCING

During the Reporting Period, significant financing activities of the Company are as follows:

(I) Details of previously raised funds

The proceeds previously raised referred to in this report include the proceeds raised through overseas listed foreign shares (H Shares) in December 2016 and the overallotment of overseas listed foreign shares (H Shares) in January 2017 (hereinafter referred to collectively as "proceeds raised through H Shares"), proceeds raised through the initial public offering of domestic listed RMB ordinary shares (A Shares) in June 2018 (hereinafter referred to as "proceeds raised through the initial public offering of A Shares"), and also proceeds raised from the non-public issuance of domestic listed RMB ordinary shares (A Shares) to a particular target (hereinafter referred to as "proceeds raised through the non-public issuance of A Shares") in December 2020.

1. Proceeds raised through H Shares

Pursuant to the Approval for the Issue of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) issued by the CSRC on 4 November 2016, CSC Financial Co., Ltd. (the "Company") was authorized to issue to the public 1,076,470,000 overseas listed foreign shares (H Shares) at an offer price of HK$6.81 per share (equivalent to RMB6.06). The proceeds were paid up in Hong Kong dollars, amounting to HK$7,330,760,700.00 (equivalent to RMB6,518,732,337.26). Upon deduction of the issuance expense equivalent to RMB200,903,380.25, the proceeds raised amounted to the equivalent of RMB6,317,828,957.01. The above-mentioned proceeds were paid up on 9 December 2016.

On 5 January 2017, the Company exercised partial over-allotment options to issue 69,915,238 overseas listed foreign shares (H Shares) at the offer price of HK$6.81 per share (equivalent to RMB6.09). The proceeds were paid up in Hong Kong dollars, amounting to HK$476,122,770.78 (equivalent to RMB425,534,726.38). Upon deduction of the issuance expense equivalent to RMB10,671,134.34, the proceeds raised were equivalent to RMB414,863,592.04, which were paid up on 5 January 2017. The above-mentioned proceeds raised amounted to an equivalent of RMB6,732,692,549.05, and such proceeds were verified by PwC Zhong Tian, Beijing Branch, which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Beijing Yan Zi [2017] No. 037.

As of 31 December 2020, the balance of such proceeds raised in the designated bank account of H Share proceeds was equivalent to RMB172,228,700, including unused proceeds and bank deposit interest.

2. Proceeds raised through the initial public offering of A Shares

Pursuant to the Approval for the Initial Public Offering and the Listing of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) issued by the CSRC on 25 May 2018, the Company was authorized to issue to 400,000,000 domestic listed RMB ordinary shares (A Shares) at an offer price of RMB5.42 per share. The proceeds were paid up in RMB, amounting to RMB2,168,000,000.00. Upon the deduction of issuance expense equivalent to RMB99,302,819.71, proceeds raised were RMB2,068,697,180.29, which were paid up on 13 June 2018. The above mentioned proceeds raised through the initial public offering of A Shares were verified by PwC Zhong Tian which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Yan Zi [2018] No. 0388.

As of 31 December 2019, such proceeds have been used up, and the designated bank account of proceeds raised through the initial public offering of A Shares has been cancelled.

3. Proceeds raised through the non-public issuance of A Shares

Pursuant to the Approval for the Non-Public Issuance of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 345) issued by the CSRC on 28 February 2020, the Company was authorized to issue not more than 1,277,072,295 domestic listed RMB ordinary shares (A Shares). As of 22 December 2020, the Company completed the non-public issuance of 110,309,559 RMB ordinary shares to a particular target at an issue price of RMB35.21 per share. The proceeds were paid up in RMB, amounting to RMB3,883,999,572.39. Upon the deduction of issuance expense of RMB36,235,817.84 (tax exclusive), proceeds raised were RMB3,847,763,754.55, which were paid up on 22 December 2020. The above mentioned proceeds raised through the non-public issuance of A Shares were verified by PwC Zhong Tian which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Yan Zi [2020] No. 1109. The net price to the Company of each share amounted to RMB34.88. On 28 December 2020, the non-public issuance of new A shares completed the share registration procedures at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The closing prices of the Company's A shares on 28 and 29 December 2020 were RMB39.29 and RMB39.55, respectively.

As of 31 December 2020, the balance of the proceeds raised from the special account for proceeds raised from the non-public offering of A Shares was RMB83,999,600 (including issuance expenses not yet transferred out).

(II) Actual Use of The Proceeds Previously Raised

1. Proceeds raised through H Shares

According to the prospectus for overseas listed foreign shares (H Shares) issued by the Company in 2016, the Company planned to use an amount equivalent to RMB6,310.8920 million in total for five specific projects. The balance of additional proceeds from the exercise of any over-allotment option will be allocated to the above mentioned projects on a pro rata basis. The proceeds raised through the exercise of over-allotment options by the Company was equivalent to RMB414.8636 million, amounting to an equivalent of RMB6,725.7556 million when taken together with the proceeds raised as disclosed in the above mentioned H Share prospectus. As of 31 December 2020, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to the equivalent of RMB6,608.4483 million in total.

The use of proceeds raised through H Shares of the Company as of 31 December 2020 is as follows:

Unit: RMB ten thousand

Total proceeds raised:	673,269.25	The accumulated amount of proceeds raised that has been used:	660,844.83
Total amount of proceeds raised with purpose changed:	Nil	Total amount of raised proceeds used in each year:	660,844.83
Proportion of raised proceeds with purpose changed:	Nil	2016：	204,106.16
		2017：	320,177.66
		2018：	125,000.00
		2019：	11,561.01

Unit: RMB ten thousand

No.	Investment project: Proposed investment project	Investment project: Actual investment project	Total investment amount of the raised proceeds: Proposed investment amount before fundraising (Note 3)	Total investment amount of the raised proceeds: Proposed investment amount after fundraising (Note 3)	The accumulated investment amount of the raised proceeds as of 31 December 2020: Actual investment	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment (Note 2)	Difference between actual investment and proposed investment amount after fundraising (Note 1)	The date on which the project is ready for use (or the completion progress of the project as of the closing date)
1	Meeting investment and financing needs of customers	Meeting investment and financing needs of customers	35%, an amount equivalent to 235,401.45	35%, an amount equivalent to 235,644.24	235,644.24	235,401.45	235,644.24	235,644.24	–	N/A
2	Enhancing investment and market-making capacity	Enhancing investment and market-making capacity	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	134,479.82	134,515.11	134,653.85	134,479.82	(174.03)	N/A
3	Product seed fund	Product seed fund	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	134,653.85	134,515.11	134,653.85	134,653.85	–	N/A
4	Enhancing crossborder business capacity and international competitiveness, increasing proportion of overseas assets and revenue	Enhancing crossborder business capacity and international competitiveness, increasing proportion of overseas assets and revenue	15%, an amount equivalent to 100,886.33	15%, an amount equivalent to 100,990.39	88,740.00	100,886.33	100,990.39	88,740.00	(12,250.39)	N/A
5	Working capital and other general business use	Working capital and other general business use	10%, an amount equivalent to 67,257.56	10%, an amount equivalent to 67,326.92	67,326.92	67,257.56	67,326.92	67,326.92	–	N/A
	Total		672,575.56	673,269.25	660,844.83	672,575.56	673,269.25	660,844.83	(12,424.42)	N/A

Note 1: The difference between the actual investment amount and the proposed investment amount was the unused proceeds as at 31 December 2020 and the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising. The Company has compared, item by item, the proposed investment projects stated in the H Share prospectus with the specific usage as disclosed. As of December 31, 2020, H Share proceeds proposed to be used but not used by the Company amounted to RMB122.5039 million. The Company will use the remaining H Share proceeds according to the actual development needs. Among these, the H Share proceeds intended to be used for enhancing cross-border business capacity and international competitiveness (equivalent to RMB122.5039 million) will be maintained at the overseas fundraising account temporarily and remitted to the overseas subsidiaries for further use according to the actual business needs of the overseas subsidiaries after obtaining the approval of the relevant regulatory authorities. The Company expects to fully use the balance of the proceeds by 2021. In the H-share Prospectus, the Company did not make any commitment on the full-use time of proceeds raised through H Shares, and the actual time shall be determined according to the future business development of the Company. In addition, as of December 31, 2020, the proceeds proposed to be used in enhancing investment and market-making capacity equivalent to RMB1,346.5385 million has all been settled and used up. The difference between actual investment and proposed investment amounted to RMB1.7403 million, which was the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising.

Note 2: The actual investment of proceeds raised through H Shares is translated into RMB equivalent based on the actual exchange rate. Amount in the designated bank account for proceeds raised will be transferred to the Company's own general account upon the approval given by the Company for the purposes of the actual investment projects. Proceeds raised would not be separated from other proceeds within the self-owned general account. The Company recognized the actual use of the proceeds raised by further review and approval on the use and payment of the proceeds within the general account pursuant to the purposes of the actual investment projects.

Note 3: The difference between proposed investment before and after fundraising was mainly the difference arising from foreign exchange translation.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of overseas listed foreign shares. A portion of proceeds raised through H Shares has already been used on the work proposed in the prospectus upon being paid up; correspondingly, net assets and net capital of the Company were both increased. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the benefits realized with the proceeds raised as of December 31, 2020.

2. Proceeds raised through the non-public issuance of A Share

According to the Plan for the Non-Public Issuance of A Shares in 2020 (revised draft) of the Company, the total amount of proceeds from the Non-public Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the Issuance expenses in order to expand the Company's business scale and improve competitiveness and ability to withstand risks. The net amount of the proceeds actually raised by the Company from the non-public issuance of A Shares is RMB3,847,763,754.55, less than the maximum amount of the proceeds planned to raise (RMB13 billion). According to the Resolution on the Submission to the Shareholders' Meetings for Full Authorization to the Board to Deal with Relevant Matters in relation to the Non-public Issuance and its resolution to extend the validity period of the resolution considered and approved at the general meeting, the resolutions shall be authorized by the shareholders' general meeting to in turn authorize the management of the Company to deal with the matters in relation to the Non-public Issuance of A Shares within the scope of authorization. The management of the Company has identified specific investment projects based on the proceeds from the non-public offering of A Shares and the actual demand for the investment projects. As of December 31, 2020, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to RMB3,800 million in total.

The use of proceeds raised through the non-public issuance of A Share of the Company as of December 31, 2020 is as follows

Unit: RMB ten thousands

Total proceeds raised:	384,776.38	The accumulated amount of proceeds raised that has been used:	380,000.00
Total amount of proceeds raised with purpose changed:	Nil	Total amount of raised proceeds used in each year:	380,000.00
Proportion of raised proceeds with purpose changed:	Nil	2020：	380,000.00

Unit: RMB ten thousands

No.	Investment project		Total investment amount of the raised proceeds			The accumulated investment amount of the raised proceeds as of December 31, 2020				The date on which the project is ready for use (or the completion progress of the project as of the closing date)
	Proposed investment project	Actual investment project	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment	Difference between actual investment and proposed investment After fundraising	
1	Development of brokerage business	Development of brokerage business	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	–	N/A
2	Development of investment trading business	Development of investment trading business	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	–	N/A
3	Information system infrastructure	Information system infrastructure	4,776.38	4,776.38	–	4,776.38	4,776.38	–	(4,776.38)	N/A
4	Other arrangements of working capital	Other arrangements of working capital	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	–	N/A
	Total		384,776.38	384,776.38	380,000.00	384,776.38	384,776.38	380,000.00	(4,776.38)	N/A

Note 1: The difference between the actual investment amount and the committed investment amount after raising is the unused proceeds as of December 31, 2020. The Company has compared the investment projects committed in the Plan for the Non-Public Issuance of A Shares in 2020 (revised draft) and the disclosed contents of the specific uses item by item. As of December 31, 2020, the committed but unused proceeds from non-public issuance of A shares of the Company is RMB47.7638 million. The Company expects to fully use the balance of the raised proceeds by 2021. The Company did not make any commitment on the full-use time of raised proceeds from non-public issuance of A shares in the Plan for the Non-Public Issuance of A Shares in 2020 (revised draft), and the actual time shall be determined by the future business development of the Company.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of domestic listed RMB ordinary shares of non-public issuance to specific targets. Proceeds raised through the non-public issuance of A Shares have been partially used on the work proposed in the Plan for the Non-Public Issuance of A Shares in 2020 (revised draft) upon receipt. Correspondingly, net assets and net capital of the Company both increased. Since proceeds used in all of the investment projects of proceeds raised include originally self-owned proceeds and raised proceeds, it is not possible to separately calculate the benefits realized with the raised proceeds as of December 31, 2020.

(III) Bond Financing

During the Reporting Period, the Company publicly issued four tranches of corporate bonds with a total issuance amount of RMB18 billion; publicly issued two tranches of subordinated bonds with a total issuance amount of 11 billion; non-publicly issued one tranche of perpetual subordinated bonds with a total issuance amount of RMB5.0 billion; The Company's indirect wholly-owned subsidiary, as the issuer, completed the initial drawdown issue under the Guaranteed Overseas Medium-Term Note Programme with an issue size of US $500 million and publicly issued 17 tranches of short-term commercial papers with a total issue size of RMB68.5 billion. The details are as follows:

1. In January 2020, the Company publicly issued a 88-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP001"). The bond pays the principal and interest at 2.79% per annum at maturity and is not guaranteed.

2. In January 2020, the Company publicly issued a 88-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP002"). The bond pays the principal and interest at 2.79% per annum at maturity and is not guaranteed.

3. In February 2020, the Company publicly issued a 83-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP003"). The bond pays the principal and interest at 2.52% per annum at maturity and is not guaranteed.

4. In March 2020, the Company publicly issued a 91-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP004"). The bond pays the principal and interest at 2.42% per annum at maturity and is not guaranteed.

5. In March 2020, the Company publicly issued a corporate bond with a face value of RMB6 billion, which is divided into two categories, of which, the first one is the "20 CSC G1" at the scale of RMB5.0 billion, with a term of three years and a rate of 2.94% and the second one is the "20 CSC G2" at a scale of RMB1 billion, with a term of five years and a rate of 3.13%. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.

6. In March 2020, the Company non-publicly issued a perpetual subordinated bond with a face value of RMB5.0 billion ("20 CSC Y1"). Every five interest-accruing years constitute a repricing period of the bond. At the end of each repricing period, the Company is entitled to extend the maturity of such Tranche of Bonds to one repricing period (i.e. for a period of 5 years) or redeem such Tranche of Bonds in full. The coupon rate of the bond at the first repricing period is 3.90%. The coupon rate will be reset for every five years starting from the 6th interest-accruing year if the Company elect to exercise renewal option.

7. In April 2020, the Company publicly issued a 78-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP005"). The bond pays the principal and interest at 1.50% per annum at maturity and is not guaranteed.

8. In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3.0 billion ("20 CSC G3"). The bond pays interest annually at 2.56% per annum and is not guaranteed.

9. In April 2020, the Company publicly issued a 87-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP006"). The bond pays the principal and interest at 1.38% per annum at maturity and is not guaranteed.

10. In May 2020, the Company publicly issued a 90-day fixed rate short-term commercial paper with a face value of RMB4.5 billion ("20 CSC CP007"). The bond pays the principal and interest at 1.55% per annum at maturity and is not guaranteed.

11. In June 2020, the Company publicly issued a 87-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP008"). The bond pays the principal and interest at 1.58% per annum at maturity and is not guaranteed.

12. In June 2020, the Company publicly issued a 88-day fixed rate short-term commercial paper with a face value of RMB4.0 billion ("20 CSC CP009"). The bond pays the principal and interest at 2.20% per annum at maturity and is not guaranteed.

13. In July 2020, the Company publicly issued a corporate bond with a face value of RMB3.0 billion, which is divided into two categories, of which, the first one is the "20 CSC S1" which was not issued and the second one is the "20 CSC G4" at a scale of RMB3.0 billion, with a term of three years and interest at 3.55% per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.

14. In July 2020, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP010"). The bond pays the principal and interest at 2.55% per annum at maturity and is not guaranteed.

15. In July 2020, the Company publicly issued a fixed rate corporate bond with a face value of RMB6.0 billion, which is divided into two categories, of which, the first one is the "20 CSC S2" at the scale of RMB1.5 billion, with interest at 2.90% per annum at maturity; the second one is the "20 CSC G5" at a scale of RMB4.5 billion, with a term of three years and interest at 3.46% per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.

16. In August 2020, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP011"). The bond pays the principal and interest at 2.60% per annum at maturity and is not guaranteed.

17. CSCIF Asia Limited, an indirect wholly-owned subsidiary of the Company, established an offshore medium-term notes programme with a guaranteed principal amount of up to US$3.0 billion (or amount equivalent in other currencies) in July 2020, an initial public offering of US$500 million with a term of five years and a rate of 1.75% was completed in August 2020. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment semi-annually. The Company provides an unconditional and irrevocable guarantee for the bond.

18. In September 2020, the Company publicly issued a 85-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP012"). The bond pays the principal and interest at 2.70% per annum at maturity and is not guaranteed.

19. In September 2020, the Company publicly issued a 87-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP013"). The bond pays the principal and interest at 2.70% per annum at maturity and is not guaranteed.

20. In October 2020, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP014"). The bond pays the principal and interest at 2.69% per annum at maturity and is not guaranteed.

21. In November 2020, the Company publicly issued a 87-day fixed rate commercial paper with a face value of RMB4.5 billion ("20 CSC CP015"). The bond pays the principal and interest at 3.12% per annum at maturity and is not guaranteed.

22. In November 2020, the Company publicly issued a subordinated bond with a face value of RMB5.0 billion, which is divided into two categories, of which, the first one is the "20 CSC C1" at the scale of RMB4.0 billion, with a term of 457 days and interest at 3.90% per annum at maturity and the second one is the "20 CSC C2" at a scale of RMB1.0 billion, with a term of three years and interest at 4.20% per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.

23. In November 2020, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4.0 billion ("20 CSC CP016"). The bond pays the principal and interest at 3.35% per annum at maturity and is not guaranteed.

24. In December 2020, the Company publicly issued a subordinated bond with a face value of RMB6.0 billion, which is divided into two categories, of which, the first one is the "20 CSC C3" at the scale of RMB5.0 billion, with a term of 455 days and interest at 3.84% per annum at maturity and the second one is the "20 CSC C4" at a scale of RMB1.0 billion, with a term of three years and interest at 4.18% per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.

25. In December 2020, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB3.5 billion ("20 CSC CP017"). The bond pays the principal and interest at 2.80% per annum at maturity and is not guaranteed.

VIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company or any of its subsidiaries did not repurchase, sell or redeem securities of the Company for the year ended December 31, 2020.

IX. BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out in "Section 8 Directors, Supervisors, Senior Management and Employees" of this annual report.

X. SERVICE CONTRACTS AND APPOINTMENT LETTERS OF DIRECTORS AND SUPERVISORS

The Company entered into service contracts or appointment letters with Directors of the current session of the Board with their term of office starting from the date of the approval of election at the Shareholders' general meeting and the obtaining of the relevant qualification (if applicable), until the expiry date of the term of the session of the Board.

In addition, the Company or its subsidiaries did not enter into any service contract with the Directors and Supervisors which will be terminated in one year without any compensation (other than statutory compensation).

XI. PERMITTED INDEMNITY PROVISIONS

The Company has purchased insurance for the Directors against legal liabilities arising from performance of their duties. The applicable law governing the relevant insurance policies was PRC law. The Company reviews the coverage of such insurance each year. During the Reporting Period, there were no claims for compensation against the Directors or senior management of the Company.

XII. MANAGEMENT CONTRACTS

During the Reporting Period, apart from employment contracts of employees, no management or administrative contracts were entered into or subsisting in respect of the whole or a substantial part of any business of the Company.

XIII. REMUNERATION POLICIES

The details of remuneration policies of the Company's Directors, Supervisors and senior management are set out in the "Section 8 Directors, Supervisors, Senior Management and Employees – V. Performance of Duties of Directors, Supervisors and Senior Management and VI. Remuneration of Directors, Supervisors and Senior Management" of this annual report.

The details of the Company's employee remuneration policies and remunerations of employees are set out in "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II)Remuneration Policies" and "notes to the consolidated financial statements" of this annual report.

XIV. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period, the Company or its subsidiaries did not enter into any transaction, arrangement or contract of significance in which the Directors or Supervisors or their respective connected entities had a material interest, whether directly or indirectly.

XV. DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors had interests in any business which competes with the businesses of the Company.

XVI. INTERESTS AND SHORT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

To the best knowledge of all Directors, as of December 31, 2020, no Directors, Supervisors or members of senior management of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of the Company's associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of December 31,2020, no Directors and Supervisors or any of their spouses or children under 18 years of age had been granted the rights to purchase Shares or bonds of the Company for the benefit or exercise any aforesaid rights by themselves, nor have any Directors and Supervisors or any of their spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any its subsidiaries.

XVII. INTERESTS AND SHORT POSITIONS TO BE DISCLOSED BY THE SHAREHOLDERS PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE

Details of interests and short positions to be disclosed by the Shareholders pursuant to the Securities and Futures Ordinance are set out in the "Section 7 Changes in Shares and Information on Substantial Shareholders – IV. Disclosure of Interests.

XVIII. PRE-EMPTIVE RIGHTS

The Company currently has no arrangement regarding the pre-emptive rights.

XIX. RESERVES AND RESERVES OF DISTRIBUTABLE PROFITS

Please refer to the "Consolidated Statement of Changes in Equity" and Note 46 to the "consolidated financial statements" of this annual report for details of changes in the reserves and the reserves of distributable profits of the Company.

XX. PROPERTY, PLANT AND EQUIPMENT

Please refer to "Note 17 to the consolidated financial statements" of this annual report for property, plant and equipment of the Group as of December 31, 2020.

XXI. MAJOR CLIENTS AND SUPPLIERS

The Company has a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). The Company develops and maintains long-term relationships with clients and is dedicated to providing them with a comprehensive suite of products and services. The Company has gained its clients' trust through deep engagement and thorough knowledge and understanding of their businesses.

In 2020, the total revenue and other income of the Company from the top five clients in the aggregate did not exceed 10% of our total revenue and other income in the aggregate. By virtue of the nature of our business, the Company has no major suppliers.

XXII. RELATIONSHIP WITH EMPLOYEES, CLIENTS, SUPPLIERS AND PERSONS WHO ARE MATERIALLY RELATED

Employees' remuneration consists of fixed salary, performance-based bonuses, insurance and other benefits. The Company continues to promote and implement staff training programs featuring comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to the "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II) Remuneration Policies" and "– (III) Training Program" of this annual report.

For information on the relationship between the Company and securities brokers, please refer to the "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (IV) Information of Securities Brokers" section of this annual report. For information on the relationship between the Company and major clients and suppliers, please refer to the "Section 5 Report of Directors – XXI. Major Clients and Suppliers" section of this annual report.

XXIII. SUFFICIENT PUBLIC FLOAT

Upon listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, approving that the minimum public float for the H Shares shall be the highest of (1) 15% of the total issued Share capital of the Company; (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming that the overallotment option is not exercised); and (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (as increased by the H Shares to be issued upon any exercise of the over-allotment option). Upon the completion of the global offering (including the partial exercise of over-allotment option) and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float for the H Shares of the Company is no lower than 17.40%.

Upon the completion of initial public offering of A Shares in 2018, the number of H Shares held by the public is not less than 16.49% of the total issued Share capital. Upon the completion of the non-public issuance of A Shares in 2020, the number of H Shares held by the public is not less than 16.26% of the total issued Share capital. Based on the public information available to the Company and the knowledge of the Directors as of the Latest Practicable Date before the publishing of this annual report, the Company satisfies the public float requirements by continuously maintaining a total public float of A Shares and H Shares of not less than 17.40%.

XXIV. CORPORATE GOVERNANCE

The details of corporate governance are set out in the "Section IX Corporate Governance Report" section of this annual report.

XXV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

The Company actively fulfills its social responsibility, adheres to the objectives of establishing a better platform for employees, providing better services for clients and making a greater contribution to society, strictly implements industry policies and environmentally friendly policies announced by the government. The Company, as a financial institution, fulfills its economic responsibility, social responsibility and environmental responsibility pursuant to regulatory requirements, facilitating the harmonic and sustainable development of the relationship between the Company and the society and the environment. The Company assigns different roles for different tasks and has established a long-lasting working mechanism for the implementation of social responsibility.

The Company conducts its businesses in a lawful manner, and strives to increase the market share of its businesses and operating results, and has achieved good business performance during the Reporting Period; the Company continuously improves its corporate governance structure, placing efforts on enhancing the scientific standard of decision-making and operational efficiency, and increasing the standard of information disclosure. In addition, the Company continues to strengthen internal controls and improve the capability of its compliance management and risk management. The Company actively commences the construction of combating corruption and upholding integrity, and improves supervision and management mechanism. The Company is gradually forming a client-oriented integrated operation model and keeps upgrading its client services and clients satisfaction. Moreover, it actively participates in the establishment of multi-level capital markets, including the STAR Market, the NEEQ and regional equity trading markets, and whole-heartedly provides services in investment, financing and financial advisory for the development of small- and medium-sized enterprises. Upholding the principle of "people-oriented", the Company optimizes its remuneration and benefits policy, encourages the training of and communication among employees, improves the working environment, safeguards the legal rights of employees, improves talent cultivation system and boosts the development of talent team, and provides platforms and opportunities for talents. The Company cares about the physical and mental health of employees and organizes different types of activities to enrich the leisure time and cultural life of employees by holding healthy walk campaigns, knowledge contests, parents-child activities, and E-sports competition as well as setting up various leisure clubs. In addition to maintaining its daily operations, with a strong sense of social responsibility, the Company actively participates in charity events and activities, demonstrating its mission to reward and contribute to the society. The Company also actively carries out various investor education and protection work, publicizes relevant laws, regulations and typical cases to guide investors to learn, understand and participate in all kinds of investment activities pursuant to the laws and regulations, so as to prevent them from suffering unnecessary losses due to illegal securities activities. The Company implements the requirements of CSRC to promote the incorporation of investor education into the national education system, and opens the compulsory course of National Securities Investment in the International Business School of Beijing Foreign Studies University. The video of the course is shown on the platforms of Xinhuanet, Xinhua News Agency and xuexi.cn APP with a total number of broadcasting of over 125 million.

After the outbreak of COVID-19 in 2020, besides working on the pandemic prevention and control, the Company donated RMB11.5 million to the Hubei Red Cross Foundation (including RMB1.0 million donated by employees) immediately to support the Hubei Province and Wuhan to fight against the pandemic. The Company issued 55 pandemic prevention and control bonds, with a total financing scale of RMB46.623 billion. Some employees of the Company took the initiative to actively participate in the local volunteering pandemic prevention services.

In 2020, the Company will continue to strengthen the effort on targeted poverty alleviation, with an annual public welfare expenditure of RMB29.9657 million; signed 12 assistance agreements and supported 20 assistance programme; and a total of RMB5.7 billion has been raised for the national-level poverty-stricken counties.

For details of the Company's social responsibility, please refer to the on 2020 Social Responsibility and Environmental, Social and Governance Report of CSC Financial Co., Ltd.

XXVI. AUDITORS AND AUDIT COMMITTEE

Please refer to the "Section 6 Other Significant Events – II. Appointment or Termination of Auditors" of this annual report for details of the engagement or dismissal of auditors.

The consolidated financial results for the year have been reviewed by the Audit Committee. The Audit Committee and the board of directors have reviewed the accounting principles and practice adopted by the Group, and discussed auditing, internal control, financial reports and other matters.

XXVII. ENVIRONMENTAL POLICY AND PERFORMANCE

The Company has always been upholding the environmental concept of "low-carbon environmental protection and green operation". As a financial service institution, emissions in the course of business operation of the Company primarily include nitrogen oxide, SO2 and greenhouse gas due to fuel consumption of motor vehicles, and indirect greenhouse gas emissions due to consumption of electricity in the offices; the consumption of resources primarily includes fuel for public vehicles, outsourced electric power, water for office use and papers for office use. Based on the characteristics of the industry, the Company had no significant impact on the environment and natural resources, but still attaches importance to its environmental performance management. On the one hand, the Company recognized and strictly complied with the laws and regulations and related policies in relation to environment stipulated by the state and relevant regulatory authorities, such as the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC, the Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period (《"十三五"節能減排綜合工作方案》) issued by the State Council, etc.; while on the other hand, the Company achieved energy conservation and emission reduction through various measures, such as the measure of a paper-free office, regular inspection on the use of electricity in the offices, the energy conservation settings of air-conditioners in the public area, reducing the standby power consumption of electrical appliances, installing water conservation facilities, strengthening control over fuel consumption and the management and control of use of business vehicles, etc., to ensure that the management of emissions and use of resources by the Company meet the requirements of relevant laws and regulations and truly turn the concept of "low-carbon environmental protection and green operation" into actions.

For details of the Company's environmental policies and performance, please refer to the 2020 Social Responsibility and Environmental, Social and Governance Report of CSC Financial Co., Ltd.

XXVIII. FUTURE DEVELOPMENT/PROSPECT

Please refer to "Section 4 Management Discussion and Analysis – III.. Discussion and Analysis on Future Development of the Company" of this annual report for the Company's future development and prospect.

By order of the Board
WANG Changqing
Chairman

Beijing, the PRC,
March 31, 2021

I. ANALYSIS AND EXPLANATION OF THE BOARD OF DIRECTORS ON THE REASONS AND IMPACT OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS

During the Reporting Period, there were no substantial changes in the major accounting policies and significant accounting estimates of the Company. There were no correction of material accounting errors of the Company.

II. APPOINTMENT OR TERMINATION OF AUDITORS

Unit: RMB ten thousand

	Current appointment
Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for the PRC auditor	164
Term of service of the PRC auditor	6 years
Name of the overseas auditor	PricewaterhouseCoopers
Remuneration for the overseas auditor	104
Term of service of the overseas auditor	6 years

Note: The above is the audit expenses for the annual report of the Company, which does not include the audit expenses for subsidiaries of the Company.

Unit: RMB ten thousand

Name		Remuneration
Internal control auditor	PricewaterhouseCoopers Zhong Tian LLP	40

III. EXPLANATION OF APPOINTMENT OR TERMINATION OF AUDITORS

At the 2019 annual general meeting of the Company, it was considered and approved that PwC Zhong Tian and PwC be reappointed as the external auditors of the Company for 2020, respectively. They shall be responsible for the provision of the relevant audit services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. PricewaterhouseCoopers Zhong Tian LLP was reappointed as the internal control auditor of the Company for 2020.

IV. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLERS AND PURCHASERS

1. On April 15, 2020, Beijing CSRC took the administrative supervision measures to issue a warning letter to CSC Financial

On April 15, 2020, the Beijing Bureau of China Securities Regulatory Commission (the "Beijing CSRC") issued the Decision on Adoption of Supervision Measures to Issue a Warning Letter to CSC Financial Co., Ltd. ([2020] No. 55), pointing out that the funds invested in the same asset by eight private equity management plans managed by the Company exceeded 25% of the net asset value of each asset management plan, and it decided to take administrative supervision measures to issue a warning letter to the Company.

In response to such penalty, the Company's rectification measures were as follows: (1) in terms of organizational structure, adjusted the organizational structure of the asset management department according to the principles of reasonable division of work, clear rights and responsibilities, check and balance and effective supervision; further improved the respective functions of marketing team, investment team and middle platform business team. (2) in terms of system, according to the requirements of the new asset management regulations, the asset management department of the Company comprehensively improved the system and business process in terms of internal control mechanism, authority management, investment process, approval standard and emergency management. (3) in terms of business development and investment process, the asset management department of the Company comprehensively reviewed the investment decision-making process and business process, and carried out compliance investigation on risk points among all products of the department. (4) conducted compliance and accountability for the relevant responsible departments and personnel.

2. On July 3, 2020, the Shanghai CSRC took administrative supervision measures for rectification against the Shanghai Branch of CSC Financial

On July 3, 2020, the Shanghai Bureau of the China Securities Regulatory Commission (the "Shanghai CSRC") issued the Decision on Adoption of Rectification Measures to the Shanghai Branch of CSC Financial Co., Ltd. (Hu Zheng Jian Jue [2020] No.126), stating that the Shanghai branch of the Company had closed the original place of business without obtaining the renewal of license for securities business operation; the securities outlet of Yingkou Road, Shanghai failed to promptly apply to the Shanghai CSRC for the renewal of license for securities business operation after changing the address, and it decided to take administrative measures for rectification against the Shanghai branch.

In response to such penalty, the Company's rectification measures were as follows: (1) strengthened the management of the securities outlets, made on-site announcements to the investors and announcement on relocation of the site on the website of the Shanghai Association, submitted an application of changing the license for securities business operation to Shanghai CSRC through the online approval system, and obtained the revised License for Securities and Futures Business Operation on September 18, 2020. (2) coped with the aftermath of the original site, such as posting a notice of relocation; used the temporarily relocating site for office use only without accepting any customers and dealing with external business before obtaining the license for securities business operation etc. (3) on September 19, 2020, the Shanghai branch moved to the new site as scheduled to complete the relocation of the business premises. (4) conducted compliance and accountability for the relevant responsible departments and personnel.

3. On October 27, 2020, the CSRC took administrative supervision measures for rectification against CSC Financial

On October 27, 2020, the CSRC issued the Decision on Adoption of Rectification Measures to CSC Financial Co., Ltd. ([2020] No. 56), stating that the Company violated the following: first, the internal control of investment banking business was inadequate. In projects such as the initial public offering and listing (IPO) of Xi'an Bright Laser Technologies Co., Ltd. (the "Bright") (西安鉑力特增材技術股份有限公司), the IPO of Western Superconducting Technologies Co., Ltd. (the "Western Superconducting") (西部超導材料科技股份有限公司) and the major asset reorganization of Jiangxi Guotai Group Co., Ltd. (江西國泰集團股份有限公司), the internal audit procedures were not strictly implemented. In projects such as the IPO of Hengan Jiaxin (Beijing) Co., Ltd.(恒安嘉新(北京)股份公司), the IPO of Xiamen Bank Co., Ltd.(廈門銀行股份有限公司), the IPO of Panda Dairy Group Co., Ltd. (熊猫乳品集團股份有限公司), reviews were not made to all project personnel for conflicts of interest. In addition, there were also problems such as the lack of pertinence of the verification, failure to complete the acceptance and filing of the work papers for certain projects and failure to sign the sponsorship agreement with the issuer in time for certain projects. Second, the underwriting business of the Sci-Tech Board was not conducted in the normative way. In the IPO project of Bright, the cross-wall approval process for securities analyst Li Taoyang to participate in the preparation of the investment value research reports was incomplete. In addition, in projects such as the IPO of Bright, the IPO of Western Superconducting, there were still problems such as lax management of bookkeeping personnel on site. The CSRC decided to take administrative supervision measures for rectification against the Company.

In response to such penalty, the Company's rectification measures were as follows: (1) strictly performed the project internal audit procedures in accordance with the provisions of the Measures for the Administration of Internal Control of Corporate Investment Banking Business(《公司投資銀行類業務內部控制管理辦法》). (2) if a new member was added to the project team during the implementation of the project, the new member shall conduct a self-examination on whether he/she was in a conflict of interest with the proposed project to undertake; if there was a conflict of interest, he/she was not allowed to become a member of the project team. The Company embedded the corresponding prompts and requirements in the relevant business processes of the investment bank. (3) revised the Due Diligence Verification Policy for Corporate Investment Banking Projects (《公司投資銀行類項目盡職調查情況問核制度》) of the Company to improve the verification procedures and specific requirements. The person conducting verification should conduct verification around the risks and problems found in the process of practice and quality control. (4) strengthened the management of check and acceptance of the work papers before internal audit. (5) added the prompt function of signing relevant agreements in the system, and checked whether the agreement was signed in the processes of reply to internal audit and project declaration. (6) further emphasized the compliance requirements of "no personnel shall participate in the cross-wall work unless the cross-wall approval process has been fulfilled" in various ways such as training, notifications and compliance reminders. (7) further emphasized the importance of the management of the bookkeeping filing process, and made a series of specific requirements to ensure that the bookkeeping process was flawless. (8) will conduct compliance and accountability for the relevant responsible departments and personnel.

4. On November 19, 2020, the Beijing CSRC took administrative supervision measures for rectification against CSC Financial

On November 19, 2020, the Beijing Regulatory Bureau of the China Securities Regulatory Commission (the "Beijing CSRC") promulgated the Decision on Adoption of Rectification Measures to the CSC Financial Co., Ltd. ([2020] No. 176), stating that certain research report issued by the Company had the following problems: first, the research basis was insufficient as the reference materials of the research report were articles uploaded by personal accounts on the electronic platform without confirmation of the standardized information sources and sufficient cross-validation of key data, and the data foundation was not solid. Second, the research methods were not professional and prudent enough, the analysis logic was not objective enough, and the conclusion was made based on predicted data and hypothetical conditions in a subjective way. The Beijing CSRC decided to take administrative supervision measures for rectification against the Company.

In response to such penalty, the Company's rectification measures were as follows: (1) comprehensively sorted out and improved the business system for issuing securities research reports. (2) optimized the business processes and embed the compliance requirements into the system processes. (3) expanded the research business compliance team and strengthened the compliance management of research business. (4) strengthened compliance training and daily compliance reminders to continuously enhance the compliance awareness of researchers. (5) conducted compliance and accountability for the relevant responsible departments and personnel.

V. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group had no major litigation or arbitration that involves an amount exceeding RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets to be disclosed under the Listing Rules of the SSE. The progress of litigation and arbitration during the reporting period disclosed by the Company in previous periodic reports is as follows:

1. The Company, as the manager, on behalf of "CSC Longxing No. 916 Directional Asset Management Scheme", applied for pre-litigation property preservation and arbitration case in relation to the default matters in stock-pledged repurchase business.

Please refer to the Company's 2018 interim report and 2019 annual report for relevant background information. On May 27, 2020, because there was no property available for execution, the court issued the Execution Ruling to terminate the execution procedure. In this case, the Company is not required to bear the legal fees, preservation arbitration fees and other fees, and will transfer the payment to the law firm, the court and the guarantee company upon receipt of relevant fees paid by the principal.

In addition, the Company, as the subject of bond issuance, issued the following interim announcements on involvement in litigation and arbitration on the bond section on the website of SSE during the reporting period:

Summary and type of events	Index for inquiries
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Wang Yue, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries and Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 8, 2020 and September 11, 2020, respectively

Summary and type of events	Index for inquiries
Update on the case that Beijing Runxin Dingtai Investment Center (L.P.) (北京潤信鼎泰投資中心(有限合夥)), the privately offered fund for which Beijing Runxin Dingtai Capital Management Co., Ltd. (北京潤信鼎泰資本管理有限公司), an indirect wholly-owned subsidiary of the Company and China Capital Management Limited (中信建投資本管理有限公司), a wholly-owned subsidiary of the Company act as the mangers, as the plaintiff, applied for litigation in relation to the event of default in equity investment by Guangdong Southern Radio, Film and Television Media Group Co., Ltd. (廣東南方廣播影視傳媒集團有限公司) and Guangdong South Lead TV & Film Co., Ltd. (廣東南方領航影視傳播有限公司)	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries and Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 8, 2020 and December 24, 2020, respectively
Update on the case that China Securities (International) Brokerage Company Limited (中信建投(國際)證券有限公司), an indirect wholly-owned subsidiary of the Company, applied for litigation in relation to the event of default in stock-pledged repurchase business by Ho Born Investment Holdings Limited (浩邦投資控股有限公司), the financier, and Shi Hongliu, the guarantor	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. and its Subsidiaries issued on the bond section on the website of SSE on February 8, 2020
Update on the case that the Company as the plaintiff, applied for litigation and enforcement against the financier in relation to the event of default in default in collateralized stock repurchase business by Huijin Juhe (Ningbo) Investment Management Co., Ltd. (匯金聚合(寧波)投資管理有限公司), the financier and Juntian (Ningxia) Investment Management Center (L.P.) the guarantor	Announcement on Involvement in Litigation of CSC Financial Co., Ltd. and Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 29, 2020 and November 27, 2020, respectively

Summary and type of events	Index for inquiries
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Beijing Shouhang Ripple Tube Manufacturing Co., Ltd. (北京首航波紋管製造有限公司), the financier, and Huang Qingle, Huang Huiting and Huang Zhihong, the guarantors	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as one of the respondents, was involved in a lawsuit filed against Wuxi Wuzhou International Holdings Limited (無錫五洲國際控股有限公司) by Meiqi Asset Management Center (limited partnership) (上海美期資產管理中心(有限合夥)) in respect of dispute of securities contract.	Announcement on the Update of Involvement in Litigation, Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in margin financing and securities lending businesses by Zhang Kezheng, the financier, and Gao Yang, the guarantor	Announcement on Involvement in Litigation, Arbitration and Update by CSC Financial Co., Ltd. and Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020 and December 24, 2020, respectively
The case that an asset management plan managed by the Company as the plaintiff applied for arbitration in relation to the event of default by China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) as a bond issuer for breach of contract	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020

Summary and type of events	Index for inquiries
The case that an asset management plan managed by the company as the plaintiff applied for arbitration in relation to the event of default by Jilin Province Modern Agricultural Industry Investment Fund (LLP) (吉林省交通投資集團有限公司) as a bond issuer for breach of contract	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as one of the defendants, was involved in a lawsuit filed against Wu Sheng Asset Management (Guangzhou) Co., Ltd. (吳聲資產管理(廣州)有限公司) by Jiaxing Yuansheng Trading Co., Ltd. (嘉興市遠盛商貿有限責任公司) in respect of dispute of trading in securities investment funds.	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on April 30, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default of stock-pledged repurchase business by Shao Xiuying, the financier	Announcement on Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. And Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on August 28, 2020 and December 24, 2020, respectively.
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default of stock-pledged repurchase business by Feng Xianchao, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on August 28, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default in stock-pledged repurchase business by Huang Ruibing, the financier and Wang Jinhua, joint debtor	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on August 28, 2020

Summary and type of events	Index for inquiries
The case that the Company, as the applicant, applied for arbitration in relation to the default in margin financing and securities lending businesses by Li Wei, the financier, and Sanpower Group Co., Ltd., Yuan Yafei, Brookstone Electronics Limited, Sanpower Group Nanjing Investment Management Co., Ltd., Cnshangquan E-Commerce Co., Ltd., the guarantors	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on September 11, 2020
The case that the Company, as the applicant, applied for arbitration in relation to the event of default in margin financing and securities lending business by Qin Guanglei, the financier, and Sanpower Group Co., Ltd., Yuan Yafei, Brookstone Electronics Limited, Sanpower Group Nanjing Investment Management Co., Ltd., Cnshangquan E-Commerce Co., Ltd., the guarantors	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on September 11, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default in stock-pledged repurchase business by Huang Qingle, the financier, and Huang Huiting and Huang Zhihong, the guarantors	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on September 11, 2020
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default in margin financing and securities lending businesses by Lv Xiaoqi, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on November 27, 2020

Summary and type of events	Index for inquiries
The case that Jiangxi Bank Co., Ltd.(江西銀行股份有限公司), as the plaintiff, applied for litigation in relation to the default in bonds of Kangde Investment Group Co Ltd. (康得投資集團有限公司) by the Company and China Zheshang Bank Co., Ltd. (浙商银行股份有限公司)	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on November 27, 2020
The case that the Company, as the applicant, applied for arbitration in relation to the default of stock-pledged repurchase business by Xia Chuanwu, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on December 24, 2020

VI. MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have significant contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

VII. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict compliance with both the Listing Rules of the SSE and the Hong Kong Listing Rules, and "Policy on Management of Connected Transactions of CSC Financial Co., Ltd." (中信建投証券股份有限公司關連交易管理制度). The Group's connected transactions were conducted based on the principles of fairness, openness and impartiality, and the connected transaction agreements were entered into based on the principles of equality, voluntariness, fairness and compensation.

During the Reporting Period, the Company was in compliance with the requirements of connected transactions set out in Chapter 14A under the Hong Kong Listing Rules. During the Reporting Period, the Company did not have any connected transaction which would be required to be disclosed under such rules. Details on related party transactions under the relevant accounting standards can be found in Note 51 in the appended consolidated financial statements.

VIII. MATERIAL ACQUISITIONS AND DISPOSAL DURING THE REPORTING PERIOD

During the Reporting Period, the Group did not have any material acquisitions, disposals, swaps or asset reorganizations of subsidiaries, associates, joint operations or joint ventures.

IX. RESULTS OF CLASSIFICATION AND RATING OF THE COMPANY BY SECURITIES REGULATORS

In 2020, in the classification and rating of securities firms by the CSRC, the Company was rated "Class A Grade AA" for eleven consecutive years. The Company is one of the only three PRC securities companies in the industry which received such a rating for eleven consecutive years during 2010 to 2020 with such a rating currently being the highest rank granted by the CSRC. In addition, China Securities Futures was rated "Class A Grade AA Futures Company" under the classification base on futures firms announced in 2020.

X. CUSTODIAN WORK

On 17 July 2020, the CSRC issued an announcement deciding to take over New Times Securities Company Limited in accordance with the law. Entrusted by the CSRC, CSC established the new times securities custodian group to perform the duties of the custodian. The custodian group strictly follows the requirements of the Takeover Committee, complies with the Regulations on Risk Handling of Securities Companies, to carry out all kinds of work in an orderly manner with a working principles of "solidifying history, maintaining operation, complying with laws and regulations and making no risks" in accordance with the requirements of "double posts and double responsibilities", and 382 staff were stationed to participate in the custodian work at its peak. At present, the custodian group has established a long-term mechanism for custodian work, and the business of New Times Securities Company Limited is running smoothly.

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of December 31, 2020, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total Number of Shares
Beijing Financial Holdings Group (北京金控集團)	A Shares	2,684,309,017	34.61%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
Other Shares held under the name of HKSCC Nominee Limited (香港中央結算(代理人)有限公司其他代持股份) *(Note)*	H Shares	909,097,133	11.72
CITIC Securities (中信証券)	A Shares	382,849,268	4.94
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53
Tengyun Investment (騰雲投資)	A Shares	145,889,597	1.88
Shanghai Shangyan (上海商言)	A Shares	53,986,099	0.70
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊文化投資有限公司)	A Shares	38,861,100	0.50
HKSCC Limited (香港中央結算有限公司)	A Shares	29,788,964	0.38
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司–國泰中證全指證券公司交易型開放式指數證券投資基金)	A Shares	20,639,415	0.27
Other public holders of A Shares	A Shares	753,295,116	11.60%
Other public holders of H Shares	H Shares	279,629	0.01%
Total		7,756,694,797	100.00%

Note 1: The gratuitous transfer of shares from Beijing Stated-owned Capital Operation and Management Center to Beijing Financial Holdings Group Limited was completed on November 30, 2020.

Note 2: HKSCC Nominees Limited is the nominee holder of the H Shares held by non-registered shareholders, and the shares indicated in the above table are other H Shares held by HKSCC Nominees Limited other than Glasslake Holdings.

Note 3: The shares held by HKSCC Limited are A Shares held by non-registered shareholders of SSE.

II. SHAREHOLDERS

As of December 31, 2020, the total number of Shareholders as shown on the register of members of the Company was 193,229, of which 193,163 were A Shareholders and 66 were H Share registered Shareholders. The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of December 31, 2020.

III. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of December 31, 2020, Beijing Financial Holdings Group, the largest Shareholder of the Company, held 34.61% of the Shares of the Company; Central Huijin, the second largest Shareholder of the Company, held 30.76% of the Shares of the Company.

As of the date of disclosure of this report, the number of Shares held by and shareholding percentage of Beijing Financial Holdings Group and Central Huijin remained unchanged.

(I) Beijing Financial Holdings Group

Beijing Financial Holdings Group was established on October 19, 2018. Its legal representative is Fan Wenzhong and its registered capital is RMB12 billion. The scope of business includes: financial equity investment and guarantee; capital operation and asset management; entrusted management of specialty funds; credit guarantees and re-guarantees; project investment; investment management; reorganization, merger and acquisition consulting and financial research, business data and credit and other financial information collection and management; industrial investment and other businesses related to the Company's operation. (For projects subject to approval according to law, business activities shall be carried out in accordance with the approved contents after approval by relevant authorities.)

(II) Central Huijin

Central Huijin was established on December 16, 2003. Its legal representative is Peng Chun and its registered capital is RMB828,208,627,200. The scope of business includes: accepting the authorization by the State Council to conduct equity investment in key state-owned financial enterprises; and other related businesses approved by the State Council. (Items subject to approval according to laws shall only be carried out after approval by relevant authorities)

IV. DISCLOSURE OF INTERESTS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

To the knowledge of the Directors, as of December 31, 2020, the following Shareholders (except Directors, Supervisors and senior management) had interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

	Name	Capacity	Number of Shares Directly or Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of Shareholding in the Total Issued Ordinary Share Capital	Approximate Percentage of Shareholding in the Relevant Class of Shares
1.	Beijing Financial Holdings Group (北京金控集團) *(Note 1)*	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
2.	Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3.	CITIC Securities (中信証券)	Beneficial owner	319,639,268	A Shares	Long positions	4.12%	4.92%
			63,210,000	A Shares	Short positions	0.82%	0.97%
		Approved lending agent	63,210,000	A Shares	Long positions (Shares available for loan)	0.82%	0.97%
4.	Glasslake Holdings (鏡湖控股) *(Note 2)*	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5.	Affluent East Investments Limited (東滿投資有限公司) *(Note 2)*	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6.	CITIC Limited (中信股份) *(Note 2)*	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7.	CITIC Group (中信集團) *(Note 2)*	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%

Notes: (1) Beijing State-owned Capital Operation and Management Center directly holds 100% shares of Beijing Financial Holdings Group.

(2) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) ("Affluent East"), which is in turn a wholly-owned subsidiary by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the SFO.

Save as disclosed above, as of December 31, 2020, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management) had interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

Save as disclosed above, as of December 31, 2020, Directors did not hold any positions as directors or employees in companies which had interests or short positions in the Company that needed to be notified to the Company under division 2 and 3 of Part XV of the SFO.

V. ISSUANCE OF SHARES OR CHANGES IN REGISTERED CAPITAL OF THE COMPANY OR ITS SUBSIDIARIES

On February 28, 2020, China Securities Regulatory Commission (the "CSRC") issued the "Approval in Relation to the Non-public Issuance of Shares by CSC Financial Co., Ltd." (Zheng Jian Xu Ke [2020] No. 345) (《關於核准中信建投証券股份有限公司非公開發行股票的批覆》(證監許可[2020]345號)), approving the Company's non-public offering of not more than 1,277,072,295 A shares. On December 28, 2020, the new shares of 110,309,559 A shares of this non-public offering were registered in China Securities Depository & Clearing Corporation Limited Shanghai Branch. Upon the completion of this non-public offering, the total share capital of the Company has been changed from 7,646,385,238 shares to 7,756,694,797 shares, including 6,495,671,035 A shares and 1,261,023,762 H shares. The registered capital of the Company has been changed to RMB7,756,694,797. The Company is going through the procedures for the change of registered capital.

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in Shareholding and Remuneration of Current and Former Directors, Supervisors and Senior Management during the Reporting Period

Unit: Share

Name	Position	Gender	Age	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period *(RMB ten thousand)*	Remuneration received from related parties of the Company
WANG Changqing	Chairman of the Board, Executive Director and Chairman of Executive Committee	Male	57	April 2018	Upon expiry	0	0	0	–	480.28	No
YU Zhongfu	Vice Chairman of the Board and Non-executive Director	Male	50	April 2018	Upon expiry	0	0	0	–	0	No
Wang Xiaolin	Vice Chairman of the Board and Non-executive Director	Male	58	July 2020	Upon expiry	0	0	0	–	0	No
LI Geping	Executive Director, General Manager, Member of Executive Committee and Chief Financial Officer	Male	53	April 2018	Upon expiry	0	0	0	–	466.61	No
ZHANG Qin	Non-executive Director	Female	50	April 2018	Upon expiry	0	0	0	–	0	No
ZHU Jia	Non-executive Director	Female	38	April 2018	Upon expiry	0	0	0	–	0	Yes
WANG Hao	Non-executive Director	Male	52	April 2018	Upon expiry	0	0	0	–	0	No
FENG Genfu	Independent Nonexecutive Director	Male	63	April 2018	Upon expiry	0	0	0	–	24.50	Yes
ZHU Shengqin	Independent Nonexecutive Director	Female	44	April 2018	Upon expiry	0	0	0	–	24.50	Yes

Name	Position	Gender	Age	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period *(RMB ten thousand)*	Remuneration received from related parties of the Company
DAI Deming	Independent Non-executive Director	Male	58	April 2018	Upon expiry	0	0	0	–	24.5	Yes
BAI Jianjun	Independent Non-executive Director	Male	65	April 2018	Upon expiry	0	0	0	–	24.5	Yes
LIU Qiao	Independent Non-executive Director	Male	50	April 2018	Upon expiry	0	0	0	–	24.5	Yes
AI Bo	Supervisor	Female	50	April 2018	Upon expiry	0	0	0	–	0	No
ZHAO Lijun	Supervisor	Female	57	April 2018	Upon expiry	0	0	0	–	0	No
LIN Xuan	Employee Representative Supervisor	Female	49	April 2018	Upon expiry	0	0	0	–	421.71	No
ZHAO Ming	Employee Representative Supervisor	Male	49	April 2019	Upon expiry	0	0	0	–	362.32	No
ZHOU Zhigang	Member of Executive Committee	Male	56	April 2018	Upon expiry	0	0	0	–	424.78	No
YUAN Jianmin	Member of Executive Committee	Male	59	April 2018	Upon expiry	0	0	0	–	395.04	No
JIANG Yueqin	Member of Executive Committee	Male	54	April 2018	Upon expiry	0	0	0	–	405.22	No
ZHOU Xiaoyu	Member of Executive Committee	Male	56	April 2018	Upon expiry	0	0	0	–	413.24	No
LI Yunan	Member of Executive Committee	Male	51	March 2020	Upon expiry	0	0	0	–	357.79	No
LI Tiesheng	Member of Executive Committee	Male	49	April 2018	Upon expiry	0	0	0	–	256.97	No
WANG Guangxue	Member of Executive Committee and Secretary of the Board	Male	48	April 2018	Upon expiry	0	0	0	–	663.00	No
ZHANG Xinfan	Member of Executive Committee	Male	52	April 2018	Upon expiry	0	0	0	–	501.33	No

Name	Position	Gender	Age	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period *(RMB ten thousand)*	Remuneration received from related parties of the Company
LIU Naisheng	Member of Executive Committee	Male	50	April 2018	Upon expiry	0	0	0	–	685.64	No
HUANG Ling	Member of Executive Committee	Male	44	April 2018	Upon expiry	0	0	0	–	647.88	No
DING Jianqiang	Member of Executive Committee and Chief Compliance Officer	Male	47	April 2019, May 2019	Upon expiry	0	0	0	–	407.65	No
LU Ya	Member of Executive Committee and Chief Risk Officer	Female	55	April 2019	Upon expiry	0	0	0	–	408.15	No
XIAO Gang	Member of Executive Committee and Chief Information Officer	Male	51	April 2019	Upon expiry	0	0	0	–	418.31	No
PENG Wende	Member of Executive Committee	Male	55	July 2019	Upon expiry	0	0	0	–	532.60	No
WANG Bo	Former Non-executive Director	Male	57	April 2018	July 2020	0	0	0	–	0	No
XU Gang	Former Non-executive Director	Male	51	April 2018	November 2020	0	0	0	–	0	Yes
LI Shihua	Former Chairman of the Supervisory Committee	Male	61	April 2018	December 2020	0	0	0	–	412.64	No
total	/	/	/	/	/	0	0	0	/	8,783.64	No

Note 1: The calculation point of "age" in the above table starts from 31 March 2021.

Note 2: Such legal person or other organization has become related party of the Company as a result of the Non-executive Director and independent Non-executive Director of the Company acting as a director in a legal person or other organization other than the Company and its controlling subsidiaries. Some of the non-executive Directors hold positions in the shareholder units which belong to the related parties. During the Reporting Period, non-executive Directors and independent Non-executive Directors received remuneration from the above-mentioned related parties.

(II) Biographical Details of Current Directors, Supervisors and Senior Management of the Company

Name	Main professional experience
WANG Changqing	**Mr. WANG Changqing (王常青)**, born in June 1963, is the secretary of the Party Committee, Chairman and an Executive Director of the Board, and the Chairman of the Executive Committee of the Company. Mr. Wang joined the Company in November 2005, and has been serving as an Executive Director since February 2007, the secretary of the Party Committee since September 2011, and Chairman and the Chairman of the Executive Committee since September 2011. Mr. Wang has been serving as a director of China Securities International since July 2012 and the chairman of the board of directors Zhong'an Huixin Investment Management Co., Ltd. (中安匯信投資管理有限公司) since July 2017. Mr. Wang is currently the vice chairman of the Securities Association of China (the "SAC"), the chairman of the investment banking committee of the SAC, the president of the Securities Association of Beijing, a member of the fifth session of board of directors of the SSE. Mr. Wang served as the deputy plant manager of the Copper Powder Plant (銅粉分廠) in Beijing Smelting Factory (北京冶煉廠) from August 1984 to September 1986, the deputy director of production planning department in the Beijing Non-Ferrous Metal Industry Corporation (北京市有色金屬工業總公司) from October 1986 to November 1992, the director and deputy general manager of Beijing Kaibao Travel and Food Company (北京凱寶旅游食品公司) from November 1992 to October 1993, the head of the equity underwriting department of the Beijing representative office of Daiwa Securities Group Inc. from October 1993 to September 1999, the general manager of the investment banking department of the Shanghai branch, the deputy general manager of the investment banking department, the administrative head and managing director of the investment banking business and vice chairman of the corporate finance committee in CITIC Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 06030) and the SSE (stock code: 600030)) from October 1999 to November 2005, and the deputy general manager, general manager and member of the Executive Committee of the Company from November 2005 to September 2011. Mr. Wang obtained a Bachelor of Engineering degree from Northeastern Institute of Technology (currently known as Northeastern University) in July 1984 and a Master's degree in Economics from Renmin University of China in January 2002.

Name	Main professional experience
YU Zhongfu	**Mr. YU Zhongfu (于仲福)**, born in November 1970, is the Vice Chairman of the Board and a Non-executive Director of the Company. Mr. Yu has been serving as a Director of the Company since March 2011, the Vice Chairman of the Board of the Company since August 2016, the deputy general manager of BSCOMC since May 2009. Mr. Yu served as a staff of Shijingshan District Political Consultative Conference, staff and deputy chief of industry section of Planned Economy Committee of Shijingshan District, Beijing from July 1992 to September 1996, a senior staff, principal staff, subsequently deputy director of department of small and medium enterprises of Beijing Municipality Commission of Economy from September 1996 to July 2003, the deputy director (in charge) of the division of enterprise reform of Beijing Municipality Commission of Economy from July 2003 to November 2003, the deputy director of division of reform and development (general office), deputy director and then director of division of enterprise reform of State-owned Assets Supervision and Administration Commission of Beijing Municipality from November 2003 to May 2009, and a director of Beiqi Foton Motor Co., Ltd. (a company listed on the SSE, stock code: 600166) from July 2013 to November 2015, a director of Wangfujing Group Co., Ltd. (a company listed on the SSE, stock code: 600859) from June 2011 to June 2018, a non-executive director of Beijing Jingneng Clean Energy Co., Limited (a company listed on the HKEX, stock code: 00579) from December 2011 to May 2018, a director of Beijing Urban-Rural Commercial (Group) Co., Ltd. (a company listed on the SSE, stock code: 600861) from October 2017 to April 2018, a director of BBMG Corporation (a company listed on the SSE, stock code: 601992) from December -2017 to August 2018, and a director of Beijing Rural Commercial Bank Co., Ltd. from May 2010 to November 2019. Mr. Yu obtained a Bachelor of Engineering degree from North China University of Technology in the PRC in July 1992. He completed a post-graduate program in finance at Central University of Finance and Economics in the PRC and obtained a certificate of completion in July 2002. He also obtained a Master of Public Administration (MPA) degree from a joint program organized by Peking University and the National Institute of Administration in the PRC in July 2011. Mr. Yu was awarded the title of senior economist in April 2019.

Name	Main professional experience
WANG Xiaolin	**Mr. WANG Xiaolin (王小林)**, born in February 1963, is the Vice Chairman and Non-executive Director of the Company. Mr. Wang has been serving as a non-executive Director of the Company since July 28, 2020, the vice chairman of Board the Company since September 25, 2020, an external director of Central Huijin since June 2018, and a non-executive director of China Everbright Group since June 2018. Mr. WANG successively served as the deputy general manager of the securities management headquarters at Shandong International Trust Co., Ltd. (山東省國際信託投資有限公司), a general manager assistant of Shandong High-Tech Investment Corporation Co., Ltd. (山東省高新技術投資有限公司), the head of the general office at Shandong Lucion Investment Holdings Group Co., Ltd., (山東省魯信投資控股集團有限公司), the secretary of CPC Committee and general manager of Shandong International Trust Co., Ltd., a member of CPC Committee and the deputy general manager at Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), the chairman of First-trust Fund Management Co., Ltd., (泰信基金管理有限公司), the deputy head (temporary) of the International Department at China Banking Regulatory Commission, and the deputy secretary of CPC Committee and general manager of Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) from May 1998 to May 2018. He concurrently served as an independent director of Shandong Hi-speed Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600350) from December 2016 to April 2019, and a director of China Everbright Bank Company Limited, (a company listed on the Hong Kong Stock Exchange, stock code: 06818, and on the Shanghai Stock Exchange, stock code: 601818) from October 2018 to July 2020. Mr. WANG obtained his master's degree in economics from Fudan University in June 1997 and obtained the title of a senior economist in June 2001.

Name	Main professional experience
LI Geping	**Mr. LI Geping (李格平)**, born in November 1967, is an Executive Director, General Manager, deputy secretary of the Party Committee, the General Manager, a member of the Executive Committee and Chief Financial Officer of the Company. Mr. Li joined the company in February 2018, and has been serving as the deputy secretary of the Party committee since February 2018 and an Executive Director, the General Manager and a member of the Executive Committee of the Company since April 2018, and the Chief Financial Officer of the Company since May 2018. Mr. Li served as a lecturer in Zhongnan University of Finance and Economics from July 1987 to June 1992 (during the period he studied economics in Zhongnan University of Finance and Economics, obtaining the master's degree of economics). Mr. Li worked in the Hubei branch of People's Bank of China (中國人民銀行), and served as the secretary to the board of directors and deputy general manager of business department in Shanghai, the general manager of securities business department in Shenzhen of Hubei Securities, the manager of asset management department and deputy head of research institute of Huber Securities (湖北證券) from June 1992 to April 1996. Mr. Li successively served as the assistant to the general manager and the general manager of asset management service department, the assistant of the president and the general manager of international business department, the head of the research institute, the deputy president and the general manager of investment banking department of Hubei Securities from April 1996 to February 2000. Mr. Li successively served as a director, the vice president, the president, a member of the Party committee, the deputy secretary of the Party committee of Changjiang Securities Company Limited (長江證券有限責任公司), the chairman of the board of directors of Changjiang BNP Paribas Peregrine Securities Co. Limited (長江巴黎百富勤證券有限責任公司) (part-time), the chairman of the board of directors of Nuode Asset Management Co., Ltd. (諾德基金管理有限責任公司) (part-time) (during the period he studied in the financial department of the research institute in Chinese Academy of Social Sciences, obtaining a doctoral degree of economics) from February 2000 to December 2007. Mr. Li served as a member of the Party committee, the deputy secretary of the Party committee, a director, the president of Changjiang Securities Company Limited, the chairman of the board of directors of Nuode Asset Management Co. Ltd. (part-time), the chairman of the board of directors of Changjiang Securities Underwriting and Sponsorship Co., Ltd. (長江證券承銷保薦有限公司) (part-time), the chairman of the board of directors of Changjiang Growth Capital Investment Co., Ltd. (長江成長資本投資有限公司) (part-time) from December 2007 to June 2011. He served as the secretary general of the Securities Association of China (中國證券業協會) from June 2011 to April 2012, a member of Party committee and the secretary general of the Securities Association of China from April 2012 to February 2014, the deputy head of the regulatory department of securities and funds authority of the CSRC from February 2014 to December 2016, and the head of securities institution management department/insurance institution management department of Central Huijin Investment Ltd from December 2016 to February 2018. Mr. Li obtained a bachelor degree of economics and a master's degree of economics from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1987 and July 1992, respectively. He obtained a doctoral degree of economics from the financial department of the research institute in Chinese Academy of Social Sciences in July 2004, and has enjoyed government special subsidies issued by the State Council since 2005. Mr. Li is also a researcher.

Name	Main professional experience
ZHANG Qin	**Ms. ZHANG Qin (張沁)**, born in August 1970, is a Non-executive Director of the Company. She has been serving as a Director of the Company since April 2018, an assistant to the general manager and the general manager of audit and monitoring department of BSCOMC since July 2016, an assistant to the general manager and the general manager of legal and audit department of BSCOMC since March 2018 and an assistant to the general manager and general manager of risk control and audit department of BSCOMC since September 2019. Ms. Zhang was engaged in fundamental accounting in Tianjin Huafeng Industrial Group Co., Ltd. (天津華豐工業集團公司) from August 1992 to September 1994, and served as an accountant in Beijing Capital Development Co., Ltd. (北京市房地產開發經營總公司) from July 1997 to July 1998. She served as an accountant and the deputy manager in Beijing Tianhong Group Co., Ltd. (北京天鴻集團公司) from July 1998 to March 2006, and served as the chief financial officer of property operation and service department in Beijing Capital Development Holding (Group) Co., Ltd. (北京首都開發控股集團(有限)公司) from March 2006 to April 2008. Ms. Zhang served as the deputy general manager of Beijing Shoukai Renxin Property Co., Ltd. (北京首開仁信置業有限公司) from April 2008 to May 2010, and has served as the deputy general management of financial management department of BSCOMC since May 2010. Ms. Zhang obtained a bachelor of engineering from Beijing University of Chemical Technology in August 1992, and obtained a master's degree of economics from Capital University of Economics and Business in July 1997. Mr. Zhang obtained a title of senior accountant in October 2002.
ZHU Jia	**Ms. ZHU Jia (朱佳)**, born in October 1982, is a Non-executive Director of the Company. She has been serving as a Director of the Company since April 2018, the assistant to the general manager of investment management department of Beijing Financial Holdings Group since April 2019 and the director of Jingquan capital management (Beijing) Co., Ltd.(璟泉資本管理(北京)有限公司) since October 2020. Ms. Zhu worked in the Beijing branch of the Bank of East Asia (Hong Kong) (東亞銀行(香港)北京分行) from November 2004 to December 2009. She held positions in BSCOMC from January 2010 to April 2019. Ms. Zhu obtained a master's degree of finance and investment from the University of Exeter in November 2004. Ms. Zhu obtained a title of financial economist in November 2010.

Name	Main professional experience
WANG Hao	**Mr. WANG Hao (汪浩)**, born in December 1968, is a Non-executive Director of the Company. Mr. Wang has been serving as a Director of the Company since December 2017, as an external director of Central Huijin from July 2018 and as a director of Hengfeng Bank Co., Ltd. since September 2020. Mr. Wang served in the Bank of China Limited (a company listed on the HKEX (stock code: 03988) and the SSE (stock code: 601988)) from July 1991 to July 2018. He once served as the president and party secretary of Liuzhou branch, the president and party secretary of Guilin branch of Bank of China, an assistant to the president and a member of the Communist Party Committee of Guangxi Zhuang Autonomous Region branch of Bank of China, and the president of Ho Chi Minh City branch of Bank of China, the president of Ho Chi Minh City branch of Bank of China (Hong Kong) Limited and as a supervisor of China Everbright Group Limited from November 2019 to September 2020. Mr. Wang obtained a Bachelor's degree in Economics from Fudan University in July 1991 and a Master's degree in business administration from China Europe International Business School in September 2005.
FENG Genfu	**Mr. FENG Genfu (馮根福)**, born in June 1957, is an Independent Non-executive Director of the Company. Mr. Feng has been serving as an Independent Director of the Company since April 2015, a professor and doctoral supervisor of the School of Finance and Economics of Xi'an Jiaotong University since May 2000, and an independent director of Huaren Pharmaceutical Co., Ltd. (a company listed on the SZSE, stock code: 300110) since August 2019, and an independent director of Xi'an Shaangu Power Co., Ltd. (a company listed on the SZSE, stock code: 601369) since December 2019. Mr. Feng served as the director and chief editor of the editorial department of university journal as well as the dean of the Business School and the doctoral supervisor of Shaanxi Institute of Finance and Economics from July 1982 to April 2000, Mr. Feng served as an independent director of Hubei Biocause Pharmaceutical Co., Ltd. (a company listed on the SZSE, stock code: 000627) from May 2016 to August 2018, an independent director of Changchai Co., Ltd. (a company listed on the SZSE, stock code: 000570) from October 2016 to December 2019, and an independent non-executive director of Datang International Power Generation Co., Ltd. (a company listed on the HKEX, stock code: 00991 and the SSE, stock code:601991) from August 2014 to January 2020. Mr. Feng obtained a Bachelor's degree in Economics from Shaanxi Institute of Finance and Economics in July 1982, a Master's degree from Shaanxi Institute of Finance and Economics in July 1988, a Doctor's degree from Shaanxi Institute of Finance and Economics in July 1997, and has been enjoying special governmental allowance from the State Council since 1993.

Name	Main professional experience
ZHU Shengqin	**Ms. ZHU Shengqin (朱聖琴)**, born in December 1976, is an Independent Non-executive Director of the Company. Ms. Zhu has been serving as an Independent Director of the Company since April 2015, the vice chairman of Beijing Huiyuan Holdings Limited since August 2016, and an independent director of Bona Film Group Limited since August 2017. Ms. Zhu joined China Huiyuan Juice Group Limited in 1996. She has held various positions, including the marketing manager, deputy general manager of the investment division, director of the office of the board, officer of operation teams, and a vice president of the group. She served as the chairman of the board of Sunrise Financial Leasing Company Limited from August 2015 to November 2017, an independent director of V-Fund Management Co., Ltd. (先鋒基金管理有限公司) from October 2015 to November 2017 and an executive director of China Huiyuan Juice Group Limited (a company listed on the HKEX, stock code: 01886) from August 2014 to February 2020. Ms. Zhu obtained an MBA degree from Cheung Kong Graduate School of Business in September 2007 and an EMBA degree from PBC School of Finance, Tsinghua University in January 2016.
DAI Deming	**Mr. DAI Deming (戴德明)**, born in October 1962, is an Independent Non-executive Director of the Company. Mr. Dai has been serving as an Independent Director of the Company since August 2016, professor and doctoral supervisor of the department of accounting of Renmin University of China since July 1996 and January 1997, respectively, an independent director of China Zheshang Bank Co., Ltd. (a company listed on the HKEX, stock code: 02016 and the SSE, stock code: 601916) since February 2015, a director of Haier Smart Home Co., Ltd. (a company listed on the SSE, stock code: 600690) since June 2015, an independent director of BOC Aviation Limited (a company listed on the HKEX, stock code: 02588) since May 2016, and an independent director of Power Construction Corp of China Ltd. (a company listed on the SSE, stock code: 601669) since March 2018, and an independent director of Poly Developments and Holdings Group Co., Ltd. (a company listed on the SSE, stock code: 600048) since September 2018. He is also the vice chairman of the Accounting Society of China. Mr. Dai served as an independent director of Beijing Capital Development Co., Ltd. (a company listed on the SSE, stock code: 600376) from September 2015 to May 2018. Mr. Dai obtained a Bachelor's degree in Economics, majoring in Industry Finance and Accounting from Hunan College of Finance and Economics (currently known as Hunan University) in July 1983, a Master's degree in Economics, majoring in Professional Accounting from Zhongnan University of Economics in October 1986, and a Doctor's degree in Economics from Renmin University of China in June 1991.

Name	Main professional experience
BAI Jianjun	**Mr. BAI Jianjun (白建軍)**, born in July 1955, is an Independent Non-executive Director of the Company. Mr. Bai has been serving as an Independent Director of the Company since August 2016, an independent director of Sichuan Xinwang Bank Co., Ltd. (四川新網銀行股份有限公司) (a company listed on the HKEX (stock code: 01658) and on the SSE (stock code:601658)) since December 2016, and an external supervisor of Postal Savings Bank of China Co., Ltd. Since October 2019. Mr. Bai pursued his visiting research at New York University in United States from September 1991 to October 1992. He served as an independent director of Boyayingjie Science Technology Co., Ltd. (a company listed on the NEEQ, stock code: 430082) from November 2010 to February 2017, and an external supervisor of China Construction Bank Corporation (a listed company on the HKEX (stock code: 0939) and on the SSE (stock code: 601939)) from June 2013 to June 2019 and Mr. Bai has been teaching in Peking University since July 1987 and serves as a professor and doctoral supervisor at the Law School, director of the Research Institute of Empirical Legal Affairs and deputy director of the Financial Law Research Center. Mr. Bai obtained a Master's degree in Law from Peking University in July 1987 and the Juris Doctor degree from Peking University in June 2003.

Name	Main professional experience
LIU Qiao	**Mr. LIU Qiao (劉俏)**, born in May 1970, is an Independent Non-executive Director of the Company. Mr. Liu has been serving as an Independent Director of the Company since August 2016, a member of the expert panel of the SZSE since March 2006, a supervisor of the post-doctoral station of SZSE since September 2007, the professor of finance and economics, doctoral supervisor, associate dean and director of EMBA Center at the Guanghua School of Management of Peking University since December 2010, a supervisor of the post-doctoral station of CSRC since September 2011, a supervisor of the post-doctoral station of China Minsheng Bank Corp., Ltd since September 2011, a supervisor of the post-doctoral station of China Financial Futures Exchange since September 2012, an independent director of Zensun Enterprises Limited (a company listed on the HKEX, stock code: 00185) since July 2015, and an independent director of Beijing Capital Co., Limited (a company listed on the SSE, stock code: 600008) since December 2017, an independent director of China Merchants Bank Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 03968) and SSE(stock code: 600036)) since November 30, 2018 and an independent director of Megvii Co., Ltd. since December 2020. Mr. Liu served as an assistant professor at School of Economics and Finance of the University of Hong Kong from September 2000 to November 2001, a consultant of the Asia-Pacific Corporate Finance & Strategy Practice of McKinsey & Company from December 2001 to July 2003, an assistant professor and associate professor (with tenure) at the Faculty of Business and Economics of the University of Hong Kong from August 2003 to December 2010. Mr. Liu obtained a Bachelor of Science degree in Economics and Mathematics from Renmin University of China in July 1991, a Master's degree in International Finance and Economics from the Institute of Finance of PBOC (currently known as PBC School of Finance, Tsinghua University in China) in April 1994 and a Ph.D. in Economics from University of California, Los Angeles in the United States in June 2000. Mr. Liu was granted the Outstanding Youth Award of National Natural Science Foundation of China (國家自然科學基金傑出青年獎) in December 2013 and awarded the title of distinguished professor (特聘教授) of Changjiang Scholars Program by Ministry of Education in December 2014.
AI Bo	**Ms. AI Bo (艾波)**, born in February 1971, is a Supervisor of the Company. Ms. Ai has been serving as a Supervisor of the Company since August 2016. Ms. Ai served in the China Investment Corporation since June 2008 and as the secretary of the discipline supervisory committee of China Investment Corporation since June 2020, and the director of Party committee inspection office of China Investment Corporation since June 2020. Ms. Ai worked for the secretariat for confidential matters of the general office of the Ministry of Supervision, the general supervision office of supervision department under the Central Commission for Discipline Inspection and the second discipline inspection office under the Central Commission for Discipline Inspection from July 1991 to May 2008. Ms. Ai obtained a master's degree in Management from Kunming University of Science and Technology in June 2015 and obtained a certificate of certified enterprise risk manager in June 2014.

Name	Main professional experience
ZHAO Lijun	**Ms. ZHAO Lijun (趙麗君)**, born in October 1963, is a Supervisor of the Company. Ms. Zhao has been serving as a Supervisor of the Company since April 2018; the deputy director of working group for party construction/Party committee office/corporate culture department of China Investment Co., Ltd. since August 2019. During such time Ms. Zhao served as deputy secretary of Party committee, secretary of Party committee and managing director since November 2019. Ms. Zhao successively served as a teaching assistant of the academic department, teaching assistant of social science and lecturer of Harbin Ship Engineering Institute from July 1986 to November 1996. She successively served as vice minister of the propaganda department (named as associate professor in September 1997), director of information centre (part-time since January 2001), vice principal of party school and deputy secretary of Party committee (named as professor in September 2004 of Harbin Engineering University) from November 1996 to December 2006; as researcher of National Commission of Science and Technology Policy and Regulation Division from December 2006 to July 2008; as researcher of Party committee directly under State Administration of Science, Technology and Industry for National Defense, head of Party committee office form July 2008 to March 2010; as senior manager of human resources department, head of management team of party affairs, senior manager of office/board office/Party committee office, and team leader of working group for party construction/Party committee office of China Investment Co., Ltd. from March 2010 to January 2017. During such time Ms. Zhao also served as an external supervisor of Central Huijin Investment Ltd from January 2012 to January 2017 (seconded to China Everbright Industrial (Group) Company Ltd.); and served as deputy director of the office of China Investment Co., Ltd. from January 2017 to August 2019. Ms. Zhao obtained a bachelor's degree in law from the Department of Law of Heilongjiang University in July 1986, a master's degree in law (economics) from Harbin Engineering University in March 2006. Ms. Zhao obtained the PRC bar qualification in September 1989.

Name	Main professional experience
LIN Xuan	**Ms. LIN Xuan (林煊)**, born in February 1972, is a member of the Party committee, an employee representative Supervisor and the administrative head of Internal Audit Department of the company. Ms. Lin joined the Company in November 2005. She has served as an employee representative Supervisor since April 2018, the administrative head of Internal Audit Department since July 2018 and the member of the Party committee since August 2018. Ms. Lin currently serves as a member of Beijing Financial Staff Union. Ms. Lin worked for Huaxia Securities Co., Ltd. (華夏證券股份有限公司) from April 1997 to November 2005 and served as business director and assistant to general manager of the investment banking department and the acquisitions department; and has served as assistant to general manager, director, executive director and managing director of investment banking department from November 2005 to July 2018. Ms. Lin obtained a bachelor's degree in Economics from Renmin University of China in July 1994, a master's degree in Economics from the Graduate School of the People's Bank of China (currently known as PBC School of Finance, Tsinghua University in China) in June 1997, a PhD degree in Economics from Chinese Academy of Social Sciences (in-service study) in July 2009, and A-share sponsor representative qualification in 2004.
ZHAO Ming	**Mr. ZHAO Ming (趙明)**, born in May 1971, is an employee representative Supervisor of the Company, administrative head of Financial Planning Department and Treasury Operation Department. He has served as the administrative head of Financial Planning Department and Treasury Operation Department of the Company since July 2018; and an employee representative Supervisor since April 2019. Mr. Zhao worked in Daya Bay Public Security Bureau, Huizhou City, Guangdong Province from July 1993 to August 1998. He worked in Investment Banking Department of Huaxia Securities Co., Ltd. from July 2001 to March 2003. He served as manager of Investment Banking Department of Shanghai Electric Group Finance Company Co., Ltd. (上海電氣集團財務有限責任公司) from April 2003 to May 2005; senior business director of Investment Banking Department of Huaxia Securities Co., Ltd. from June 2005 to October 2005; senior business director, director and executive general manager of the Investment Banking Department of the Company from November 2005 to October 2010; vice chairman and general manager of Shanghai Heying Electromechanical Technology Co., Ltd. (上海和鷹機電科技股份有限公司) from May 2011 to October 2013; executive general manager and managing director of the Capital Market Department and Investment Banking Department of the Company from November 2013 to July 2017; and the general manager of Zhong'an Huixin Investment Management Co., Ltd. from September 2017 to December 2020. Mr. Zhao obtained a Bachelor's Degree in law from the People's Public Security University of China in June 1993, a Master of Laws from Southwest University of Political Science and Law in June 2001, a Master of Business Administration from China Europe International Business School in October 2011 and qualified as a lawyer in 1995 and a certified public accountant in 2003.

Name	Main professional experience
ZHOU Zhigang	**Mr. ZHOU Zhigang (周志鋼)**, born in May 1964, is a member of Party committee, a member of the Executive Committee of the Company. Mr. Zhou joined our Company in November 2005. He has been a member of Party committee since December 2005 and a member of the Executive Committee since February 2009. Mr. Zhou has been serving as a director of China Securities Futures since August 2006. Mr. Zhou currently also serves as a member of the compliance management committee of the Securities Association of China. Mr. Zhou served as the assistant director of the application software chamber of Institute of Computer Technology of East China from September 1988 to May 1992; the deputy director of computer center, deputy director and director of the research and development center of Shanghai Wanguo Holdings Ltd. From May 1992 to May 1996; the chief engineer and the general manager of the E-commerce department of Huaxia Securities Co., Ltd. from May 1996 to November 2005; deputy general manager and chairman of Brokerage Business Management Committee of the Company from November 2005 to April 2014, the Chief Risk Officer of the Company from April 2016 to April 2019; and the Chief Compliance Officer of the Company from April 2016 to May 2019. Mr. Zhou obtained a Bachelor of Science degree from Fudan University in July 1985 and obtained a Master of Science degree from Fudan University in July 1988. He obtained his MBA degree from CEIBS in April 2001 and a certificate of senior engineer in September 1999.
YUAN Jianmin	**Mr. YUAN Jianmin (袁建民)**, born in May 1961, is a member of the Party committee and a member of the Executive Committee of the Company. Mr. Yuan joined our Company in November 2005 and has been serving as a member of Party committee since February 2007 and a member of the Executive Committee since February 2009. Mr. Yuan has been serving as a director of China Securities Futures since August 2006. Mr. Yuan served as the deputy director of the real estate credit department under the construction and finance department of the head office, the deputy director of computer management department of the computing center, a director of the planning and finance division of science department of China Construction Bank Corporation from August 1982 to January 2005; the deputy general manager of Science Development Center of China Jianyin Investment from February 2005 to October 2005; and the deputy general manager, administrative head of the Treasury Operation Department and administrative head of the Securities and Financing Department of our Company from November 2005 to January 2016. Mr. Yuan obtained a Bachelor's degree in Economics from Liaoning Institute of Finance and Economics in August 1982 and a Master's degree in Economics from Dongbei University of Finance and Economics in November 1999. He obtained a certificate of senior economist in December 1993.

Name	Main professional experience
JIANG Yueqin	**Mr. JIANG Yueqin (蒋月勤)**, born in December 1966, is a member of the Party committee and a member of the Executive Committee of the Company. Mr. Jiang joined our Company in January 2007 and has been serving as a member of Party committee since December 2007 and a member of the Executive Committee since May 2009. Currently, Mr. Jiang also serves as a vice chairman of the AMAC and a member of the asset management business committee of the Securities Association of China. Mr. Jiang served as a programmer of Shenzhen Shekou Xinxin Software Company from May 1992 to March 1993; the deputy general manager of Shenzhen branch, and general manager of trading department and chief dealer of CITIC Securities Co., Ltd. from March 1993 to December 2001; the general manager of Changsheng Fund Management Co., Ltd. from 2001 to 2006; the assistant to general manager, administrative head of Institutional Business Department and administrative head of Asset Management Department of our Company from January 2007 to January 2016; the chairman of the board of director of China Securities Funds from September 2013 to February 2021. Mr. Jiang obtained a Bachelor of Engineering degree from University of Electronic Science and Technology in the PRC in July 1989 and a Master of Engineering degree from University of Electronic Science and Technology in the PRC in March 1992.
ZHOU Xiaoyu	**Mr. ZHOU Xiaoyu (周笑予)**, born in June 1964, is a member of the Party committee and a member of the Executive Committee, and the administrative head of the Human Resources Department of the Company. Mr. Zhou joined our Company in November 2005 and has been serving as the Administrative Head of the Human Resources Department since November 2011, a member of Party committee since July 2013, and a member of the Executive Committee since January 2016. Mr. Zhou has been a director of China Securities Futures since August 2012. Mr. Zhou currently serves as a member of the Financing Business Committee of the Securities Association of China. Mr. Zhou served as an assistant engineer and engineer in Guangzhou Design Institute of Ministry of Light Industry from August 1985 to August 1988 and from August 1991 to February 1993, respectively; the executive deputy general manager in Shenzhen branch, the general manager of the business department in Dalian branch, the general manager of Shenyang Branch and the general manager of the brokerage business management of Huaxia Securities Co., Ltd. from February 1993 to November 2005; and the general manager of the Brokerage Business Management Department, the administrative head of the Treasury Operation Department, the administrative head of the Margin Financing and Securities Lending Department and director of Party Committee Office of our Company from November 2005 to November 2011. Mr. Zhou obtained a Bachelor of Engineering degree from Tianjin Institute of Light Industry in July 1985 and Master of Engineering degree from South China University of Technology in July 1991.

Name	Main professional experience
LI Yunan	**Mr. LI Yunan (李宇楠)**, born in November 1969, is a member of the Party committee and a member of Executive Committee of the Company. Mr. Li joined our Company in March 2016 and has been serving as a member of the Party committee and Secretary of the Disciplinary Committee since March 2016 and a member of the Executive Committee since March 2020. Mr. Li Yunan served as the column editor of the Journal of the Research Department of the National Defense University from January 1995 to May 2000; the chief staff member of the Appointment and Removal Division of the Personnel and Education Department of China International Trust and Investment Corporation (中國國際信託投資公司) from May 2000 to August 2002; the deputy director of the Appointment and Removal Division of the Personnel and Education Department of China International Trust and Investment Corporation from August 2002 to March 2004; and the senior director of the Appointment and Removal Division of the Personnel and Education Department of CITIC Group Corporation (中國中信集團公司) from March 2004 to September 2011 (During the period: he worked in CITIC Mining Technology Development Co., Ltd. (中信礦業科技發展有限公司) as assistant to the general manager and manager of the personnel department from October 2009 to October 2010), the director of the appointment and removal office of the personnel Education Department of CITIC Group Co., Ltd. from September 2011 to September 2014, an assistant to director of the Personnel Education Department of CITIC Group Co., Ltd. (renamed as Human Resources Department in May 2015), assistant to director of the Organization Department of the Party committee and director of the appointment and removal office from September 2014 to October 2015 and the assistant to director of the supervision department of CITIC Group Co., Ltd. from October 2015 to March 2016. Mr. Li Yunan obtained a Bachelor of Arts Degree in Japanese from the Foreign Languages Institute of the PLA from August 1987 to July 1991 and a Bachelor degree of military science in campaign science from the normal training class of National Defense University from July 1991 to January 1995. Mr. Li obtained the title of a senior economist in October 2020.
LI Tiesheng	**Mr. LI Tiesheng (李鐵生)**, born in July 1971, is a member of the Executive Committee of the Company. Mr. Li joined our Company in June 2013 and has been serving as a member of the Executive Committee since June 2013 and a director of China Securities Investment since November 2017. Mr. Li served as the business manager of the securities department and the futures department as well as the deputy general manager and general manager of Shenzhen Zhongbaoxin Financial Consultant Co. Ltd in China People's Insurance Trust and Investment Company from August 1993 to March 2000; the deputy manager of Hong Kong Jiangnan Finance Company Limited, deputy director of Great Wall Securities Co., Ltd., general manager of New Jiangnan Investment Company Limited, a member of party committee and the vice-president of Beijing Branch of China Merchants Bank Co., Ltd. from March 2000 to July 2013. Mr. Li obtained a Bachelor of Engineering degree from Beijing Institute of Technology in July 1993 and completed the postgraduate course in Renmin University of China in October 1997.

Name	Main professional experience
WANG Guangxue	**Mr. WANG Guangxue (王廣學)**, born in June 1972, is a member of the Executive Committee, the Secretary of the Board and the Administrative Head of the Executive Office of the Company. Mr. Wang joined our Company in November 2005 and has been serving as the Administrative Head of the Executive Office of our Company since November 2011. He has been serving as a member of the Executive Committee and the Secretary of the Board since January 2014, and served as the chairman of China Securities Futures since June 2019. Mr. Wang served as a staff of the foreign economic relations department of planning committee of Liyang City, Jiangsu Province (now known as the development and reform commission of Liyang City) from August 1992 to September 1995; the business manager, senior business director and assistant to general manager of the investment banking department of Huaxia Securities co., Ltd. from July 1998 to November 2005; and the assistant to general manager and deputy general manager of the Investment Banking Department of our Company from November 2005 to November 2011. Mr. Wang obtained a Bachelor of Science degree from Qingdao Ocean University (currently known as Ocean University of China) in July 1992 and a Master's degree in Economics from Fudan University in June 1998. He also obtained a Ph.D. in Economics (in-service study) from Fudan University in July 2002. He obtained a certificate of sponsor representative of A Shares in April 2004. Mr. Wang obtained a certificate of senior economist in October 2020.
ZHANG Xinfan	**Mr. ZHANG Xinfan (張昕帆)**, born in December 1968, is a member of the Executive Committee, Chairman of the Brokerage Business Management Committee and the Co-Chairman of the Institutional Business Committee of the Company. Mr. Zhang joined our Company in November 2005 and has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Brokerage Business Management Committee since April 2014. Mr. Zhang has been serving as the Co-Chairman of the Institutional Business Committee since September 2018 and a director of China Securities International since June 2014. Mr. Zhang served as a loan officer, the director of the securities branch of Dalian branch of Industrial and Commercial Bank of China from August 1991 to October 1994; the manager of Dalian securities branch, the deputy general manager of Shenyang branch and the deputy general manager of the corporate brokerage business management head office of Huaxia Securities Co., Ltd. from November 1994 to November 2005; and the deputy general manager of the Brokerage Business Management Department, the manager of the securities branch of Beijing Dongzhimen South Street, administrative head of the Wealth Management Department of the Brokerage Business Management committee and the vice-chairman of the Brokerage Business Management Committee of our Company from November 2005 to September 2016. Mr. Zhang obtained a Bachelor's degree in Economics from Dongbei University of Finance and Economics in July 1991 and an EMBA degree from Guanghua School of Management, Peking University in April 2001. He obtained a certificate of senior economist in August 1999.

Name	Main professional experience
LIU Naisheng	**Mr. LIU Naisheng (劉乃生)**, born in February 1971, is a member of the Executive Committee, the Chairman of the Investment Banking Business Management Committee of the Company. Mr. Liu joined our Company in March 2006. He has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Investment Banking Department since January 2021. Mr. Liu has been serving as a member of the Fourth Session and the Fifth Session of Listing Committee of SSE since August 2017; and a member of the Sixth Session of Listed Companies Merger and Reorganisation Vetting Committee of the CSRC from July 2016 to June 2019. Mr. Liu worked in China Xinxing Corporation (Group) from July 1995 to October 1997. He worked in China Science and Technology International Trust and Investment Co., Ltd. from October 1997 to October 2002. He was engaged in investment banking business in China Science and Technology Securities Co., Ltd. from October 2002 to March 2006. He served as the deputy general manager of the Investment Banking Department of our Company from March 2006 to April 2011; and the Administrative Head of the Investment Banking Department of the Company from April 2011 to September 2018; the Chairman of the Investment Banking Committee of the Company from January 2019 to January 2021. Mr. Liu obtained a Bachelor of Engineering degree from the Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) in July 1995 and an MBA degree from School of Economics and Management, Tsinghua University in July 2007. He obtained a certificate of sponsor representative of A Shares in February 2005. He was awarded as the "Best Investment Banker of the Year 2012" by Securities Times in May 2013, and the "Best Investment Banker of the Year 2014" by New Fortune in March 2015.
HUANG Ling	**Mr. HUANG Ling (黃凌)**, born in October 1976, is a member of the Executive Committee, Chairman of the Institutional Business Committee and Co-Chairman of the Investment Banking Business Management Committee of the Company. Mr. Huang joined our Company in November 2005 and has been serving as a member of the Executive Committee from January 2014, Chairman of the Institutional Business Committee from September 2018, Co-Chairman of the Investment Banking Business Management Committee from January 2021, and Chairman of China Securities Funds . Mr. Huang served as a senior business director of the administration department of Huaxia Securities Co., Ltd. from July 2000 to November 2005; the senior business director and the assistant to general manager of the debt business department of our Company from November 2005 to May 2008; the Administrative Head of the Debt Underwriting Department of the Company from May 2008 to January 2019; and the Co-Director of the Investment Banking Committee of the Company from September 2018 to January 2021. Mr. Huang obtained a Bachelor's degree in Economics, majoring in International Finance, from China Institute of Finance in June 1998 and a Master's degree in Economics, majoring in Finance from the Graduate School of the PBOC (currently known as PBC School of Finance, Tsinghua University) in October 2000. He obtained a Ph.D. in Economics majoring in Finance from Hunan University in June 2005. He obtained a certificate of senior economist in November 2007.

Name	Main professional experience
DING Jianqiang	**Mr. DING Jianqiang (丁建強)**, born in May 1973, is a member of Executive Committee, Chief Compliance Officer and administrative head of the Legal and Compliance Department of the Company. Mr. Ding joined our Company in November 2005, and has been serving as the administrative head of the Legal and Compliance Department since January 2007; a member of Executive Committee since April 2019; and the Chief Compliance Officer since May 2019. Mr. Ding served as an assistant to the general manager of Legal Affairs Department of Huaxia Securities Co., Ltd. from September 2002 to December 2005, the assistant to the general manager of the Legal and Compliance Department from December 2015 to January 2007, and the Chief Lawyer of the Company from August 2018 to April 2019. Mr. Ding obtained a Bachelor's Degree in law from China University of Political Science and Law from September 1993 to July 1997, and obtained professional qualification as a lawyer in October 1997.
LU Ya	**Ms. LU Ya (陸亞)**, born in February 1966, is a member of Executive Committee of the Company, Chief Risk Officer and Administrative Head of the Risk Management Department. Ms. Lu joined our Company in November 2005, and has been serving as an Administrative Head of the Risk Management Department since January 2008, a member of Executive Committee, Chief Risk Officer since April 2019, a supervisor of China Capital Management since August 2009, a supervisor of China Securities Investment since November 2017 and chairperson of supervisory committee of China Securities Funds since April 2019. Ms. Lu currently serves as the vice chairperson of Risk Control Committee of Securities Association of China (中國證券業協會). Ms. Lu worked in Renmin University of China from August 1988 to August 1990. Ms. Lu served as the accounting head of the securities department of Beijing Real Estate Trust and Investment Company from July 1993 to December 1993; the analyst of the research and development department of China Securities Market Research and Design Centre from January 1994 to June 1994; the Certified Public Accountant of Beijing Jing Du Certified Public Accountants from July 1994 to August 1995; the senior auditor of the audit department, the head of the securities investment department and the assistant general manager of the risk management department of Huaxia Securities Co., Ltd. (華夏證券股份有限公司) from September 1995 to November 2005; the assistant to general manager of the Risk Management Department of the Company from November 2005 to December 2007; an employee representative Supervisor of the Company from March 2011 to April 2019; and the Chief Risk Officer of the Company from August 2018 to April 2019. Ms. Lu obtained a Bachelor's degree in Economics from the School of Accounting of Renmin University of China in July 1988 and a Master's degree in Economics from the School of Accounting of Renmin University of China in June 1993. She was qualified as a Certified Public Accountant in 1993 and obtained a certificate of senior accountant in 1999.

Name	Main professional experience
XIAO Gang	**Mr. XIAO Gang (肖鋼)**, born in June 1969, is a member of Executive Committee of the Company, Chief Information Officer and administrative head of the IT Department. Mr. Xiao joined our Company in November 2005 and has been serving as the administrative head of the IT Department since August 2012; and a member of Executive Committee, the Chief Information Officer since April 2019. Mr. Xiao currently served as a member of Information Technology Committee of China Securities Industry Association since March 2016; an expert in Fintech Research and Development Center (Shenzhen) of Securities and Futures Industry since December 2017. Mr. Xiao worked in Beijing Kangtaike Electronic Technology Co., Ltd. (北京康泰克電子技術有限公司) from July 1992 to February 1994. He served as a senior engineer of Computer Center of Huaxia Securities Co., Ltd. from March 1994 to December 2005; a senior engineer of the IT Department of the Company from December 2005 to January 2007; and the deputy general manager of the IT Department of the Company from January 2007 to August 2012. Mr. Xiao obtained a Bachelor's Degree in Computer Application from Beijing Union University in July 1992; a professional qualification as an engineer in August 1994.
PENG Wende	**Mr. PENG Wende (彭文德)**, born in June 1966, is a member of Executive Committee of the Company. Mr. Peng joined our Company in November 2005 and has been serving as a director, general manager and director of executive committee of China Securities International since May 2019 and a member of Executive Committee of the Company since July 2019. Mr. Peng served as head of Engineering Department of Xinda Industrial Co., Ltd. (鑫達實業有限公司) from July 1988 to September 1990. He worked in Huaxia Securities Co., Ltd. and served as deputy general manager of Guangzhou Branch, general manager of Beijing Sanlihe Securities Sales Department, general manager of Chongqing Branch from March 1993 to December 2005; general manager of Southwest Management Headquarters of the Company from December 2005 to December 2006; and chairman of China Securities Futures from December 2006 to June 2019. Mr. Peng obtained a Bachelor's Degree in Engineering from Huazhong University of Science and Technology from September 1984 to July 1988; a Master of Management Engineering from South China University of Technology from September 1990 to March 1993; a Doctoral Degree in Business Management from Sun Yatsen University from September 1998 to December 2001. He obtained the title of intermediate economist in July 1998.

II. POSITIONS HELD BY CURRENT AND FORMER DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS DURING THE REPORTING PERIOD

(I) Positions in the Shareholders

Name	Shareholder	Main position	Commencement date of term of office	Expiry date of term of office
YU Zhongfu	BSCOMC	Deputy General Manager	May 2009	Until expiry
ZHANG Qin	BSCOMC	Assistant to General Manager	July 2016	Until expiry
ZHU Jia	Beijing Financial Holdings Group	Assistant General Manager of the Investment and Management Department	April 2019	Until expiry
WANG Xiaolin	Central Huijin	Specially Dispatched Director	June 2018	Until expiry
WANG Hao	Central Huijin	Specially Dispatched Director	July 2018	Until expiry
AI Bo	CIC	Director of the Inspection Office of the Party Committee	June 2020	Until expiry
ZHAO Lijun	CIC	Deputy Director of Working Group for Party Construction/Party Committee Office/Corporate Culture Department	August 2019	Until expiry
WANG Bo (Resigned)	Central Huijin	Specially Dispatched Director	September 2017	Until expiry

Explanations on positions in the Shareholders	Nil

(II) Positions in Other Entities

Name	Shareholder	Position	Commencement date of term of office	Expiry date of term of office
FENG Genfu	School of Finance and Economics of Xi'an Jiaotong University	Professor and Doctoral Supervisor	May 2000	Until expiry
ZHU Shengqin	Beijing Huiyuan Holding Limited	Vice Chairman	August 2016	Until expiry
DAI Deming	Accounting Department of Renmin University of China	Professor and Doctoral Supervisor	July 1996/ January 1997	Until expiry
LIU Qiao	Guanghua School of Management of Peking University	Professor, Doctoral Supervisor and Dean	December 2010	Until expiry
BAI Jianjun	Law School of Peking University	Professor and Doctoral Supervisor	July 1987	August 2020
Xu Gang (Resigned)	CITIC Industrial Investment Group Corp., Ltd.	Vice Chairman, General Manager	March 2018	September 2020
Explanations on positions in other units		Nil		

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Changes	Reason
WANG Xiaolin	Vice Chairman of the Board and Non-executive Director	Elected	Supplemented
LI Yunan	Member of Executive Committee	Elected	Supplemented
WANG Bo	Former Non-executive Director	Resigned	Work adjustment
XU Gang	Former Non-executive Director	Resigned	Work adjustment
LI Shihua	Former Chairman of the supervisory committee	Resigned	Age

IV. RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship among the Directors, Supervisors or senior management including relationships in terms of finance, business, family or other significant relationships.

V. PERFORMANCE OF DUTIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Performance of Duties of Directors and Supervisors

In 2020, the Directors of the Company strictly complied with domestic and overseas laws, regulations, regulatory requirements and the Articles of Association and diligently and responsibly performed their responsibilities and obligations in reviewing the issues of the Board and Board Committees, provided valuable opinions and recommendations on strategic and development planning, corporate governance, business development, risk management and compliance management and other aspects, safeguarded the interests of Shareholders and promoted sustainable and healthy development of the Company.

During the year, the executive Directors earnestly performed their dual duties in decision-making and execution, actively implemented the resolutions of Shareholders' general meetings and Board meetings, and conducted in-depth study of the development and operating strategies of the Company to boost its outstanding operating results. The non-executive Directors attended the meetings of the Board and Board Committees pursuant

to the requirements and made scientific and prudent decisions by considering meeting documents, receiving special reports, conducting research and analysis, and reviewing reports on the Company's operation to keep abreast of the Company's operational status. The independent non-executive Directors consistently expressed their personal opinions in an independent and objective manner, offered advice and recommendations on the Company's development based on their professional strengths, and faithfully performed their duties so as to safeguard the interests of the Company and its Shareholders, especially the legitimate interests of minority Shareholders.

In 2020, the Supervisors of the Company strictly complied with the requirements of the Company Law and the Company's Articles of Association, earnestly performed their duties of supervision, participated in the approval of significant decisions of the Company, regularly investigated the operating status of the Company and its business operations, and effectively supervised the performance of duties by the Directors and the executive management of the Company, so as to actively safeguard the interests of Shareholders.

Details of the performance of duties of Directors and Supervisors have been set forth in the "Section 9 Corporate Governance Report – IV. Directors and Board of Directors" and "– VI. Supervisors and the Supervisory Committee" section of this annual report.

(II) Performance of Duties of Senior Management

In 2020, the executive management of the Company comprehensively implemented all resolutions and requirements of the Board. In accordance with industry trends and changes in operating environment, the executive management proposed a strategy of balanced development of light and heavy asset businesses, online and offline businesses, domestic and overseas businesses, as well as conventional and innovative businesses to continue to utilize the synergy among businesses and further strengthen the business layout. They proactively made suggestions for improvement and optimization in relation to certain major issues affecting the development of the Company, eventually achieving positive results.

Given a complicated and dynamic market environment, the executive management of the Company has continuously optimized its internal control system and risk management mechanism to raise the compliance level of risk control, while ensuring the seizing of opportunities and promoting innovation in compliance with laws and regulations. The Company was rated "Class A Grade AA" security firm for eleven consecutive years.

The executive management of the Company played an important role in achieving satisfactory operating results despite a severe market environment and intense competition in the industry, and accomplished the mission of operation and management assigned to it by the Board.

VI. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures in relation to remuneration of Directors, Supervisors and senior management	The Board of the Company established the Remuneration and Nomination Committee, which is responsible for formulating and reviewing the remuneration policies and plans for Directors and senior management of the Company. The Remuneration and Nomination Committee considers and conducts resolutions and decision-making in accordance with the Articles of Association and the "Rules of Procedures of Remuneration and Nomination Committee of the Board of the Company". In addition, the Company also formulated the "Management Measures of Remuneration in the Headquarter of the Company" (《公司總部薪酬管理辦法》) and the "Management Measures of Remuneration of Staff in Brokerage Business System of the Company" (《公司經紀業務系統員工薪酬激勵辦法》) to be the basic remuneration policy of the Company so as to regulate procedures such as decision-making of remuneration. Currently, Independent Non- Executive Directors of the Company receive remuneration from the Company with reference to industry practice, while other Non-Executive Directors and external Supervisors do not receive remuneration from the Company; the remuneration of executive Directors, internal Supervisors and senior management of the Company is determined according to the remuneration evaluation system of the Company.
Basis of determination of the remuneration of Directors, Supervisors and senior management	It is executed in strict accordance with the remuneration management system of the Company (公司薪酬管理制度), and is related to positions and performance.

Actual payment of the remuneration of Directors, Supervisors and senior management	As stipulated in the Administrative Measures on Loyalty Awards (《公司忠誠獎管理辦法》) approved by the Board, the loyalty awards allocated to qualified employees (including Directors, Supervisors and senior management personnel) shall be released at least lock-up of three years after the distribution year. According to such administrative measures, the amount of loyalty award after tax of Directors, Supervisors and senior management personnel for the year of 2016 was distributed in 2020: WANG Changqing, RMB2.09 million; LIN Xuan, RMB1.87 million; ZHAO Ming, RMB1.5858 million; ZHOU Zhigang, RMB1.925 million; YUAN Jianmin, RMB1.925 million; JIANG Yueqin, RMB1.925 million; ZHOU Xiaoyu, RMB1.925 million; LI Tiesheng, RMB1.10 million; WANG Guangxue,RMB2.695 million; ZHANG Xinfan, RMB2.6125 million; LIU Naisheng, RMB3.1625 million; HUANG Ling, RMB3.1625 million; DING Jianqiang, RMB0.7153 million; LU Ya, RMB0.825 million; XIAO Gang, RMB0.77 million; PENG Wende, RMB2.2054 million; LI Shihua, RMB1.9250 million. (the above remuneration is denominated in RMB)
Aggregate remuneration received by all Directors, Supervisors and senior management as of the end of the Reporting Period	Approximately RMB146.7664 million

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of incumbent employees of the parent company	9,018
Number of incumbent employees of major subsidiaries	976
Total number of incumbent employees	9,994
Number of resigned and retired employees for whom the parent company and major subsidiaries undertook costs	227

Professional Structure

Items	Number of employees
Brokerage business	5,890
Investment banking	1,192
Information technology	608
Financial planning	268
Administration	55
Research	219
Fixed income business	149
Asset management business	328
Securities finance businesses	48
Security investment businesses	97
Settlement	152
Legal compliance/audit	456
Risk management	96
Others	436
Total	9,994

Education Level

Education level	Number of employees *(person)*
Doctorate degree	86
Master's degree	3,755
Bachelor's degree	4,691
College or below	1,462
Total	9,994

(II) Remuneration Policies

The Company established a sound human resources management system in compliance with the requirements of the PRC laws in relation to labor contracts and labor protections, formulated various regulations and policies in relation to remuneration, position and grade, performance assessments, benefits and holidays, etc., and stringently implemented such policies. The Company effectively protected staff's interest in various aspects such as labor protection, working environment, payment of wages, social insurance, healthcare and vacation. The Company consistently carried out the principle of marketization to determine the remuneration standard. Remuneration for employees includes fixed salary, performance-related bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade integrates the factors of experience, capability, professional knowledge and experience, while performance-related bonuses are associated with the completion of results and assessment results in the corresponding year. The total amount of annual bonuses is withdrawn from total amount of profit in accordance with the ratio determined by the Board. The Company established a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the contents and standards as stipulated by the PRC government. Benefits of the Company covered various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

(III) Training Program

The Company continues to promote and implement staff training programs with comprehensive layout, overall planning, implementation by levels and clear purposes and constantly strengthens the development of a team with talents. The Company proactively improves its multi-level training system which focuses on the "ladder of training for the growth of employees" against different career development paths of employees of its headquarters and branches. Utilizing E-learning platform and its mobile as online learning carriers for learning resources and face-to-face teaching and online live broadcast teaching as the major training mode, the Company creates room for learning and growth for employees and comprehensively improves the professional skills and professional ism of the employees through multichannel, multi-way and multi-means training which broadens the scope and depth of training.

1. The Company enhanced the training of senior employees on leadership and management skills, broadened their innovative idea and international view, improved their reform management capability, strategic analysis capability, executive management capability, business synergy capability, risk prevention capability and integrated humanity quality, and nurtured quality leaders for enterprise operation and management.

2. The Company strengthened the training of mid-level staff on implementation, competence and professional skills, and strived to improve their professional knowledge, project implementation capability, business development and innovation capability as well as team management capability.

3. The Company strengthened the training of branch backup management talents, strengthened their comprehensive training in self-management, team management, system thinking, and problem analysis and resolution capabilities, to promote the improvement of business awareness and management level.

4. The Company popularized vocational training and common skills training for employees at the basic level, strengthened the promotion of values that integrate industry culture and company culture, as well as professional compliance, business operation, workflow, regulations and system, and focused on enhancing their communication and presentation capability, customer service capability, team coordination capability and office operation capability.

5. The Company attached high importance to recruitment at university campuses, and commenced a series of enrollment and trainee cultivation program to recruit outstanding graduates and students with working and placement opportunities. As of December 31, 2020, the Company has provided more than 1,700 internship positions for students and recruited 172 fresh graduates. The Company provided a total of nearly 70 hours of pre-job online courses for newly recruited employees of the headquarters and university campuses, and organized intensive induction training by way of online live broadcast in accordance with the requirements of COVID-19 epidemic prevention and control.

(IV) Information of Securities Brokers

As of December 31, 2020, a total of 150 securities branches of the Company implemented the system of securities brokers. There were a total of 955 brokers who obtained professional brokerage qualifications as reviewed and approved by the Securities Association of China.

SECTION 9 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

As a public company listed in both mainland China and Hong Kong, the Company has strictly complied with the requirements of laws, regulations and normative documents of the domestic and overseas listing places, standardized its operation, and continuously strived to maintain and enhance positive market image of the Company. The Company has established a solid and comprehensive corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the Executive Committee of the Company, and formed a complete corporate governance system in standard operation covering consideration, resolution, mandate and execution with clearly defined responsibilities among the organ of power, the decision-making body, the supervision body and the operation and management.

In accordance with the provisions of laws, regulations and regulatory documents, the Company has formulated relevant corporate governance systems, including the Articles of Association, the Rules of Procedures for Shareholders' General Meeting of the Company, the Rules of Procedures for Board Meetings of the Company and the Rules of Procedures for Supervisory Committee of the Company and Rules of Procedures for Executive Committee of the Company. Such systems defined the scope of responsibilities and working procedures of the general meeting, the Board, the Supervisory Committee, and the Executive Committee and provided an institutional guarantee to the standard operation of the Company. In addition, the Board established the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and also developed rules of procedures for these committees and clearly defined the working responsibilities, rules of procedures and working system of each special committee to give full play to their functions.

During the Reporting Period, the Company amended the Articles of Association and the Rules and Procedures of Shareholders' General Meetings in accordance with the laws and regulations such as the Securities Law, the Provisions on the Administration of Equities of Securities Companies, the Guidelines on Articles of Association of Listed Companies, and with reference to the actual situations of the Company. The amendments include, but are not limited to, increasing the restriction of defaulting shareholders' rights and internal accountability mechanism, improving the management of the appointment of Directors, Supervisors and senior management personnel, amending the procedures for share repurchase and shareholders' general meetings, and amending the authorization arrangements for foreign donations. The aforesaid amendments have been considered and approved by the Shareholders' general meeting of the Company and have been filed with regulatory authorities.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code. The Company has strictly complied with the requirements of the corporate governance system to ensure the legality and compliance of the convening, holding and voting procedures of the shareholders' general meetings, the Board of Directors and the Supervisory Committee, ensuring timely and fair information disclosure, and guaranteeing the truthfulness, accuracy and completeness of the information disclosed, to attach importance to the protection of the rights and interests of investors, and strive to provide comprehensive and effective investor relations services.

II. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") in respect of the securities transactions entered into by the Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any incompliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards of the Model Code during the Reporting Period and up to the date of this annual report.

III. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of Shareholders' General Meetings and Shareholders

The Shareholders' general meeting is the body exercising the authority of the Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures for Shareholders' General Meeting of the Company. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can fully exercise their rights. During the Reporting Period, the Company convened seven general meetings to engage in dialogue with the Shareholders so as to understand their concerns, suggestions and opinions regarding the Company's development.

(II) Overview of General Meetings

During the Reporting Period, the Company convened seven Shareholders' general meetings, the details and resolutions of which are as follows:

Session	Date of convening	Query index of the designated website for publishing resolutions	Date of disclosure for publishing resolutions
2020 First Extraordinary General Meeting	9 April 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	10 April 2020
First A Shareholders' Class Meeting in 2020	9 April 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	10 April 2020
First H Shareholders' Class Meeting in 2020	9 April 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	10 April 2020
2019 Annual General Meeting	5 June 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	6 June 2020
Second A Shareholders' Class Meeting in 2020	5 June 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	6 June 2020
Second H Shareholders' Class Meeting in 2020	5 June 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	6 June 2020
2020 Second Extraordinary General Meeting	28 July 2020	www.sse.com.cn www.hkexnews.hk www.csc108.com	29 July 2020

On April 9, 2020, the 2020 First Extraordinary General Meeting of the Company considered and approved the resolutions such as the Resolution on the Extension of the Validity Period of the Resolution of the General Meeting in relation to the Non-Public Issuance of A Shares of the Company, the Resolution on the Proposal to the Shareholder's Meetings to Extend the Validity Period of Full Authorization of the Board to Deal with Relevant Matters in Relation to the Non-public Issuance, the Resolution on Proposed General Mandate to Issue Onshore and Offshore Debt Financing Instruments and the Resolution on Amendments to the Articles of Association.

On April 9, 2020, the First A Shareholders' Class Meeting of the Company in 2020 considered and approved the resolutions such as the Resolution on the Extension of the Validity Period of the Resolution of the General Meeting in relation to the Non-public Issuance of A Shares of the Company, the Resolution on the Proposal to the Shareholder's Meetings to Extend the Validity Period of Full Authorization of the Board to Deal with Relevant Matters in Relation to the Non-public Issuance.

On April 9, 2020, the First H Shareholders' Class Meeting of the Company in 2020 considered and approved the resolutions such as the Resolution on the Extension of the Validity Period of the Resolution of the General Meeting in relation to the Non-public Issuance of A Shares of the Company, the Resolution on the Proposal to the Shareholder's Meetings to Extend the Validity Period of Full Authorization of the Board to Deal with Relevant Matters in Relation to the Non-public Issuance.

On June 5, 2020, the 2019 Annual General Meeting of the Company considered and approved the resolutions such as the Resolution on the 2019 Work Report of the Board of Directors of the Company, the Resolution on the 2019 Work Report of the Supervisory Committee of the Company, the Resolution on Adjusting the Company's Scheme of Non-public Issuance of A Shares, the Resolution Regarding the Revised Plan for the Non-public Issuance of A Shares by the Company, the Resolution on Adjustment to the Dilution of Current Return by the Non-public Issuance of A Shares by the Company and the remedial measures, the Resolution on the Final Financial Accounts of the Company for 2019, the Resolution on the Profit Distribution Plan of the Company for 2019, the Resolution on the 2019 Annual Report of the Company, the Resolution on the Investment Amount for the Proprietary Business of the Company for 2020, the Resolution on the Estimated Ordinary Transactions with Related Parties of the Company for 2020, the Resolution on the Reappointment of Accounting Firms of the Company for 2020, and considered the Performance Report of the Independent Non-executive Directors of the Company for 2019.

On June 5, 2020, the Second A Shareholders' Class Meeting of the Company in 2020 considered and approved the resolutions such as the Resolution on Adjusting the Company's Scheme of Non-public Issuance of A Shares, the Resolution Regarding the Revised Plan for the Non-public Issuance of A Shares by the Company.

On June 5, 2020, the Second H Shareholders' Class Meeting of the Company in 2020 considered and approved the resolutions such as the Resolution on Adjusting the Company's Scheme of Non-public Issuance of A Shares, the Resolution Regarding the Revised Plan for the Non-public Issuance of A Shares by the Company.

On July 28, 2020, the 2020 Second Extraordinary General Meeting of the Company considered and approved the resolutions such as the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders' General Meetings, the Resolution on the Addition of Director of the Company.

(III) Attendances of Shareholders' General Meetings by Directors of the Company

Name of Director	Attendances of Shareholders' General Meetings Actual attendance
WANG Changqing	7/7
YU Zhongfu	7/7
WANG Xiaolin	0/0
LI Geping	6/7
ZHANG Qin	7/7
ZHU Jia	7/7
WANG Hao	7/7
FENG Genfu	7/7
ZHU Shengqin	7/7
DAI Deming	7/7
BAI Jianjun	7/7
LIU Qiao	7/7
WANG Bo (Resigned)	7/7
XU Gang (Resigned)	6/7
Shareholders' general meetings convened during the year	7

Note: "attendances" includes on-site attendance and communication attendance.

IV. BOARD AND BOARD MEETINGS

(I) Composition of the Board

The Company has a Board which is accountable to the Shareholders' general meeting. In accordance with the provisions of the Articles of Association, the Board consists of 14 members, five of whom are Independent Non-executive Directors and the number of internal Directors in the Board shall not exceed one-half of the total number of Directors. The Board shall have one chairman and two vice chairmen who shall be elected and removed by more than one half of all the Directors. The chairman and vice chairman shall serve a term of three years, and are eligible for re-election upon the expiration of their term, except as otherwise provided in the relevant laws and regulations and the Articles of Association. Mr. WANG Changqing served as the Chairman of the Board. The General Manager is Mr. LI Geping, who is responsible for overseeing the day-to-day operations of the Group.

Directors are appointed at the Shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of their term. Independent Non-executive Directors shall not hold office for more than six consecutive years. The Company confirms that the Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority Shareholders.

The biographies of all Directors are set out in "Section 8 Directors, Supervisors, Senior Management and Employees" in this annual report.

(II) Powers and Duties of the Board

In accordance with the Articles of Association, the Board shall exercise the following powers and duties: (1) to convene the Shareholders' general meetings and submit work report to such meetings; (2) to implement the resolutions of the Shareholders' general meetings; (3) to decide on the operation plan and investment scheme of the Company; (4) to determine the objectives of the Company's compliance management, assume responsibility for the effectiveness of compliance management of the Company and perform the corresponding duties of compliance management; (5) to prepare the draft annual budget and final accounts of the Company; (6) to prepare the profit distribution plan and the loss recovery plan of the Company; (7) to prepare the plan for the Company to increase or reduce its registered capital, issuance of corporate bonds and other securities and listing plans; (8) to prepare plans of the Company with respect to mergers, divisions, dissolution or changes of the form of the Company; (9) to prepare plans of the

Company with respect to material acquisitions and acquisition of the Company shares; (10) to appoint or remove the General Manager, the Chief Compliance Officer, the Chief Risk Officer and the Secretary of the Board nominated by the Chairman of the Board and decide the remunerations and rewards and punishments thereof; to appoint or remove the Chief Financial Officer, Chief Information Officer members of the Executive Committee and other senior management members nominated by the Chairman of the Board or the General Manager, and decide the remunerations and rewards and punishments thereof; (11) to decide on the establishment of the internal management organizations of the Company; (12) to determine the composition of special committees under the Board, and the chairman (convener) of each special committee; (13) to establish a basic management system of the Company; (14) to prepare plans to amend the Articles of Association; (15) to file an application for bankruptcy on behalf of the Company; (16) to prepare plans of the Company with respect to material external investments, material assets acquisition and disposal, material guarantees and material connected transactions; (17) to consider and approve the external investment matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (18) to consider and approve the assets acquisition and disposal matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (19) to consider and approve the connected transactions that should be considered and approved by the Board pursuant to laws, regulations and the listing rules of the place where the Company shares are listed; (20) to consider and approve the external donations by the Company which accumulatively do not exceed RMB twenty five million (25,000,000) (inclusive) in one financial year; (21) to decide on the Company's external investments, acquisition and disposal of assets, pledge of assets, external guarantees, trust management and other matters within the scope of authorization by the Shareholders' general meeting; (22) to decide on mergers, divisions, establishments or revocations of domestic branches; (23) to manage the disclosure of information by the Company; (24) to propose to the Shareholders' general meeting with respect to the engagement or replacement of the audit firm of the Company; (25) to receive the work report of the General Manager of the Company and examine such work; and (26) to exercise any other duties and powers specified in relevant laws, administrative regulations, departmental rules, normative documents, the listing rules of the place where the Company shares are listed or authorized by the Articles of Association.

(III) Operation of the Board

During the Reporting Period, the Board of the Company has strictly complied with the provisions of relevant laws and regulations, the Articles of Association and the Rules of Procedures for Board Meetings of the Company. Convening and holding procedures and voting procedures of the Board meetings have complied with the provisions of the Company Law and the Articles of Association, and all resolutions made are legal and valid.

As of the end of the Reporting Period, the Board of the Company comprised 12 Directors, including Mr. WANG Changqing, Mr. YU Zhongfu, Mr. WANG Xiaolin, Mr. LI Geping, Ms. ZHANG Qin, Ms. ZHU Jia, Mr. WANG Hao, Mr. FENG Genfu, Ms. ZHU Shengqin, Mr. DAI Deming, Mr. BAI Jianjun and Mr. LIU Qiao. Among them, Mr. WANG Changqing was the Chairman, Mr. YU Zhongfu and Mr. WANG Xiaolin were the Vice Chairman. Five of these 13 Directors, including Mr. FENG Genfu, Ms. ZHU Shengqin, Mr. DAI Deming, Mr. BAI Jianjun and Mr. LIU Qiao, were Independent Non-executive Directors. Mr. WANG Bo and Mr. XU Gang resigned as non-executive Directors during the reporting period due to adjustment of their work arrangements. Two vacant Directors of the Company due to the will be appointed separately by performing relevant nomination and election procedures.

(IV) Convening of Board Meetings

In 2020, the Company convened a total of 12 Board meetings, as follows:

On January 13, 2020, the 17th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Extension of the Validity Period of the Plan for the Non-public Issuance of A Shares, the Resolution on the Proposal to the Shareholders' Meetings to Extend the Validity Period of Full Authorization to the Board to Deal with Relevant Matters in Relation to the Non-public Issuance, the Resolution on the General Mandate to Issue Onshore and Offshore Debt Financing Instruments, the Resolution on Investment in Beijing International Financial Forum Co., Ltd. and the Resolution on the Standardization of the Company's Stock of Large Collection Products and other resolutions.

On January 26, 2020, the 18th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Exemption of Prior Notice Period of Board Meetings, the Resolution on the Donations to Support Fighting against the COVID-19 Outbreak and other resolutions.

On February 17, 2020, the 19th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Amendments to the Articles of Association, the Resolution on the Adjustment to the Authorization for Consideration and Approval of External Donation by the Management and the Resolution on the Convening of 2020 First Extraordinary General Meeting and Shareholders' Class Meetings.

On March 26, 2020, the 20th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the 2019 Operation Report of Operation Management of the Company, the Resolution on the 2019 Work Report of the Board of Directors of the Company, the Resolution on the 2019 Work Report of the

Independent Non-executive Directors of the Company, the Resolution on the Report on Performance of Duties by the Audit Committee of the Board of the Company for 2019, the Resolution on the Amendment to the Proposed Non-public Issuance of A Shares, the Resolution on the Amendment to the Plan for the Non-public Issuance of A Shares, the Resolution on the Amendment of the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial Measures, the Resolution on the 2019 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2019, the Resolution on the 2019 Annual Report and Results Announcement of the Company, the Resolution on the 2019 Risk Report of the Company, the Resolution the 2019 Compliance Report of the Company, the Resolution on the 2019 Special Evaluation Report on the Effectiveness of Compliance Management of the Company, the Resolution on the 2019 Work Report on Anti-money Laundering of the Company, the Resolution on the 2019 Special Report on Information Technology of the Company, the Resolution on the 2019 Internal Control Evaluation Report of the Company, the Resolution on the 2019 Social Responsibility cum the Environmental, Social and Governance Report of the Company, the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2019, the Resolution on the 2019 Annual Appraisal on the Chief Compliance Officer of the Company, the Resolution on the 2020 Work Plan of the Company, the Resolution on the 2020 Financial Plan of the Company, the Resolution on the Additional Appointment of Mr. LI Yunan as a Member of the Executive Committee of the Company, the Resolution on the Consideration of the Internal Control System of the Company, the Resolution on the 2020 Risk Management Polices of the Company, the Resolution on the Cap on Investment Amount for Proprietary Business of the Company in 2020, the Resolution on the Increase in Capital Contribution to China Futures Co., Ltd., the Resolution on the Expected Related Party Transactions of the Company in 2020, the Resolution on the Re-appointment of Accounting Firm for 2020 of the Company, the Resolution on the Convening of the 2019 General Meeting and Shareholders' Class Meetings of the Company and other resolutions.

On April 24, 2020, the 21st meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the 2020 First Quarterly Report of the Company.

On May 29, 2020, the 22nd meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders' General Meetings, and the Resolution on the Addition of Director of the Company.

On June 9, 2020, the 23rd meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Convening of 2020 Second Extraordinary General Meeting of the Company.

On August 25, 2020, the 24th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Addition of Members of the Special Committees under the Board of the Company, the Resolution on the 2020 Interim Report (A Shares) of the Company, the Resolution on the 2020 Interim Results Announcement and Interim Report (H Shares) of the Company and the Resolution on the Risk Report of the Company for the First Half of 2020.

On August 27, 2020, the 25th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Consideration of the Rectification Plan for Asset Management Business of the Company during the Transition Period.

On September 25, 2020, the 26th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Election of Vice Chairman of the Company, the Resolution on the Medium-term Adjustment Plan for 2020 Financial Plan of the Company, the Resolution on the Increase in Capital Contribution to China Securities Investment Limited and the Resolution on the Ordinary Related Party Transaction Agreement entered into between the Company and CE Group.

On October 23, 2020, the 27th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the 2020 Third Quarterly Report of the Company, the Resolution on the Certain Acquired Equity Interest of China Securities Funds Management Limited and other resolutions.

On November 11, 2020, the 28th meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Management Policies of Human Resources of the Company.

(V) Attendances of Board Meetings by Directors

Name of Director	Whether Independent Non-executive Director or not	Attendances of Board Meeting: Scheduled attendance at Board meetings held for the year	Attendance in person	Board Meetings Attendance by way of telecommunication	Attendance by proxy	Absence	Whether the Director failed to attend two consecutive meetings in person or no
WANG Changqing	No	12	12	3	0	0	No
YU Zhongfu	No	12	11	10	1	0	No
WANG Xiaolin	No	5	5	2	0	0	No
LI Geping	No	12	12	4	0	0	No
ZHANG Qin	No	12	12	11	0	0	No
ZHU Jia	No	12	12	11	0	0	No
WANG Hao	No	12	12	5	0	0	No
FENG Genfu	Yes	12	12	12	0	0	No
ZHU Shengqin	Yes	12	12	12	0	0	No
DAI Deming	Yes	12	12	12	0	0	No
BAI Jianjun	Yes	12	12	12	0	0	No
LIU Qiao	Yes	12	12	12	0	0	No
WANG Bo (resigned)	No	7	7	6	0	0	No
XU Gang (resigned)	No	12	12	11	0	0	No

Board meetings convened during the year	12
Including：on-site meetings	9
Meetings convened by way of telecommunication	3
On-site meetings with telecommunication	9

(VI) Training of Directors and Supervisors

The Company constantly followed up the training demands of each Director and Supervisor and assisted them in receiving continuous training and understanding the requirement of relevant laws, regulations and regulatory rules by fully leveraging the training platforms of regulatory authorities and self-regulatory organizations. In 2020, each of the Directors and Supervisors of the Company have received the training, including but not limited to the interpretation of Securities Law, Code of Corporate Governance for Listed Companies in China, Measures for Administration of Material Assets Reorganization of Listed Companies, State Council's Opinions on Further Improving the Quality of Listed Companies and other laws, regulations and policies, authority, obligations and responsibility of the Directors and Supervisors, analysis of operational experience of the board of directors and supervisory committees of excellent listed companies, analysis of violations of laws and regulations of listed companies, etc.; moreover, they have also received the training of obligations and responsibility of the Directors and Supervisors, disclosable transactions in relation to compliance operation of H-share listed companies. During the Reporting Period, the training of Directors and Supervisors of the Company met the requirements of regulatory authorities and Stock Exchanges.

(VII) Board Diversity Policy

The Remuneration and Nomination Committee has adopted a board diversity policy concerning the diversity of Board members (the "Board Diversity Policy") pursuant to paragraph A.5.6 of the Corporate Governance Code. The Company regards the increasing of diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the composition of the Board, diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and other factors. All appointments of the Board will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, the ultimate decision will be based on merit and contribution that the selected candidates can make to the Board. The composition of the Board will be disclosed in the Corporate Governance Report annually.

(VIII) Directors Nomination Policy

Article 140 of the Articles of Association specifies the methods and procedures to nominate Directors: (1) the candidates for Directors may be nominated by the Board of Directors based on the number of Directors to be elected subject to the number specified by the Articles of Association; (2) shareholder(s) individually or jointly holding three per cent (3%) or more of the shares of the Company may nominate the candidates for Directors, but the number of persons nominated shall comply with the provisions of the Articles of Association and shall not exceed the number of persons to be elected; (3) before the convening of general meeting of the Company, candidates for Directors shall make written commitments stating their acceptance of the nomination, confirming that the information of candidates for Directors is true and complete, and undertaking to faithfully perform the duties of Directors if elected; (4) the written notices of the intention to nominate a candidate for election as a Director and the acceptance of nomination by such candidate, shall be given to the Company no less than seven (7) days prior to the date of convening the general meeting; (5) the period given by the Company to relevant nominators and nominees to submit the aforesaid notices and documents (which period shall commence from the day following the date of despatch of the notice of general meeting) shall be no less than seven (7) days. Also, Article 141 of the Articles of Association specifies: Independent Directors refer to the Directors who do not hold any other positions in the Company (other than as a Director of the Company), and are not related to the Company and its shareholders in a way that may hinder their independent and objective judgment, and comply with the independent requirements under the listing rules of the place where the Company shares are listed. The Company's Board of Directors shall include Independent Directors. There shall be no less than three (3) Independent Directors and they shall constitute no less than one-third (1/3) of the Board of Directors. At least one Independent Director shall possess the appropriate professional qualifications or have appropriate accounting or related financial management expertise and one Independent Director shall reside in Hong Kong. Apart from the qualifications and obligations of Directors provided in the relevant provisions in Section 1 of Chapter 6 of the Articles of Association, an Independent Director shall also meet the following requirements: shall have five (5) years or more of experience in the work of securities, finance, law or accounting; shall have a university diploma at or above the undergraduate level, and a bachelor's degree or higher degree; shall have the time and capacity necessary for the performance of his/her duties as an Independent Director; shall have the basic knowledge of the operation of a financial institution and be familiar with the relevant laws, regulations and rules, and with a good reputation; shall meet the independence requirements provided in the relevant provisions required by the Securities Regulatory Authorities of the State Council and the securities regulatory rules of the place where the Company's shares are listed.

The Remuneration and Nomination Committee will consider the following factors when evaluating candidates for Director: including but not limited to personal reputation; achievements and experience in the financial services industry, especially the securities industry; time available; diversity in all aspects of the Board, including but not limited to regulatory requirements, gender, age, cultural and educational background, work experience, professional experience and years of service.

V. BOARD COMMITTEES UNDER THE BOARD OF THE COMPANY

(I) Development Strategy Committee

1. Duties of the Committee

The Development Strategy Committee is responsible for researching and forecasting the Company's long-term development strategy and establishing the Company's development strategy plans. As of the end of the reporting period, the Development Strategy Committee comprises six Directors, namely Mr. WANG Changqing, Mr. YU Zhongfu, Mr. LI Geping, Ms. ZHU Jia, Mr. WANG Hao and Mr. FENG Genfu. Mr. WANG Changqing is the current Chairman of the Development Strategy Committee.

As specified in the Articles of Association, the primary duties of the Development Strategy Committee include, but are not limited to, the following: (1) understanding and mastering the overall operations of the Company; (2) understanding, analyzing and mastering the current conditions of international and domestic markets; (3) understanding and mastering relevant policies of the State; (4) studying the short, medium and long-term development strategies of the Company or the relevant issues; (5) providing consultancy advice on the Company's major decisions on long-term development strategy and major investments, reform etc.; (6) reviewing and approving research reports on development strategies; (7) issuing routine research reports regularly or from time to time; and (8) performing such other duties determined by the Board and required by the listing rules or regulatory requirement of the place where the Shares of the Company are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Development Strategy Committee has convened two meetings. Details of the meeting of the Development Strategy Committee are set out below:

Date of meeting	Subject Matters
March 24, 2020	The Resolution on the 2019 Work Report of the Board of the Company and the Resolution on Adjust of the Non-public Issuance of A Shares, the Resolution on the Adjust to Formulation of the Plan for the Non-public Issuance of A Shares, Resolution on the Adjust to Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial Measures, Resolution on the 2019 Final Financial Accounts Plan of the Company, Resolution on the 2020 Work Scheme, the Resolution on the 2020 Financial Plan of the Company and the Resolution on the Increase of Capital Contribution to China Securities Investment Futures Limited were Considered
October 16, 2020	Listened to the special report of the Company, asset management business of the Company, and studied and discussed its development strategies (including fund subsidiaries)

3. Attendance of Meetings of the Development Strategy Committee

Name of Committee Member	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WANG Changqing	Chairman, Executive Director and Chairman of the Development Strategy Committee	2/2
YU Zhongfu	Vice Chairman, Non-executive Director and Member of the Development Strategy Committee	2/2
LI Geping	Executive Director and Member of the Development Strategy Committee	2/2
ZHU Jia	Non-executive Director and Member of the Development Strategy Committee	2/2
WANG Hao	Non-executive Director and Member of the Development Strategy Committee	2/2
FENG Genfu	Independent Non-executive Director and Member of the Development Strategy Committee	2/2
XU Gang (resigned)	Non-executive director, Member of the Development Strategy Committee	2/2

(II) Risk Management Committee

1. Duties of the Committee

The Risk Management Committee shall be mainly responsible to monitor the overall risk management of the Company and control such risks within reasonable limits, so as to ensure that the Company may implement effective risk management plans with respect to various risks in the business related activities of the Company. As of the end of the reporting period, the Risk Management Committee comprises five Directors, namely Mr. WANG Hao, Mr. LI Geping, Ms. ZHANG Qin, Mr. BAI Jianjun and Mr. LIU Qiao. Mr. WANG Hao is the current Chairman of the Risk Management Committee.

As specified in the Articles of Association, the primary duties of the Risk Management Committee are as follows: (1) to review and advise on the general objectives and basic policies of compliance management and risk management; (2) to determine strategic structures and resources for the risk management of the Company, and to ensure that they are compatible with the internal risk management policies of the Company; (3) to review and advise on the establishment and duties of the institution for compliance management and risk management; (4) to evaluate the risks relating to major decisions to be considered and approved by the Board and the solutions for such major risks, and to provide advice in this regard; (5) to define the limits of major risks; (6) to supervise, examine and make recommendation to the Board on relevant risk management policies; (7) to review and approve the compliance reports and risk evaluation reports required to be considered and approved by the Board, and providing advice in this regard; and (8) other duties to be determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Risk Management Committee has convened two meetings. Details of the meetings are set out below:

Date of meeting	Subject matters
March 25, 2020	The Resolution on the 2019 Risk Report of the Company, the Resolution on the 2019 Compliance Report of the Company, the Resolution on the Special Review Report for Effectiveness of Compliance Management of the Company for 2019, the Anti-money Laundering Report of the Company for 2019, the Resolution on the 2019 Internal Control Evaluation Report of the Company, the Resolution on the 2019 Internal Control Systems of the Company, the Resolution on the 2020 Risk Management Polices of the Company and the Resolution on the Cap on Investment Amount for Proprietary Business of the Company in 2020 were considered
August 24, 2020	The Resolution on the Risk Report of the Company for the First Half of 2020 was considered

3. *Attendance of Meetings of the Risk Management Committee*

Name of Committee Member	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WANG Hao	Non-executive Director and Chairman of the Risk Management Committee	2/2
LI Geping	Executive Director and Member of the Risk Management Committee	2/2
ZHANG Qin	Non-executive Director and Member of the Risk Management Committee	2/2
BAI Jianjun	Independent Non-executive Director and Member of the Risk Management Committee	2/2
LIU Qiao	Independent Non-executive Director and Member of the Risk Management Committee	2/2
WANG Bo (resigned)	Non-executive Director and Member of the Risk Management Committee	1/1
XU Gang (resigned)	Non-executive Director and Member of the Risk Management Committee	2/2

(III) Audit Committee

1. Duties of the Committee

The Audit Committee is responsible for the compliance control of the operating management and investment business of the Company and the review and supervision of the internal auditing works and results of the Company. As at the end of the reporting period, the Audit Committee comprises five Directors, namely Mr. DAI Deming, Mr. WANG Xiaolin, Ms. ZHANG Qin, Mr. FENG Genfu and Ms. ZHU Shengqin. Mr. DAI Deming currently serves as the Chairman of the Audit Committee.

As specified in the Articles of Association, the primary duties of the Audit Committee are as follows: (1) to supervise the annual audit and make judgment on the truthfulness, accuracy and completeness of the audited information contained in the financial reports before submitting the reports to the Board; (2) to propose to engage or dismiss the external auditor of the Company, and to supervise the practice of external auditors; (3) to supervise the internal audit system and its implementation; (4) to be responsible for the communications between the internal audit and the external audit; (5) to review and approve the financial information of the Company and its disclosure; (6) to examine the internal control system of the Company; and (7) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Audit Committee has convened five meetings. Details of the meetings are set out below:

Date of meeting	Subject matters
March 10, 2020	Listened to the report about the 2019 annual review scheme and primary review of the Company by external review institution
March 25, 2020	Listened to the report regarding the 2019 external auditing of the Company by external auditing agency, the Resolution on the 2019 Work Report and 2020 Working Plans of Internal Auditing of the Company, the Resolution on the 2019 Internal Control Evaluation Report of the Company, the Resolution on the 2019 Annual Report and Results Announcement of the Company, the Resolution on the Expected Related Party Transactions of the Company in 2020, the Resolution on the Re-appointment of Accounting Firm for 2020 of the Company, the Resolution on the Report on Performance of Duties by the Audit Committee of the Board of the Company for 2019 were considered
April 23, 2020	Considered the Resolution on the 2020 First Quarterly Report of the Company
August 21, 2020	Listened to the report by external audit agency on the audit and review of the 2020 Interim Report and the annual audit plan, and considered the Resolution on the 2020 Interim Report (A Shares) of the Company and the Resolution on the 2020 Interim Results Announcement and Interim Report (H Shares) of the Company
October 22, 2020	Considered the Resolution on the 2020 Third Quarterly Report of the Company

3. Attendance of Meetings of the Audit Committee

Name of Committee Member	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
DAI Deming	Independent Non-executive Director and Chairman of the Audit Committee	5/5
WANG Xiaolin	Vice Chairman, Non-executive Director and Member of the Audit Committee	1/1
ZHANG Qin	Non-executive Director and Member of the Audit Committee	5/5
FENG Genfu	Independent Non-executive Director and Member of the Audit Committee	5/5
ZHU Shengqin	Independent Non-executive Director and Member of the Audit Committee	5/5
WANG Bo (resigned)	Non-executive Director and Member of the Audit Committee	3/3

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The Remuneration and Nomination Committee is mainly responsible for formulation of the appraisal standards of the Company's Directors and the senior management, as well as conducting appraisal; formulation and examination of remuneration policy and proposal for the Directors and the senior management (including but not limited to performance evaluation standards, procedures and major evaluation systems, major programs and systems of incentives and penalties); researching the selection standard of Directors and the senior management and making suggestions of the candidates. As at the end of the reporting period, the Remuneration and Nomination Committee comprises seven Directors, namely Mr. BAI Jianjun, Mr. WANG Changqing, Mr. YU Zhongfu, Mr. WANG Xiaolin, Ms. ZHU Shengqin, Mr. DAI Deming and Mr. LIU Qiao. Mr. BAI Jianjun currently serves as the Chairman of the Remuneration and Nomination Committee.

As specified in the Articles of Association, the primary duties of the Remuneration and Nomination Committee are as follows: (1) to formulate and implement a performance evaluation system responsive to the changing market conditions, competitive remuneration package and the incentive measures for awards and punishments related to operating results, in accordance with the features of the financial and securities industry, the respective scope, responsibilities, significance of the Directors and senior management and remuneration levels of similar positions in other relevant enterprises; (2) to assess the fulfillment of duties of the Directors and senior management of the Company and to appraise their annual performance;(3) to review and advise on the appraisal and remuneration system for the Directors and senior management; (4) to monitor the implementation of the remuneration system for the Directors and senior management; (5) to review and advise on the election standards and procedures of the Directors and senior management; to search for eligible candidates for Directors and senior management; to review and provide opinions on the qualification criteria of candidates for Directors and senior management; and (6) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Development Strategy Committee has convened four meetings. Details of the meeting of the Development Strategy Committee are set out below:

Date of meeting	Subject matters
March 24, 2020	the Resolution on the Appraisal of Chief Compliance Officer of the Company in 2019 and the Resolution on the Additional Appointment of Mr. Li Yunan as a Member of Executive Committee of the Company were considered
April 23, 2020	the Resolution on the 2019 Annual Bonus of Management Team of the Company was considered
May 29, 2020	the Resolution on Additional Appointment of Directors of the Company was considered
November 10, 2020	the Resolution on the Human Resources Management Policies of the Company was considered, and listened to the special report on the Company's salary

3. Attendance of Meetings of the Remuneration and Nomination Committee

Name of Committee Member	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
BAI Jianjun	Independent Non-executive Director and Chairman of Remuneration and Nomination Committee	4/4
WANG Changqing	Chairman, Executive Director and Member of Remuneration and Nomination Committee	4/4
YU Zhongfu	Vice Chairman, Non-executive Director and Member of Remuneration and Nomination Committee	4/4
WANG Xiaolin	Vice Chairman, Non-executive Director and Member of Remuneration and Nomination Committee	1/1
ZHU Shengqin	Independent Non-executive Director and Member of Remuneration and Nomination Committee	4/4
DAI Deming	Independent Non-executive Director and Member of Remuneration and Nomination Committee	4/4
LIU Qiao	Independent Non-executive Director and Member of Remuneration and Nomination Committee	4/4

VI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

(I) Formation of the Supervisory Committee

The Company sets up a Supervisory Committee that is responsible to the Shareholders' general meetings. In accordance with the Articles of Association, the Supervisory Committee consists of six Supervisors, four of which are Shareholder Representative Supervisors and two of which are Employee Representative Supervisors; the Supervisory Committee is chaired by the chairman of the Supervisory Committee. The Supervisors serve a term of three years and are eligible for re-election upon the expiration of their terms.

(II) Powers and Duties of the Supervisory Committee

In accordance with the provisions of the Articles of Association, the Supervisory Committee shall exercise the following duties and powers:

(1) the regular reports of the Company prepared by the Board shall be reviewed and written review opinions shall be put forward; (2) to review the financial position of the Company; (3) supervising the Directors and senior management in their performance of duties and proposing the dismissal of Directors and senior management who contravenes laws, administrative regulations, the Articles of Association or Shareholders' resolutions; (4) demanding any Director and senior management who acts in a manner which is prejudicial to the interests of the Company to rectify such behavior, and report to the Shareholders' general meeting or relevant competent authorities of the State when necessary; (5) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law; (6) to put forward proposals to the Shareholders' general meetings; (7) to attend the Board meetings, and put forward queries or suggestions regarding resolutions at Board Meetings; (8) to arrange exit audit on senior management members; (9) to initiate litigations against Directors and senior management members in accordance with provisions of the Company Law; (10) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practicing auditors in the name of the Company to assist with further examination if there are any queries; (11) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to retain at the expense of the Company such agencies as certified accounting firm and law firm to assist its work; (12) other duties and powers conferred by the laws, administrative regulations, departmental rules, normative documents, listing rules of the place where the Company is listed and Articles of Association.

(III) Operation of the Supervisory Committee

During the Reporting Period, the Supervisory Committee of the Company operated in strict compliance with the provisions of relevant laws, regulations and regulatory documents, the Articles of Association and the Rules of Procedures for Supervisory Committee. Convening and holding procedures as well as voting procedures of Supervisory Committee meetings complied with the provisions of the Company Law and the Articles of Association, and resolutions made were legal and valid.

As of the end of the Reporting Period, the Supervisory Committee of the Company consisted of 4 Supervisors, Ms. AI Bo, Ms. ZHAO Lijun, Ms. LIN Xuan, and Mr. ZHAO Ming, among whom Ms. LIN Xuan and Mr. ZHAO Ming were employee Supervisors. Mr. LI Shihua resigned as Chairman and Supervisor of the Supervisory Committee on December 4, 2020 due to the reason of age. The two Supervisors of the Company temporarily left vacant will perform relevant nomination and election procedures separately.

(IV) Meetings of the Supervisory Committee

In 2020, the Supervisory Committee of the Company convened five meetings, the details of which are as follows:

On March 26, 2020, the 8th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2019 Work Report of the Supervisory Committee of the Company, the Resolution on the 2019 Work Report and 2020 Working Plans of Internal Auditing of the Company, the Resolution on the Profit Distribution of the Company in 2019, the Resolution on the 2019 Annual Report and Results Announcement of the Company, the Resolution on the 2019 Risk Report of the Company, the Resolution the 2019 Compliance Report of the Company, the Resolution on the 2019 Special Valuation Report on the Effectiveness of Compliance Management, the Resolution on the 2019 Internal Control Evaluation Report of the Company, the Resolution on the 2019 Social Responsibility cum the Environmental, Social and Governance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2019 and the Resolution on the Expected Related Party Transactions of the Company in 2020.

On April 24, 2020, the 9th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2020 First Quarterly Report of the Company.

On August 25, 2020, the 10th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2020 Interim Report (A Shares) of the Company, the Resolution on the 2020 Interim Results Announcement and Interim Report (H Shares) of the Company, and the Resolution on the Risk Report of the Company for the First Half of 2020.

On October 23, 2020, the 11th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2020 Third Quarterly Report of the Company.

On December 4, 2020, the 12th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the Resignation of Mr. Li Shihua as the Chairman of the Supervisory Committee of the Company, and the Resolution on the Election of Convener of the Supervisory Committee of the Company.

(V) Attendance of Meetings of the Supervisory Committee by Supervisors

	Number of meetings	Attendance in person	Attendance by proxy	Absence
AI Bo	5	5	0	0
ZHAO Lijun	5	5	0	0
LIN Xuan	5	5	0	0
ZHAO Ming	5	5	0	0
LI Shihua (resigned)	5	5	0	0

VII. COMPANY SECRETARIES

Mr. WANG Guangxue, the secretary to the Board and a joint company secretary of the Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. WONG Wai Ling of SWCS Corporate Services Group (Hong Kong) Limited, as the Company's joint company secretary, to assist Mr. WANG Guangxue in discharging the duties of a company secretary. Mr. WANG Guangxue has attended necessary trainings on, including laws and regulations of the place where the shares of the Company are listed, the Listing Rules, director and Board secretaries' duties, rules on information disclosure, rules on connected transactions, notifiable transactions, equity management of securities companies, directors' and supervisors' securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies. Meanwhile, Mr. WANG Guangxue has participated in and passed the relevant training and examination for the secretary to the Board organized by the Shanghai Stock Exchange, and obtained the qualification for the secretary to the Board.

Both Mr. WANG Guangxue and Ms. WONG Wai Ling have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2020.

VIII. INVESTOR RELATIONS

The Company emphasizes the importance of protecting the interest of investors and endeavors to provide comprehensive and effective investor relations services. The Company has actively performed the duties of a listed company. The Company established an investor relations service and management system, formed an investor relations service team led by the secretary to the Board, set up a hotline and mail box for investor relations services and created an investor relations sector on the official website of the Company, to ensure the true, effective and timely communication of corporate information to investors.

The Company was visited by domestic and overseas institutional investors and analysts, remained in close communication with investors to address their concerns through various channels including teleconferences, video conferences and e-mails, and convened online results debriefing upon the disclosure of regular report to help investors better understand the latest developments in the market, securities industry as well as the strategies and operations of the Company, subject to the relevant regulatory requirements for information disclosure.

IX. COMMUNICATION WITH SHAREHOLDERS

The Shareholders' general meeting is the body exercising the authority of the Company, Shareholders shall exercise the duties and powers in accordance with the laws and regulations, the Articles of Association and the Rules of Procedures for the Shareholders' General Meeting of the Company.

The rights of the Shareholders are clearly specified in the Articles of Association. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders, especially minority shareholders, are treated equally and can fully exercise their legitimate rights. Shareholders may propose to convene an extraordinary general meeting or Shareholders' class meeting or put forward proposals pursuant to the Articles of Association. Shareholder(s) that hold, individually or collectively, ten percent (10%) or more of the Shares in the Company shall have the right to request in writing the Board to hold an extraordinary general meeting or Shareholders' class meeting. The Board, the Supervisory Committee and Shareholder(s) that hold, individually or collectively, three percent (3%) or more of the Shares in the Company shall have the right to propose motions to the Company at the general meeting. The Shareholders may attend and vote at general meetings in person or by proxy. The Articles of Association is set out on the websites of the Company, SSE and the HKEx.

A resolution on amendments to the Articles of Association was proposed for the approval of the Shareholders at the 2021 first extraordinary general meeting held on 19 March 2021, details of which were set out in the Company's circular dated 1 February 2021. The latest version of the Articles of Association is set out on the websites of the Company, SSE and the HKEx.

The resolutions of the meeting and the legal opinions of the general meeting issued by the legal adviser of the Company are set out on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange on the day of each general meeting, which are available to shareholders for inspection.

The Shareholders' general meeting provides opportunities for communications between the Company and its Shareholders. Shareholders are encouraged to attend general meetings in person, or if they fail to attend such meetings, appoint proxies to attend and vote at the meetings for and on their behalf. The Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively and ethically carry out various types of investor relation activities to keep in contact with Shareholders and timely meet their reasonable demands.

The Company's website (www.csc108.com) provides Shareholders with corporate information, such as major business activities and the latest development of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of the Company. To serve as a channel promoting effective communication with Shareholders, the Company also publishes announcements, circulars, notices of general meeting, financial data and other information of the Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on the Company's website. Shareholders are encouraged to make enquiries by phone, by email or write directly to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer to the "Section 2 Company Information" section of this annual report for the contact details.

The Company welcomes all Shareholders to attend the Shareholders' general meetings and makes appropriate arrangement for general meetings to encourage Shareholders' participation. The Company's Directors, Supervisors and senior management will attend the Shareholders' general meetings. In accordance with paragraph E.1.2 of the Corporate Governance Code, the Chairman of the Board and chairmen of the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee under the Board shall be available to answer questions at the annual general meeting and shall also ensure that the external auditors will attend the annual general meeting to answer the relevant questions raised by Shareholders.

The Company shall arrange the Board to answer questions raised by Shareholders during the 2020 Shareholders' general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

X. PROCEDURES FOR PROCESSING AND RELEASING INSIDE INFORMATION

With approval from the Board and pursuant to the requirements of domestic and overseas laws and regulations, Listing Rules and Articles of Association, as well as the actual conditions of the Company, the "Policy on Information Disclosure Management of CSC Financial Co., Ltd." has been formulated by the Company to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this policy, the Company must, as soon as reasonably practicable after any inside information has come to its knowledge or a false market may be formed, disclose such information to the public.

During the Reporting Period, the Company has truthfully, accurately, legally and timely disclosed information strictly in compliance with the requirements of domestic and overseas laws and regulations, Listing Rules, Articles of Association and the Policy on Information Disclosure Management of the Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information in a fair, timely and effective manner.

XI. RISK MANAGEMENT, COMPLIANCE MANAGEMENT AND INTERNAL CONTROL

(I) Risk Management

For the objectives and policies of risk management of the Company, please refer to the "Section 4 Management Discussion and Analysis – XII. Risk Management" of this annual report.

The Board confirms its responsibility for the risk management and internal control systems and reviews the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(II) Compliance Management

The Company has established a four-level compliance management structural system comprising the Board, Chief Compliance Officer, Legal and Compliance Department and the persons in charge of compliance management across business departments, branches and subsidiaries at all levels. The compliance management system with the Chief Compliance Officer as the core is independent from the operations management system of the Company, and has the right to independently issue compliance reports.

The Board of the Company determines the objectives of compliance management and is responsible for the effectiveness of compliance management of the Company; the operating management is responsible for implementing the targets of compliance management and is responsible for compliance operation of the Company; all departments, all branches and all subsidiaries at all levels are responsible for implementing the targets of compliance management of the entity and are responsible for compliance operation of the entity.

The Chief Compliance Officer, a senior management personnel of the Company, is in charge of the Company's compliance management, directly accountable to the Board, and responsible for reviewing, supervising and examining the compliance of the operations, management and business activities carried out by the Company and its employees.

The Company established the Legal and Compliance Department as a specific department of compliance management under the leadership of the Chief Compliance Officer, and independently carried out the compliance management work of the Company. The main responsibilities of the Legal and Compliance Department are to assist the Chief Compliance Officer in formulating and amending the compliance management system of the Company and facilitate its implementation; to provide compliance suggestions, compliance consultation, compliance training, and to guide the staff of the Company to accurately understand the laws, regulations and rules; to provide compliance advice on review of new products and new businesses of the Company to identify and evaluate compliance risks; to conduct compliance inspection, compliance accountability and compliance report, and rationalize and evaluate the compliance of the system and procedures of the Company; to conduct compliance monitoring in terms of suspicious transactions and employees' behaviors, and to be responsible for specific compliance management such as anti-money laundering, management of compliance personnel, information isolation and conflicts of interests; to initiate and facilitate compliance cultural construction, and cultivate the compliance awareness of all staff.

The Company has appointed compliance management personnel conforming to regulatory requirements in all business departments and all branches. The compliance management personnel are responsible for daily monitoring, inspection, management and training in relation to compliance in the entities. The full time and part-time compliance management personnel are under the leadership of the Legal and Compliance Department in accordance with regulatory requirements.

The compliance management of subsidiaries at all levels have been integrated into the unified system by the Company. The Company has specified compliance management matters of the subsidiaries subject to reporting to the Company and conducted reviews on the compliance management system of subsidiaries, supervised and inspected the compliance of behaviors of subsidiaries' management to ensure that the compliance management of the subsidiaries was in compliance with the requirements of the Company.

(III) Internal Control

1. Self-evaluation of Internal Control

The internal control evaluation of the Company was carried out in accordance with the Basic Norms of Internal Control for Enterprises and the provisions of supporting guidelines and other internal control regulatory requirements. The process of internal control evaluation also made reference to the system requirements, such as the Guidance for the Internal Control of Securities Firms published by the CSRC, the Guidelines for the Internal Control of Listed Companies published by Shanghai Stock Exchange and Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 21 – General Requirements for Annual Internal Control Evaluation Report. For details, please refer to the 2020 Evaluation Report of Internal Control of CSC Financial Co., Ltd.

2. Internal Auditing

During the Reporting Period, the Audit Department, as required by the Supervisory Committee of the Company and based on the completion of auditing items required in regulatory documents, has focused on business risks, prevented violations and corrupt conducts, and has improved the level of internal control and independently performed the responsibility of auditing and supervision.

During the Reporting Period, the Audit Department implemented a total of 196 audit projects. Among these projects, 13 were audit projects for headquarters, 3 were audit projects for subsidiaries and 180 were audit projects for branches, the details of which are as follows: Departments involved in the 13 audit projects for headquarters included: Business Committee of Investment Banks, Brokerage Business Management Committee, Fixed Income Department, Asset Management Department, Custodian Department and IT Department. The scale of internal control evaluation includes each department and subsidiary of the Company. The subsidiaries audited were CSCI Fund, CSC Investment and CSCI Capital. 180 audits for branches, including five mandatory audits on resignation for person-in-charge of branch offices, 3 audits on resignation for person-in-charge of branch office, 106 audits on mandatory leave of person-in-charge of business departments and 66 audits on resignation for person-in-charge of business departments.

Through the abovementioned audits, the Audit Department examined and evaluated the integrity and effectiveness of the compliance management, risk management and internal control of audited units, and revealed the existing major risks, which played a proactive role in promoting the improvement of awareness of risk prevention and risk management level, providing management suggestions and other aspects in all departments, subsidiaries and branches of the Company.

(IV) Specific Explanations on Independent Directors' Statement of Aggregate and Current External Guarantees and Implementation of Relevant Regulations of the Company

The independent Directors of the Company, after having made the understanding and verification of the Company's guarantees as of 31 December 2020, have confirmed that the Company did not provide guarantees for legal persons or other organizations other than the subsidiaries of the Company during the Reporting Period.

The independent Directors are of the view that the Company abides by laws, regulations, regulatory rules and the Articles of Association in relation to guarantees, strictly performs the decision-making procedures and information disclosure obligations, control on guarantee risk, with no evidence of any regulatory violations, no evidence beyond the authorization of the general meeting, no evidence of harming the legitimate rights and interests of the Company and its shareholders. For the specific explanations and independent opinions issued by the independent directors of the Company please refer to the publicly disclosed Specific Explanations and Independent Opinions of Independent Directors on the Guarantees of CSC Financial Co. Ltd..

XII. APPOINTMENT OF AUDITORS

Please refer to the "Section 6 Other Significant Events – II Appointment or Termination of Auditors" of this annual report for information about the appointment of auditors. The Directors are responsible for the preparation of the accounts, and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

(I) Non-audit Work

During the Reporting Period, the Company engaged PricewaterhouseCoopers network members to conduct non-audit work, please refer to Note 10 to the consolidated financial statements of this annual report for the charge.

(II) Basis for Establishment of Internal Control System of Financial Report

During the Reporting Period, the Company continued to comply with the requirements under the Basic Norms of Internal Control for Enterprises and its ancillary guidelines, Guidance for the Internal Control of Securities Firms and other laws, regulations and rules, as well as the actual situation of the Company, further establishing a sound internal control system of financial report.

During the Reporting Period, the Company strictly complied with the requirements under the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Basic Norms of Internal Control for Enterprises and other relevant laws and regulations, as well as the characteristics of the industry and the actual condition of the Company, so as to formulate, revise or improve the financial and accounting management systems and other internal control systems of the Company, such as the Administrative Measures for the Suppliers in the Headquarters (《總部供應商管理辦法》), the Guidelines for the Implementation Process of Procurement in the Headquarters (《總部採購實施流程指引》), the Articles of Accounting for Gold Leasing Business (《黃金租借業務會計核算細則》), the Articles of Accounting for Credit Risk Mitigation Instruments (《信用風險緩釋工具會計核算細則》), the Articles of Accounting for Commodity Futures Business (《商品期貨業務會計核算細則》), the Articles of Accounting for Futures Options Business (《期貨期權業務會計核算細則》), the Articles of Accounting for Interbank Lending Business (《同業拆借業務會計核算細則》), the Bookkeeping Rules for Business of Sellers (《賣方業務記帳規則》) and the Articles of Accounting for Business of Return Swap (《收益權互換業務會計核算細則》). The Company sets up a scientific financial and accounting organization structure, engages qualified financial and accounting professionals, uses stricter standardized financial and accounting management system, implements proper accounting policies and reasonable accounting estimates, in order to ensure the financial reports prepared by the Company comply with the requirements of accounting standards, and can reflect the financial position, operating results, cash flow and other information of the Company truthfully, accurately and completely. The Supervisory Committee of the Company and external auditors conduct effective examination and supervision over the finance of the Company, and provide professional audit opinions on the financial reports of the Company pursuant to the Articles of Association and the relevant regulations.

During the Reporting Period, since the internal control system relating to the Company's financial report was integrated and operated smoothly, the quality of the financial report can be safeguarded and the reliability of the financial information can be assured. During the Reporting Period, there is no material defect in the internal control system relating to the financial report, and the information set out in the Company's annual financial report are true, accurate and complete.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CSC is committed to its mission of "bringing together talents, serving customers, creating value and contributing to the society." While maintaining robust operations and creating economic value for shareholders and investors, the Company also attaches great importance to managing ESG risks and opportunities of environmental, social and corporate governance (hereinafter referred to as "ESG") and fulfills its social responsibility in all aspects.

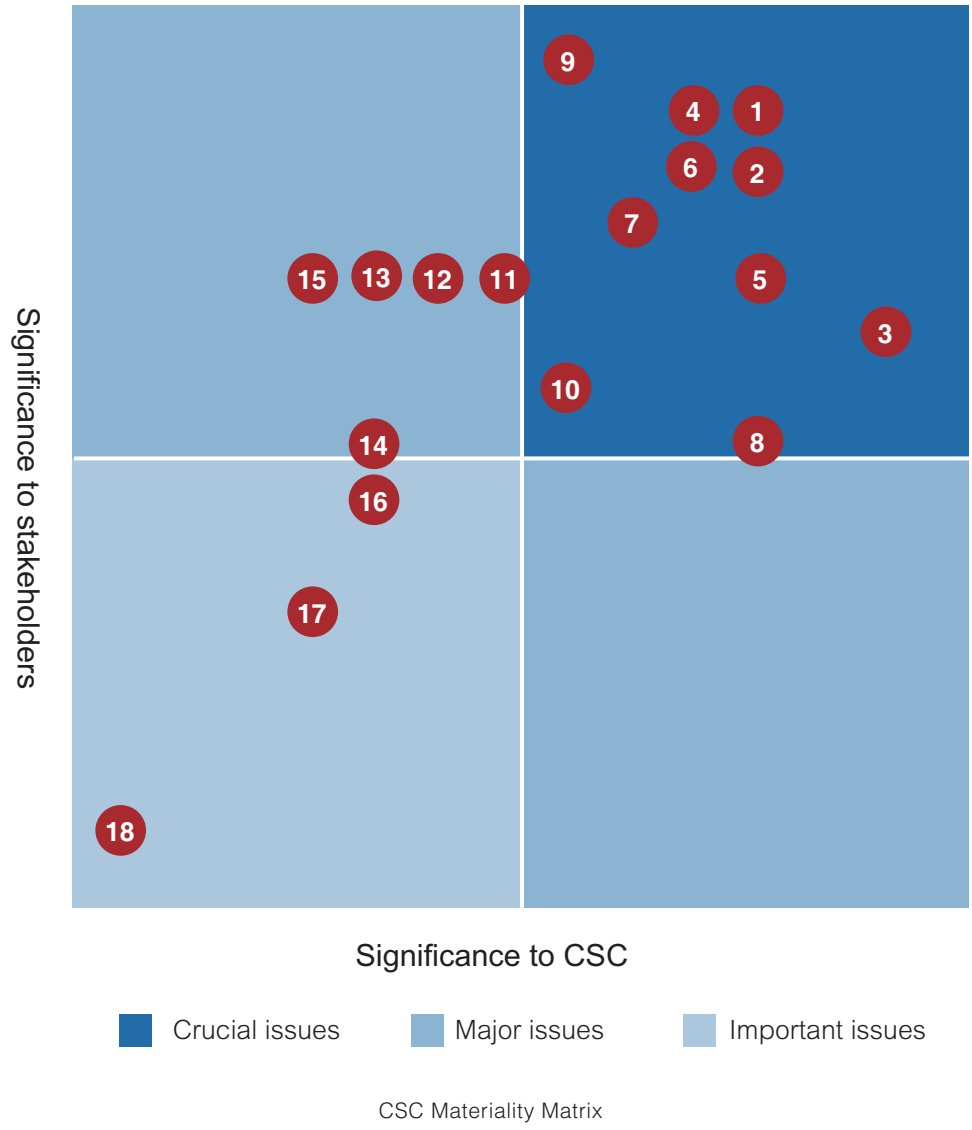
This section is to introduce the specific measures, key practices, highlight cases and key performance of CSC in the aspects of actively undertaking social responsibility and effectively managing ESG risks and opportunities in 2020. This section should be read in conjunction with the section of Corporate Governance Report in 2020 annual report of CSC, so as to have a comprehensive understanding of the company. Meanwhile, for the relevant details of this section, please refer to the independent 2020 Social Responsibility and ESG report of CSC Financial Co., Ltd. prepared by the company.

1. ESG MANAGEMENT

In 2020, the Company continued to improve corporate governance and enhance ESG performance through a three-level management structure comprising decision-making, management, and implementation. Through continuously optimized management, the Company has effectively embedded social responsibility and ESG concerns into its policies and employees' daily work practices.

Decision-making level	The Company's Board of Directors decides on matters related to ESG, formulates ESG strategies and objectives, and regularly oversees the progress of related initiatives. The annual Corporate Responsibility & ESG Report issued by the Company is reviewed and approved by the Board of Directors.
Management level	The Company's Executive Committee reviews policies, regulations, standards, trends and stakeholder concerns to determine the materiality of ESG issues. As authorized by the Executive Committee, the Executive Office is the main department responsible for managing ESG-related matters, coordinating the implementation of ESG strategies and objectives, reporting and making suggestions to the decision-making level, managing and advising the ESG performance on the implementation level; communicates with ESG investors on an ongoing basis and helps them identify ESG risks and opportunities; leads the preparation of the annual Social Responsibility and ESG Report, and continuously communicates with stakeholders on the Company's overall environmental and social performance.
Implementation Level	The Company's departments, branches, and subsidiaries constitute the implementation level, which is responsible for implementing ESG strategies and objectives and completing ESG tasks as directed by the management level. In 2020, the Company expanded the implementation level to include all headquarters departments, used the annual Corporate Responsibility & ESG Report as an opportunity to communicate with key departments on their success in managing ESG risks and opportunities, and promoted ESG education and implementation to push for better ESG integration into each department's future work practices.

In 2020, based on its own business strategy and industry characteristics, combined with ESG policies, standards, and megatrends, the Company benchmarked the peer reports, combined with the opinion of investors, ESG rating agencies and third-party teams to identify 18 material issues closely related to the fulfillment of the Company's social responsibility and the management of ESG risks and opportunities.



CSC Materiality Matrix

Issue level	Number	Material Issues	Relevant aspects of the ESG Reporting Guidelines of the Hong Kong Stock Exchange
Crucial issues	1	Serving the real economy	–
	2	Responsible marketing	B6 Product responsibility
	3	Business ethics	B7 Anti-corruption
	4	Compliance Management	B6 Product responsibility
	5	Information security and privacy protection	B6 Product responsibility
	6	Risk management	–
	7	Promoting Inclusive Finance	–
	8	Sustainable investment and financing	A3 The environment and natural resources, A4 climate change
	9	Investor education and protection	B6 Product responsibility
	10	Human capital development	B1 Employment, B2 Health and safety, B3 Development and training
Major issues	11	Optimizing customer service	B6 Product responsibility
	12	Poverty alleviation and charitable activities	B8 Community investment
	13	Corporate governance	Mandatory disclosure – governance
	14	Diversity and Inclusion	B1 Employment
	15	Employee rights protection	B1 Employment, B4 Labour standards
Important issues	16	Adopting Fintech	–
	17	Green operations	A1 Emissions, A2 Use of resources, A4 Climate change
	18	Supply chain management	B5 Supply chain management

2. ENVIRONMENT

CSC has been complying with important laws and regulations and policies such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), actively promoted the Company's green development, implemented the low-carbon operation, strived to improve the efficiency of energy and resources utilization, reduced the environmental impact of business activities, and built a long-term mechanism for environmental protection.

2.1 Emissions

In terms of emissions management, the Company strictly implements the Interim Provisions on the Management of Business Vehicles of the Company(《中信建投証券公務用車管理暫行規定》) and keeps a file for each vehicle, which records detailed information such as the mileage, use of fuel, and inspection dates; checks vehicle maintenance regularly and has vehicles with excessive emissions scrapped in time to ensure that the exhaust emission standards meet the requirements of national regulations; records and counts the fuel consumption of vehicles on time and identifies causes in the event of unusually high fuel consumption to avoid more waste of resources.

In terms of waste management, the hazardous wastes in the course of the Company's daily office operation mainly include waste toner cartridge, ink cartridge, waste lead-acid batteries, etc., which are recycled and disposed of by recyclers. The non-hazardous waste mainly includes office waste and waste electronic devices. The office waste is handled by the office building property management company; and upon approval for scraping, the waste electronic devices are recycled and disposed of by the recyclers.

Indicators	Unit	2020
Total GHG emissions [1, 2]	tCO_2e	6,831.86
Total direct (Scope 1) GHG emissions	tCO_2e	421.39
Intensity of direct (Scope 1) GHG emissions (corporate headquarters) [3]	tCO_2e/m^2	0.01
Total indirect (Scope 2) GHG emissions	tCO_2e	6,410.47
Intensity of indirect (Scope 2) GHG emissions (Company headquarters) [3]	tCO_2e/m^2	0.22
Total waste [1]	tonnes	128.44
Total hazardous waste	tonnes	13.50
Total non-hazardous waste	tonnes	114.94
NO_x emissions [1, 4]	tonnes	0.03
CO emissions [1, 4]	tonnes	0.63
HC emissions [1, 4]	tonnes	0.07
Particulate matter [1, 4]	tonnes	0.01

2.2 Use of Resources

In terms of management of energy utilization, the Company continues to improve the energy consumption monitoring system, improve the refined standard of energy management, and adopt targeted energy-saving measures. The Company's energy consumption mainly occurs in three areas: fuel consumption by the Company-owned business vehicles, daily electricity consumption at the workplace, and electricity consumption at the data centers. In response, the Company continues to improve the energy consumption monitoring system to further refine energy management and takes targeted measures to improve energy efficiency.

Indicators	Unit	2020
Direct energy consumption [1]		
Gasoline consumption	liters	135,358.22
Natural gas consumption	m^3	25,372.00
Indirect energy consumption [1]		
Purchased electricity consumption	kWH	7,286,198.66

In terms of water resources management, the Company manages to avoid waste of drinking water due to expiration by limiting the amount of bottled drinking water in a single purchase and reduce the amount of tap water used by installing automatic sensor faucets in public areas.

Indicators	Unit	2020
Total water consumption [1, 5]	tonnes	31,768.75
Intensity of water consumption (Company headquarters) [3]	tonnes/m^2	0.37

2.3 The Environment and Natural Resources

In terms of paper use management, in 2020, the Company makes a major push to use the All-in-one Counter system, realizing electronic signature for both on-site and witness account opening at the securities branches and thus significantly reducing the use of paper. As of the end of 2020, the Company had put the All-in-one Counter system into full operation, covering 99% of the account business and achieving centralized, paperless review. At the same time, the Company has launched more than 50 new approval processes in office automation system to further promote the online approval process and realized centralized paperless review.

In terms of waste classification management, in compliance with the Regulations on the Management of Domestic Waste in Beijing (revised in 2020) (《北京市生活垃圾管理條例》(2020年修正)), the Company has put together a waste sorting management team, ordered the signing of a waste sorting pledge by relevant units, posted posters in public areas, and arranged for personnel in the canteen to guide and assist in the sorting of kitchen waste. Meanwhile, the Company educates the employees on waste sorting concepts and practices to maximize their involvement. All of the Company's office waste is collected, transported, and treated through municipal services.

In the future, the Company will continue to conduct low-carbon operations and gradually expand the scope of environmental data collection. Based on a full grasp of its performance in energy and resource consumption, the Company will learn from the best practices of domestic and international peers and take active measures to reduce energy and water use and lower carbon emissions and waste production, thereby promoting green operations and minimizing its environmental footprint.

Indicators	Unit	2020	2019	2018
Volume of packaging material used [1, 6]	tonnes	3.16	1.06	2.14

Notes:

1. Unless otherwise specified, the scope of 2020 environmental information involved in the operation of the Company in this report includes the headquarters and branches of CSC, China Securities Funds Management Limited, China Futures Co., Ltd., China Capital Management Limited, China Securities (International) Finance Holding Company Limited and China Securities Investment Limited. Compared with 2019, nine new branches have been included in the scope of accounting this year.

2. Given its business characteristics, the Company's main sources of GHG emissions are purchased electricity and natural gas, as well as fuel consumption from self-owned business vehicles. Compared with 2019, natural gas consumption has been included in the calculation of direct GHG emissions through GHG verification. The GHG emissions are reported in tonnes of CO_2 equivalents (tCO_2e). The emissions factor is based on the 2012 data provided by the Ministry of Ecology and Environment of Peoples Republic of China in the Average CO_2 Emission Factors of China's Regional Power Grids of 2011 and 2012 (《2011 年和2012 年中國區域電網平均二氧化碳排放因子》) and the 2019 emissions factor provided by Hongkong Electric Company.

3. Due to the adjustment of the number of branches of the Company this year, in order to ensure the accuracy of the data, only the greenhouse gas and water consumption density of the headquarters are calculated.

4. The main source of the air pollutants of the Company is the exhaust emissions of its own official vehicles. The emissions of four major air pollutants, namely nitrogen oxides (NOx), carbon monoxide (CO), hydrocarbons (HC), and particulate matter (including PM2.5 and PM10), are disclosed in this report. Sulfur dioxide emissions are not disclosed as they are less than 0.01 tonnes. The calculation of air pollutants has been mainly based on the Technical Guidelines for the Compilation of Atmospheric Pollutant Emission Inventory of Road Motor Vehicles (《道路機動車大氣污染物排放清單編制技術指南》) released by the Ministry of Environmental Protection of the People's Republic of China.

5. The Company calculates its water use in three areas, namely municipal water supply (tap water), 5-gallon bottled water (drinking water), and single-serve bottled water (drinking water). The Company actively implements water-saving practices, and its daily water use has not caused significant environmental impact on the communities where it operates.

6. The volume of packaging material used refers to the weight of envelopes, paper bags, and other items used by the customers.

2.4 Tackling Climate Change

In response to the Guiding Opinions on Promoting the Investment and Financing in Response to Climate Change (《關於促進應對氣候變化投融資的指導意見》) issued by the PRC, CSC has made comprehensive use of green equity financing, underwriting and issuance of green bond, green investment and other means to provide investment and financing support for green environmental protection enterprises in clean energy, energy transformation, energy conservation and other areas to make contribution for the building of an ecologically civilized and environmentally-friendly society.

In terms of green equity financing, the Company actively provides equity financing services for enterprises in the fields of waste incineration, water-saving irrigation, green energy and environmental governance, and provides supervision services for enterprises quoted on the NEEQ in the field of energy conservation and environmental protection. In terms of green bonds, the Company mainly underwrote 31 green bonds in 2020, with a total financing scale of RMB46.98 billion, and the use of proceeds mainly involves green travel, water restoration, renewable energy power generation and other fields. In terms of green investment, CSC takes the ESG performance of the target company into consideration in its investment activities, focusing on exploiting and supporting enterprises that contribute to environmental improvement, such as environmental protection, energy conservation and clean energy.

3. SOCIETY

3.1 Employment and Labour standards

Talents are the core resources of the company. CSC has adhered to the people-oriented principle, strictly complied with relevant laws and regulations, including Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and Law of the People's Republic of China on the Protection of Rights and Interests of Women and Children (《中華人民共和國婦女兒童權益保護法》) and formulated internal rules and regulations including Recruitment Management Measures of CSC(《中信建投証券招聘管理辦法》) to realize the mutual growth of the employees and enterprise.

CSC strictly follows the required process and regulations for recruitment and hires mainly through channels like internal competition, online recruitment, and employee referrals. The Company endorses mutual respect, fairness, and justness during recruitment, treats all candidates equally, and prohibits discrimination based on gender, race, religion, etc. as it seeks top-performing talents who share the company's philosophy and meet the needs for future development.

CSC carefully audits the profile of recruits, handles employee hiring and dismissal procedures in accordance with relevant regulations and requirements, and prohibits the use of child labor. Meanwhile, the Company strengthened the regulation of working hours to prevent illegal labor.

In 2020, there were zero major violations of laws or regulations about human resources management at the Company.

Indicators	Unit	2020
Total number of employees	–	9,994
Number of male employees	–	5,757
Number of female employees	–	4,237
Number of full-time employees	–	9,994
Number of part-time employees	–	0
Number of employees aged under 30	–	3,528
Number of employees aged 30–50	–	5,966
Number of employees aged above 50	–	500
Number of employees in mainland China [1]	–	9,821
Number of employees in Hong Kong, Macao, Taiwan and overseas [2]	–	173
Number of ethnic minority employees	–	619
Employee turnover rate	%	9.78
Male employee turnover rate	%	10.87
Female employee turnover rate	%	8.31
Turnover rate of employees aged under 30	%	13.90
Turnover rate of employees aged 30–50	%	7.62
Turnover rate of employees in mainland China [1]	%	9.34
Turnover rate of employees in Hong Kong, Macao, Taiwan and overseas [2]	%	27.91

Notes :

1. Refers to the Company's employees working in mainland China.

2. Refers to the Company's employees working in Hong Kong, Macao, Taiwan and overseas.

3.2 Health and Safety

The Company respects its employees, safeguards their legal rights and interests, and attaches importance to their health and safety. The Company encourages employees to maintain a good work-life balance and fosters a positive and motivating work culture so that everyone can enjoy a productive and happy life.

In terms of strengthening safety management, the Company complies with Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Regulation on Work-related Injury Insurances (《工傷保險條例》), Fire Law of the People's Republic of China (《中華人民共和國消防法》) and Internal Public Security Regulations of Enterprises and Institutions (《企業事業單位內部治安保護條例》) and carries out the safety management work. For the purpose of better implementing safety management work, the Company strengthened safety trainings to new employees, to ensure full coverage of accountable safety work. At the same time, the Company attaches great importance to safety work, and has promoted the development of physical protection, technical protection and fire protection, enhanced accountability system and normalized safety inspection work.

In terms of improving healthcare, the Company always puts the health of employees in the first place, purchases supplementary health insurance for employees on the basis of the contribution on social insurance for employees in compliance with law, and provides annual free physical check-up for all employees, including a special semi-annual physical examination for female employees over the age of 35. At the same time, the company attaches great importance to the popularization of medical knowledge for employees, and regularly holds health training lectures for employees, covering traditional Chinese medicine, female health, infant health, disease prevention for the middle-aged and elderly, mental well being, and self-rescue during emergencies, etc., which helps employees acquire scientific knowledge and develop better work and life habits.

In terms of employee care, the Company optimized employee benefits. In addition to the statutory holiday greetings, we also express our greeting of the staff birthday, festivals, marriage, childbirth, serious illness and hospitalization, death, and retirement. The Company provides cool condolences to employees in summer, golden autumn condolences to children of employees in difficulties in autumn, and warm condolences to employees in difficulties during the New Year's Day and Spring Festival.

Indicators	Unit	2020	2019
Number of work-related fatalities	–	0	0
Percentage of work-related fatalities	%	0	0
Working days lost due to injury	–	0	0

3.3 Development and Training

The Company attaches great importance to the career development of employees. On the basis of actively implementing MD Post Management Measures of CSC(《中信建投証券MD職級管理辦法》), Performance Assessment Management Measures of CSC(《中信建投証券績效考核管理辦法》) and Salary Management Measures of CSC(《中信建投証券薪酬管理辦法》), the Company revised the Employee Handbook of CSC (《中信建投証券員工手冊》) and provided competitive salaries in the industry to the employees. For yearly performance assessment, promotion and selection, the Company upholds the principles of justice, openness and fairness, allowing outstanding employees to have opportunities for promotion and providing employees with a smooth career development path.

The Company continues to optimize the multi-level talent development system that centers on the "employee growth training ladder" and build a strong talent pipeline by combining employee training with the corporate strategy, culture construction, organizational structure, and related processes and regulations. In 2020, the Company carried out a series of internal training programs, online learning sessions, and online exams based on the staff learning map to improve employees' professional skills and competencies and foster well-rounded growth.

Indicators	Unit	2020
Number of training programs conducted	–	172
Total amount of annual training investment	RMB'0000	729.8
Percentage of employees trained	%	86.5
Percentage of male employees trained	%	87
Percentage of female employees trained	%	85
Percentage of senior managers trained	%	100
Percentage of mid-level managers trained	%	80
Percentage of non-management employees trained	%	87.1
Average training hours completed per employee	–	47
Average training hours completed per male employee	–	46.9
Average training hours completed per female employee	–	47.3
Average training hours completed per senior manager	–	42
Average training hours completed per mid-level manager	–	41.4
Average training hours completed per non-management employee	–	48.5

3.4 Supply Chain Management

In 2020, the Company formulated the systems including Measures for Administration of Procurement of the Headquarters of CSC (Interim) (《中信建投証券總部採購管理辦法(暫行)》) and Measures for Administration of Suppliers of the Headquarters of CSC (Interim)(《中信建投証券總部供應商管理辦法(暫行)》) to further strengthen the management on suppliers. CSC adopts the management principles of "review before approval, tiered management, dynamic management, and data sharing" for suppliers and the selection principles of "full competition, top-tier suppliers first, fairness and justness, and avoidance of favoritism.

The main procurement methods of the Company's procurement projects include five methods: open tender, invitation to tender, competitive negotiation, request for quote, and single source. Before gaining approval, suppliers are required to sign the *Qualified Supplier Pledge* apart from providing such usual information as business license and financial status. By signing the pledge, suppliers promise to take a zero-tolerance approach to commercial bribery, improper employment, and nepotism and adopt environmentally aware business practices. Suppliers found to violate the pledge will be subject to punitive measures such as disqualification or cancellation of payments.

In 2020, there was zero major violations of environmental or social regulations by CSC suppliers.

Indicators	Unit	2020
Number of suppliers	–	515
Number of suppliers in mainland China	–	510
Number of suppliers from Hong Kong, Macau, Taiwan and overseas	–	5
Coverage of supplier audit	%	100

3.5 Product Responsibility and Privacy Protection

In terms of product and service management, in 2020, the Company revised and issued the Implementation Rules for Handling of Customer Complaints in Securities Brokerage Business of CSC(《中信建投証券經紀業務客戶投訴處理實施細則》) to formulate six handling procedures for company-level complaints, local regulatory-level complaints, and national regulatory-level complaints. In principle, the business department is required to settle all types of complaints distributed by the headquarters within 3 days. At the same time, on the basis of the existing Measures on Employee Reward and Punishment of CSC(《中信建投証券員工獎懲辦法》) and Compliance and Accountability System of CSC(《中信建投証券合規問責制度》), the Company established a punishment mechanism for customer complaints, so as to impose penalties on the business department involved, and strengthen the front-end management effect.

In terms of intellectual property protection, the Company attaches great importance to the maintenance and protection of intellectual property rights, and strictly complied with relevant laws and regulations, including the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and Regulations on Protection of Computer Software (《計算機軟體保護條例》). The Company also formulated rules and regulations on intellectual property rights such as the Trademark Management of CSC (《中信建投證券商標管理辦法》) and the Measures on New Media Management of CSC(《中信建投證券新媒體管理辦法》) to regulate the use and protection of the "CSC" trademark and management of the copyright ownership of the content of new media platforms to ensure the business of the Company is legal and compliant.

In terms of information security and privacy protection, the Company attached great importance to information security and customer privacy protection, so as to strictly comply with relevant laws and regulations, including the Regulations of the People's Republic of China for Safety Protection of Computer Information System (《中華人民共和國計算機信息系統安全保護條例》), Measures on the Administration of Client Identity Identification and Client ID Information and Transaction Recording of Financial Institutions(《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), and established a sound information security and privacy protection mechanism. The Information Technology Governance Committee (IT Governance Committee) was established by the Executive Committee of the Company as the highest agency responsible for the information security work of the Company.

The Company formulated the Management System of Data Governance of CSC(《中信建投証券數據管控管理制度》) to regulate data types, confidentiality levels, backup, utilization, and modification; formulated the Protection Management System of Personal Information of CSC(《中信建投証券個人信息保護管理制度》) and Administrative Measures on Information Confidentiality for Branch Customer of CSC(《中信建投証券分支機構客戶信息保密管理辦法》) to regulate the collection, storage, transmission, utilization, sharing, transfer, and deletion of customers' personal information. At the same time, the Company builds a customer confirmation interface for logging in privacy terms and policies on all transaction customers, so as to ensure that customers are aware of the information transfer with the Company.

In 2020, the Company found no customer information and privacy leaks.

Indicators	Unit	2020	2019	2018
Number of service-related complaints	–	203	390	364
Number of product-related complaints	–	0	0	0
Complaint resolution rate	%	100	100	100

3.6 Anti-money Laundering and Anti-corruption

The Company has strictly complied with relevant laws and regulations, including Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》), Measures on Supervision and Administration of Anti-Money Laundering by Financial Institutions (Trial) (《金融機構反洗錢監督管理辦法(試行)》) and Several Provisions on Honest Business Conduct for Leaders of State-owned Enterprises (《國有企業領導人員廉潔從業若干規定》), formulated the systems including Measures for Internal Control of Anti-money Laundering and Anti-terrorist Financing of CSC(《中信建投証券反洗錢和反恐怖融資內部控制辦法》), Provisions on Honest Business of CSC and Employees(《中信建投証券及工作人員廉潔從業規定》), and revised the system including the Administration Measures for CSC' Reporting of High-Value Transactions and Suspicious Transactions(《中信建投証券大額交易和可疑交易報告管理辦法》), so as to establish and improve the Company's internal control system for anti-money laundering, and comprehensively identify, evaluate and monitor money laundering risks in related businesses.

The Company continued to improve the complaint and reporting mechanism, clearly stipulated the acceptance and handling procedures for violations and discipline reports, and maintained a smooth reporting channel, so that stakeholders could report and expose violations through letters, emails, telephones, the Internet and visits. The Company attached great importance to the protection of whistleblowers, kept the whistleblowers' names, identities, work units and related information confidential, so as to fully protects the whistleblowers' personal privacy. If the reported person retaliated against or framed the informant, the Company shall put forward punishment opinions and impose corresponding penalties in accordance with relevant regulations.

The Company advocates the concept of honest business. In terms of business ethics training for the Board and the Supervisor, in 2020, the Company organized directors and supervisors to review the anti-corruption and honest business rules issued by the China Securities Regulatory Commission and the Securities Association of China, as well as the Provisions on Honest Business of CSC and Employees(《中信建投証券及工作人員廉潔從業規定》) and review the Anti-Corruption Program – A Guide for Listed Companies (《上市公司反貪污系統實務指南》) issued by the Hong Kong Independent Commission Against Corruption. At the same time, the Company established the internal control mechanism of business integrity, improved the risk prevention and control management system of business integrity, conducted the supervision of business integrity by means of audit analysis, compliance inspection and internal inspection, and incorporated the requirements of business integrity into the compliance and accountability system of the Company, and clarified the accountability measures for those who violate the standards of business integrity. In terms of business ethics training for employees, the Company promoted anti-corruption and integrity publicity and education work by carrying out activities including special training on honest business, visits to education bases, inspections of honest business knowledge, and signing of honest commitments, so as to strengthen the awareness of business integrity among employees and cadres.

In 2020, there were zero major violations or legal cases regarding corruption or fraud at the Company.

Indicators	Unit	2020	2019	2018
Number of concluded legal cases regarding corrupt practices brought against the Company or employees	–	0	0	0

3.7 Community Investment

CSC regarded being a responsible corporate citizen as its responsibility, actively organizing a series of charitable activities to fulfill its corporate social responsibilities. In 2020, the total charitable giving amounted to RMB29.9657 million (excluding consumption-driven poverty alleviation).

The Company actively responded to the call of China and the Securities Association of China (SAC), and strived to implement targeted poverty alleviation work through financial-driven poverty alleviation, industrial-driven poverty alleviation, intellectual-driven poverty alleviation, consumption-driven poverty alleviation and public welfare-driven poverty alleviation, so as to contribute to poverty alleviation in pair-up counties as scheduled. In 2020, the Company added Dai County, Shanxi Province as the "One Company One County" pair-up poverty alleviation county, and successfully completed the poverty alleviation projects for 6 "One Company One County" pair-up poverty alleviation counties and 4 designated poverty alleviation counties, with a total of 12 poverty alleviation agreements signed, 20 poverty alleviation projects facilitated, and the total consumption-driven poverty alleviation amounted to RMB6.8749 million. The Company's poverty alleviation work has been awarded the Golden Bull CSR Excellence Award for Securities Companies by the China Securities Journal for two consecutive years.

At the same time, the Company adhered to the spirit of solidarity and mutual help, donated RMB11.5 million to the Red Cross Society of China Hubei Branch and 5,850 masks to organizations such as hospitals and communities in Wuhan right after the outbreak of COVID-19 pandemic for the use of supporting pandemic prevention and control. In 2020, the Company also acted as a "Shanxing partner" in the charitable walkathon of Beijing Great Walker Fund-raising Trekking Event, with donations of RMB182,800 (including employee donations of RMB18,000), 80 employees participated in the walkathon, all donations from this activity will be used to support the poverty relief project of Xi County of Linfen City, Shanxi Province.

In addition, the Company and its subsidiaries also made monetary and in-kind donations to underserved groups in places like Chongqing, Guizhou, and Dalian and sent timely care to those in need.

IV. CORPORATE GOVERNANCE

4.1 Optimization of Governance Structure

As a company dual-listed in China and Hong Kong, CSC earnestly implemented the provisions of relevant laws, regulations and regulatory documents, including the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Regulation on the Supervision and Administration of Securities Companies, Code of Corporate Governance for Listed Companies, and continued to promote the establishment of a corporate governance system. The Company owns a solid and comprehensive corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the Executive Committee of the Company with clearly defined responsibilities among the organ of power, the decision-making body, the supervision body and the operation and management., which is conducive to improving the Company's governance efficiency.

In addition, the Board of the Company established the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and also developed rules of procedures for these committees and clearly defined the working responsibilities, rules of procedures and working system of each special committee to give full play to their functions.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code (hereinafter referred to as the "Code") in Appendix 14 of the Hong Kong Listing Rules, fully followed all the code provisions in the Code, and at the same time met the requirements of most recommended best practice provisions set out in the Code.

In terms of the nomination and appointment of committee members of the Board and the Supervisory Committee, the Company insisted on the basis of the skills and experience required for the overall sound operation of the Board and the Supervisory Committee, and considered the diversified goals and requirements of the Board and the Supervisory Committee, considering the diversity of members of the Board and the Supervisory Committee in terms of professional experience, skills, knowledge, terms of service, region, culture, educational background, gender and age.

In terms of the training of members of the Board and the Supervisory Committee, in order to meet the requirements of regulatory authorities for the follow-up training of directors and supervisors of listed companies, and to strengthen the understanding of directors and supervisors on the securities industry and the Company, the Company has assisted in completing trainings organized by regulatory authorities for 84 attendees, with a total of more than 252 hours of training.

4.2 Investor Communication

The Company continued to optimize the investor's interactive communication mechanism. In addition to the general meetings and the information disclosure channels required by law, the Company also provided multiple communication channels including hotline, email, online platform, reception of visits, investor conference calls and meetings, so as to respond to investors' demands, consultations and suggestions in a timely manner, and strive to establish a long-term and stable relationship with investors.

During the Reporting Period, the Company further optimized the investor service content on the official website, maintained communication with investors through the investor hotline, investor email, and the "SSE E-Information" platform of Shanghai Stock Exchange, as well as establishing an intercommunication mechanism with the Company's customer service hotline, so as to jointly address investors' concerns. In 2020, the Company actively responded and answered the inquiries of investors via the investor hotline and the "SSE E-Information" platform. The Company strived to provide investors with more convenient and efficient services in a timely manner for a comprehensive understanding on the Company's situation.

The Company was awarded the highest grade "Level A" in the 2019-2020 Evaluation of Information Disclosure of Listed Companies" by the Shanghai Stock Exchange.

4.3 Business Performance

In 2020, the Company recognized total revenue and other income of RMB30.72 billion, representing a YoY increase of 58.29%. Net profit attributable to equity holders of the Company amounted to RMB9.509 billion, representing a YoY increase of 72.85%. The corporate income tax, value-added tax and tax surcharges amounted to RMB4.541 billion. The Company recognized basic earnings per Share of RMB1.20. The core business of the Company is as follows:

The investment banking business has maintained a leading position in the industry. The number and amount of lead underwriters of the Company's stocks and bonds ranked No. 2 in the industry, both of which have maintained the top three in the industry for eight consecutive years. The number and amount of stocks underwritten by us as a lead underwriter ranked No. 2 in the industry, with the number and amount of IPO projects underwritten by us as a lead underwriter ranking No. 1 in the industry. The number and amount of bonds underwritten by us as a lead underwriter ranked No. 2 in the industry, with the number and amount of bonds underwritten by us as a lead underwriter ranking No. 1 in the industry.

The core indicators of the wealth management business increased steadily. The net income from the securities brokerage business of the Company ranked No. 10 in the industry; the net income from the distribution of financial products ranked No. 8 in the industry; the market value of securities under custody for the Company's clients ranked No. 2 in the industry; average monthly active customers of Qingting Dianjin APP, a mobile application, ranked No. 8 in the industry; the interest income from margin financing and securities lending and interest income arising from collateralized stock repurchase business ranked No. 10 in the industry.

Trading and institutional customer service business delivered excellent performance. The stock trading business achieved good absolute returns; the new scale of over-the-counter options business was RMB246.485 billion, representing a year-on-year increase of 25.01%, and the new revenue swap business was RMB41.048 billion, representing a year-on-year increase of 257.47%. The return on assets of the fixed income business far exceeded the market average; the Company continued to be the market leader in bond sales. The number of competitive sales of credit bonds rose sharply, and the amount of local debt underwriting ranked No. 2 in the industry. the Bond Connect business also remained among top five securities traders.

The Company accelerated optimization of asset management business. As of the end of the period, the Company had an entrusted asset under management ranking No. 7 in the industry, and an active entrusted asset under management ranking No. 7 in the industry. As of the end of the period, 8 out of 17 public fund products of China Securities Funds participating in the ranking entered first 1/2 of the market, among which 1 entered top 5% of the market and 4 entered top 20%. As of the end of the period, the average withdraw yield of the projects from China Securities Futures reached 108%.

To the Shareholders of CSC Financial Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of CSC Financial Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 244 to 404, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Consolidation of structured entities

- Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)

Key Audit Matter	How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to Note 2.3, 3.2(5) and 48 to the consolidated financial statements.

The Group acted as asset manager for, or invested in, a number of investment funds and asset management plans which were structured entities. Management made significant judgements when concluding on whether the Group controlled, and therefore should consolidate, these structured entities.

Management has determined that the Group had control of certain structured entities based on their assessment of: i) the Group's power over the entities; ii) its exposure to variable returns from its involvement with those entities; and iii) its ability to use its power to affect the amount of its returns from these structured entities. Those structured entities over which Management has concluded the Group had control have been consolidated and their aggregated total assets were RMB9,351.91 million as at 31 December 2020.

The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of structured entities managed or invested by the Group resulted in this matter being identified as a key audit matter.

We have evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the consolidation assessment of structured entities, including the judgement of power, the calculation of variable returns, and the consolidation scope and results.

We read a sample of the contracts from the Group's asset management and investment portfolio to assess: i) the extent of power the Group had over its structured entities; ii) the Group's exposure or rights to variable returns from its involvement with those structured entities; and iii) the relationship between the Group's power and returns with respect to the structured entities.

We selected a sample of Management's calculations of the Group's exposure or rights to variable returns from its involvement with the structured entities. We then traced the data used in these calculations back to the related contracts and re-performed the calculations to test their accuracy.

Based on the audit procedures performed above, the judgements of consolidating structured entities made by Management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)

Refer to Notes 3.1(5), 3.2(1), 13, 23, 24, 28 and 53.1 to the consolidated financial statements.

As at 31 December 2020, the Group recognized the following financial assets in its consolidated statement of financial position:

- Margin accounts amounted to RMB47,683.85 million with a credit loss allowance of RMB1,168.67 million;
- Financial assets held under resale agreements amounted to RMB17,202.97 million with a credit loss allowance of RMB1,085.77 million;
- Financial assets at fair value through other comprehensive income (debt instruments) amounted to RMB44,816.76 million with a credit loss allowance of RMB317.72 million.

The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2020 amounted to RMB1,307.34 million.

We understood, evaluated and tested the Group's internal controls relating to the measurement of ECL, primarily including:

(1) Governance over ECL models, including the selection and approval of modelling methodology; and the ongoing monitoring and optimization of the models;

(2) Significant management judgements and assumptions, including the judgement of model selections, parameters estimation, significant increase in credit risk ("SICR"), defaults and credit-impaired, and the approval of forward-looking measurements;

(3) Internal controls over the accuracy and completeness of key inputs used by the models;

(4) Internal controls relating to estimated future cash flows for the financial assets classified under Stage 3.

Key Audit Matter	How our audit addressed the Key Audit Matter
Management applied a three – stage impairment model to calculate their ECL. For such financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default, loss given default and exposure at default. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets. The measurement model for ECL involves significant management judgements and assumptions for each type investment, primarily including the following: (1) Selection of the appropriate models and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; (3) Determination of forward-looking measurements and weightings; and (4) The estimated future cash flows for the financial assets classified under Stage 3. The Group has established governance processes and controls over the measurement of ECL.	We assessed the appropriateness of the modelling methodologies adopted for ECL measurement. We also examined the underlying coding for model measurement on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the Management. We examined key inputs used by the models, including related financial assets risk exposure, the value of the collateral of Margin accounts and Financial assets held under resale agreements, credit rating information of the debt instruments etc, on a sample basis. We examined appropriateness of the management's application of SICR, defaults and credit impairment criteria on a sample basis, based on information such as the borrower's credit, guarantees and overdue days, etc. For forward-looking measurements, we assessed management's selection of economic indicators and the reasonableness of the prediction of economic indicators by using statistical techniques. In addition, we performed sensitivity analysis of economic scenarios and weightings.

Key Audit Matter	How our audit addressed the Key Audit Matter
For measuring ECL, the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the amounts involved were significant to the Group's financial statements. This led to this matter being identified as a key audit matter.	For financial assets classified under Stage 3, we examined, on a sample basis, the credit loss allowance calculated by Management with reference to information of borrowers, the latest collateral valuations and payback period, etc. Based on the audit procedures performed, we considered the models, key parameters, significant judgements and assumptions adopted by Management in the ECL measurement and the measurement result to be acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siaw Jian Chern.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Revenue			
Fee and commission income	6	13,624,258	8,632,665
Interest income	7	7,103,653	6,243,047
Net investment gains	8	8,673,322	4,406,510
		29,401,233	19,282,222
Other income	9	1,318,892	125,172
Total revenue and other income		30,720,125	19,407,394
Fee and commission expenses	10	(1,599,870)	(1,007,621)
Interest expenses	10	(5,772,932)	(4,683,906)
Staff costs	10	(6,436,296)	(4,709,554)
Tax and surcharges		(156,047)	(98,597)
Other operating expenses and costs	10	(3,244,948)	(1,805,800)
Credit impairment (losses)/reversals	13	(1,318,850)	59,430
Impairment losses on other assets		(77,324)	–
Total expenses		(18,606,267)	(12,246,048)
Operating profit		12,113,858	7,161,346
Share of profits and losses of associates		11,865	(7,606)
Profit before income tax		12,125,723	7,153,740
Income tax expense	14	(2,589,038)	(1,624,092)
Profit for the year		9,536,685	5,529,648
Attributable to:			
Equity holders of the Company		9,509,429	5,501,688
Non-controlling interests		27,256	27,960
		9,536,685	5,529,648
Earnings per share attributable to ordinary equity holders of the Company *(expressed in RMB yuan per share)*			
– Basic and diluted	16	1.20	0.67

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	9,536,685	5,529,648
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	190,485	257,719
Net gains on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	(151,015)	(98,651)
Income tax relating to these items	(8,546)	(38,744)
	30,924	120,324
Share of other comprehensive income of associates	9	(1,352)
Foreign currency translation differences	(100,171)	33,836
Items that will not be reclassified subsequently to profit or loss		
Net gains on investments in equity instruments designated as at fair value through other comprehensive income	69,843	154,688
Income tax relating to these items	(17,958)	(37,442)
	51,885	117,246
Other comprehensive (loss)/income for the year, net of tax	(17,353)	270,054
Total comprehensive income for the year	9,519,332	5,799,702
Attributable to:		
Equity holders of the Company	9,492,076	5,771,742
Non-controlling interests	27,256	27,960
	9,519,332	5,799,702

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

(In RMB thousands, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment	17	572,287	503,438
Right-of-use assets	18	996,674	1,102,008
Investment properties		56,133	49,438
Intangible assets	19	360,478	235,918
Investment in associates	21	229,286	269,512
Financial assets at fair value through profit or loss	22	6,015,508	3,296,031
Financial assets at fair value through other comprehensive income	23	3,225,144	3,153,312
Financial assets held under resale agreements	24	1,348,317	2,507,276
Refundable deposits	25	8,740,991	2,793,611
Deferred tax assets	26	1,725,519	963,865
Other non-current assets	27	98,365	126,428
Total non-current assets		23,368,702	15,000,837
Current assets			
Margin accounts	28	46,515,175	27,806,140
Accounts receivable	29	8,018,153	2,136,866
Financial assets at fair value through profit or loss	22	132,640,140	88,459,902
Financial assets at fair value through other comprehensive income	23	44,871,712	32,490,523
Derivative financial assets	30	1,632,209	955,450
Financial assets held under resale agreements	24	14,768,886	18,611,480
Cash held on behalf of clients	31	70,268,389	52,695,657
Cash and bank balances	32	28,580,085	47,221,055
Other current assets	33	564,692	291,715
Total current assets		347,859,441	270,668,788
Total assets		371,228,143	285,669,625

As at 31 December 2020

(In RMB thousands, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Current liabilities			
Accounts payable to brokerage clients	34	74,710,488	54,625,736
Lease liabilities	35	323,956	340,140
Derivative financial liabilities	30	2,424,620	761,572
Financial liabilities at fair value through profit or loss	36	347,466	1,126,344
Financial assets sold under repurchase agreements	37	84,512,239	55,532,975
Placements from banks and other financial institutions	38	9,035,700	9,263,545
Taxes payable	39	1,393,426	600,594
Short-term borrowings	40	625,174	889,012
Short-term financing instruments payable	41	42,296,044	17,495,953
Other current liabilities	42	34,497,643	52,599,717
Total current liabilities		250,166,756	193,235,588
Net current assets		97,692,685	77,433,200
Total assets less current liabilities		121,061,387	92,434,037
Non-current liabilities			
Financial liabilities at fair value through profit or loss	36	1,248,263	–
Bonds in issue	43	50,016,307	34,133,021
Lease liabilities	35	655,308	735,122
Deferred tax liabilities	26	1,065,416	660,874
Other non-current liabilities		4,646	10,286
Total non-current liabilities		52,989,940	35,539,303
Net assets		68,071,447	56,894,734

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

(In RMB thousands, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Equity			
Share capital	44	7,756,695	7,646,385
Other equity instruments	45	9,961,509	9,980,698
Reserves	46	27,940,854	21,412,062
Retained earnings		22,076,125	17,542,774
Equity attributable to equity holders of the Company		67,735,183	56,581,919
Non-controlling interests		336,264	312,815
Total equity		68,071,447	56,894,734

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 31 March 2021.

Wang Changqing
Chairman

Li Geping
Executive Director and President

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

		Attributable to equity holders of the Company										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2020		7,646,385	9,980,698	8,753,213	3,573,328	8,691,508	203,472	190,541	17,542,774	56,581,919	312,815	56,894,734
Profit for the year		–	–	–	–	–	–	–	9,509,429	9,509,429	27,256	9,536,685
Other comprehensive income for the year		–	–	–	–	–	82,818	(100,171)	–	(17,353)	–	(17,353)
Total comprehensive income for the year		–	–	–	–	–	82,818	(100,171)	9,509,429	9,492,076	27,256	9,519,332
Capital injected by equity holders												
– Issuance of A shares	44	110,310	–	3,737,454	–	–	–	–	–	3,847,764	–	3,847,764
– Capital injected by other equity instrument holders	45	–	(19,189)	–	–	–	–	–	–	(19,189)	–	(19,189)
Appropriation to surplus reserves	46	–	–	–	951,319	–	–	–	(951,319)	–	–	–
Appropriation to general reserves	46	–	–	–	–	1,857,372	–	–	(1,857,372)	–	–	–
Dividends – 2019	15	–	–	–	–	–	–	–	(1,796,901)	(1,796,901)	–	(1,796,901)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	–	(370,486)	(370,486)	–	(370,486)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(3,807)	(3,807)
At 31 December 2020		7,756,695	9,961,509	12,490,667	4,524,647	10,548,880	286,290	90,370	22,076,125	67,735,183	336,264	68,071,447

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

		Attributable to equity holders of the Company										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2019		7,646,385	5,000,000	8,753,213	3,013,066	7,535,426	(32,746)	156,705	15,505,197	47,577,246	286,151	47,863,397
Profit for the year		–	–	–	–	–	–	–	5,501,688	5,501,688	27,960	5,529,648
Other comprehensive income for the year		–	–	–	–	–	236,218	33,836	–	270,054	–	270,054
Total comprehensive income for the year		–	–	–	–	–	236,218	33,836	5,501,688	5,771,742	27,960	5,799,702
Capital injected by equity holders												
– Capital injected by subsidiaries' non-controlling equity holders		–	–	–	–	–	–	–	–	–	8,350	8,350
– Capital injected by other equity instrument holders	45	–	4,980,698	–	–	–	–	–	–	4,980,698	–	4,980,698
Appropriation to surplus reserves	46	–	–	–	560,262	–	–	–	(560,262)	–	–	–
Appropriation to general reserves	46	–	–	–	–	1,156,082	–	–	(1,156,082)	–	–	–
Dividends – 2018	15	–	–	–	–	–	–	–	(1,376,349)	(1,376,349)	–	(1,376,349)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	–	(371,418)	(371,418)	–	(371,418)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(9,646)	(9,646)
At 31 December 2019		7,646,385	9,980,698	8,753,213	3,573,328	8,691,508	203,472	190,541	17,542,774	56,581,919	312,815	56,894,734

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities		
Profit before income tax	12,125,723	7,153,740
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	3,343,280	2,954,034
Dividend income and interest income from financial assets at fair value through other comprehensive income	(1,314,437)	(1,361,251)
Net gains from disposal of financial assets at fair value through other comprehensive income	(403,282)	(157,198)
Interest income and net gains from disposal of financial assets at amortized costs	–	(6,618)
Net gains attributable to other interest holders of consolidated structured entities	341,433	507,086
Share of profits/losses from associates and joint ventures	(11,865)	7,606
Net gains on disposal of property, plant, equipment and other assets	(237)	(334)
Revaluation gains on financial instruments at fair value through profit or loss	(1,049,174)	(1,644,325)
Net foreign exchange losses/(gains)	16,471	(287)
Depreciation and amortization	644,150	572,534
Credit impairment losses/(reversals)	1,318,850	(59,430)
Impairment losses on other assets	77,324	–
	15,088,236	7,965,557
Net changes in operating assets		
Margin accounts	(18,529,559)	(2,672,642)
Financial assets at fair value through profit or loss	(44,646,486)	(31,712,884)
Cash held on behalf of clients	(17,551,464)	(18,999,203)
Financial assets held under resale agreements	4,000,259	2,684,240
Other operating assets	(13,091,836)	(2,624,988)
	(89,819,086)	(53,325,477)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Net changes in operating liabilities		
Accounts payable to brokerage clients	20,084,752	19,587,151
Financial liabilities at fair value through profit or loss	396,931	(108,089)
Financial assets sold under repurchase agreements	29,020,165	22,938,207
Placements from banks and other financial institutions	(240,000)	5,240,000
Other operating liabilities	(10,475,940)	16,549,619
	38,785,908	64,206,888
Net cash (outflow)/inflow from operating activities before tax	(35,944,942)	18,846,968
Income tax paid	(2,362,925)	(1,155,350)
Net cash (outflow)/inflow from operating activities	(38,307,867)	17,691,618
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	(11,967,096)	(4,124,180)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	1,010,653	1,268,489
Cash paid for purchase of property, plant and equipment, intangible assets and other assets	(432,774)	(290,266)
Net cash flow from purchase or disposal of financial assets at amortized costs	–	186,305
Net cash flow from investments in associates	(25,224)	29,307
Other cash flows from investing activities	2,243	(13,105)
Net cash outflow from investing activities	(11,412,198)	(2,943,450)

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from financing activities		
Cash inflows from perpetual bonds	5,000,000	5,000,000
Cash inflows from issuance of A shares	3,884,000	–
Cash inflows from capital injected by non-controlling interests	–	8,350
Cash inflows from borrowing activities	21,634,588	30,711,104
Cash inflows from issuing bonds	166,509,294	71,444,940
Cash outflows from dividend distribution to ordinary shareholders	(1,796,901)	(1,376,349)
Cash outflows from distribution to other equity instrument holders	(516,500)	(294,000)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(3,807)	(9,646)
Repayments of interest on debts	(3,321,880)	(2,711,272)
Repayments of debts	(154,921,466)	(86,841,667)
Repayments of perpetual bonds	(5,000,000)	–
Other cash outflows from financing activities	(642,465)	(649,484)
Net cash inflow from financing activities	30,824,863	15,281,976
Net change in cash and cash equivalents	(18,895,202)	30,030,144
Cash and cash equivalents at the beginning of the year	46,935,568	16,841,813
Effect of exchange rate changes on cash and cash equivalents	(274,867)	63,611
Cash and cash equivalents at the end of the year *(Note 47)*	27,765,499	46,935,568

The accompanying notes form an integral part of these consolidated financial statements.

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

CSC Financial Co., Ltd. (the "Company") (formerly known as China Securities Finance Co., Ltd.) is the successor entity of China Securities Finance Limited Liability Company which was approved for establishment by the China Securities Regulatory Commission (the "CSRC") on 2 November 2005. The original registered capital of the Company was RMB2,700,000,000. The registered address of the Company is Unit 4, No.66 Anli Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC").

The Company received the approval of CSRC on 30 June 2011 to convert into a joint stock company, with registered capital increased to RMB6,100,000,000.

The Company completed its initial public offering of overseas listed foreign shares ("H shares") on The Stock Exchange of Hong Kong Limited on 9 December 2016. Under this offering, the Company issued a total of 1,076,470,000 new shares with a nominal value of RMB1 per share. On 5 January 2017, the Company issued an additional 69,915,238 H shares through partial exercise of the over-allotment option with a nominal value of RMB1 per share. The registered capital of the Company increased to RMB7,246,385,238 after such issuance. The Company completed the industrial and commercial registration for these changes on 5 June 2017, and obtained its new business license with the Unified Social Credit Code of 91110000781703453H on 9 June 2017.

The Company completed its initial public offering of domestic listed shares ("A shares") on the Shanghai Stock Exchange on 20 June 2018. The Company issued a total of 400,000,000 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,646,385,238. The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. on 28 December 2020. The Company issued a total of 110,309,559 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,756,694,797.

The principal activities of the Company and its subsidiaries (collectively, the "Group") include securities brokerage, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsoring, proprietary trading and investment of securities, securities asset management, agency sale of securities investment funds, introducing brokerage for futures companies, margin financing and securities lending services, agency sale of financial products, market-making of stock options, custodian services for securities investment funds, and sale of precious metal products, commodity futures brokerage, financial futures brokerage and asset management, equity investment and corporate management services, investment management, raising and management of investment funds, investment management of equity investment, investment consulting, project consulting.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which have been measured at fair value, as further explained in the respective accounting policies below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Amendments to the accounting standards effective in 2020 and adopted by the Group

(1)	Amendments to IAS 1 and IAS 8	The Definition of Material
(2)	Amendments to IFRS 3	The Definition of A Business
(3)	Revised Conceptual Framework for Financial Reporting	
(4)	Amendments to IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform – Phase 1.
(5)	Amendments to IFRS 16	COVID-19 Related Rent Concessions

(1) Amendments to IAS 1 and IAS 8: The Definition of Material

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

2 BASIS OF PREPARATION (Continued)

2.1 Amendments to the accounting standards effective in 2020 and adopted by the Group (Continued)

(2) Amendments to IFRS 3: The Definition of A Business

The IASB issued amendments to the definition of a business in IFRS 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

(3) Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: (i) increasing the prominence of stewardship in the objective of financial reporting; (ii) reinstating prudence as a component of neutrality; (iii) defining a reporting entity, which may be a legal entity, or a portion of an entity; (iv) revising the definitions of an asset and a liability; (v) removing the probability threshold for recognition and adding guidance on derecognition; (vi) adding guidance on different measurement basis; (vii) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2 BASIS OF PREPARATION (Continued)

2.1 Amendments to the accounting standards effective in 2020 and adopted by the Group (Continued)

(4) Amendments to IFRS 9, IAS 39, IFRS 7: Interest Rate Benchmark Reform – Phase 1

The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform – Phase 1. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and address uncertainties related to the ongoing reform of interbank offered rates (IBOR). When prospective assessments are made, a company should assume that the interest rate benchmark on which the hedged item, the hedging instrument and the cash flow of hedged risk are based is not altered as a result of IBOR reform.

(5) Amendments to IFRS 16: COVID-19 Related Rent Concessions

The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions as they are not lease modifications. In such cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

There were no significant impacts from the amendments above on the Group's consolidated financial statements.

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(1)	IFRS 17	Insurance Contracts	1 January 2022
(2)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(3)	Amendments to IAS 1	Classification of Liabilities	1 January 2022
(4)	Amendments to IFRS 3	Business Combinations	1 January 2022
(5)	Amendments to IAS16	Property, Plant and Equipment	1 January 2022
(6)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
(7)	Amendments to IFRS 7, IFRS 4 and IFRS16	Interest Rate Benchmark Reform – Phase 2	1 January 2021

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

(1) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability- weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of these amendments will not have any impact on the Group's consolidated financial statements.

(2) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

(3) Amendments to IAS 1: Classification of Liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(4) Amendments to IFRS 3: Business Combinations

Amendments to IFRS 3: 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(5) Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

(6) Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(7) Amendments to IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments introduce a practical expedient if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate and will not result in gain or loss in the income statement. These amendments also provide reliefs that are exceptions of normal hedge relationship requirements. For example, a company will not need to discontinue existing hedging relationships because of changes to hedge documentation required solely by IBOR reform. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The accounting policies and accounting period of the Company and its subsidiaries are consistent.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

2 BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation (Continued)

Income or expenses resulted from acquisition or disposal of subsidiaries, from the date on which the Company obtains control to the date on which the Company ceases its control over subsidiaries, are in the scope of consolidation. Intra-group assets and liabilities, equity, income, expenses, and cash flow which are relevant to all intra-group transactions occurred should be eliminated on consolidation.

A portion of equity over subsidiaries and profit or loss which does not belong to the Company should be treated as non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Significant accounting policies

(1) Accounting period

The accounting year starts on 1 January and ends on 31 December.

(2) Functional and presentation currency

The Company's functional and presentation currency is RMB.

Each entity in the Group determines its own functional currency according to its economic situation. The functional currency is denominated in RMB in the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(4) Foreign currency transactions and foreign currency translation

The Group adopts the sub-account system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. The exchange rate is the central parity rate quoted by the People's Bank of China or authorized bodies. All differences are taken to the consolidated income statement. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

The assets and liabilities of foreign operation subsidiaries denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of reporting period for consolidated financial statements. The equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the rates that approximate the spot exchange rates. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognized in other comprehensive income ("OCI") and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets in the following measurement categories: (i) Amortized cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets (Continued)

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

The classification requirements for debt instruments assets and equity instruments assets are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds and subordinated bonds. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.

(ii) Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

Debt Instruments (Continued)

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial liabilities (Continued)

Contingent liabilities recognized by buyers should be measured as FVPL under business combination for entities owned by different ultimate shareholders.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

(b) *Reclassification of financial assets*

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Amortized cost (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(c) *Subsequent measurement of financial instruments* (Continued)

Fair value through other comprehensive income (Continued)

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when 1) the Group's right to receive payments is established, 2) it is probable that future economic benefits associated with the item will flow to the Group, 3) the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Net investment gains" in the period in which it arises.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(c) *Subsequent measurement of financial instruments* (Continued)

Financial assets at fair value through profit or loss (Continued)

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Net investment gains" in the consolidated income statement.

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(d) *Fair value of financial instruments* (Continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) *Impairment of financial assets*

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss, except for POCI financial assets.

(f) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The changes on fair value of derivative financial instruments are directly recognized in the consolidated income statement. The difference between fair value and carrying amount is recognized as investment income when disposing.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) ***Financial instruments*** (Continued)

(g) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the contractual rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

When equity financial assets designated as at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to retained earnings. When other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net investment gains".

A financial liability is derecognized when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged. Fair value gains and losses are charged to profit or loss. When financial liabilities designated as at FVPL are derecognized, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) Leases

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) ***Leases*** (Continued)

(a) *Initial measurement of the right-of-use asset and lease liability* (Continued)

Initial measurement of the right-of-use asset (Continued)

Initial direct costs are defined as incremental costs. Incremental costs would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) ***Leases*** (Continued)

(b) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) Recognition of short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months from the commencement date or less. Leases of low value assets are the underlying assets are of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases of low value assets.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(7) Reverse repurchase agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in financial assets sold under repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognized through profit or loss.

(8) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to clients for purchase of securities, or lending of securities by the Group to clients for securities selling, for which the clients provide the Group with collateral.

The Group recognizes margin accounts at initial recognition, and recognizes interest income accordingly. Securities lent are not derecognized, but still accounted for as the original financial assets, and interest income is recognized accordingly.

Securities trading on behalf of margin financing and securities lending clients are accounted for as securities brokerage services.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(9) Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(10) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting. The Group’s share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates.

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment refer to tangible assets held and controlled by the Group that the Group expects to use for more than one year for using in the supply of services or for administrative purpose. An asset is recognized as property, plant and equipment only if the following criteria are both satisfied:

(i) It is highly probable that future economic benefits associated with the property, plant and equipment will flow to the Group;

(ii) The cost of the asset can be measured reliably.

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognized in the profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis monthly.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(b) Property, plant and equipment initially measured at cost (Continued)

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	2.262‰	5%
Electronic devices	2 to 5 years	1.667%-4.167%	0%
Transportation vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

The years that the property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of the property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of the property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(c) Construction in progress

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalization and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

(13) Intangible assets

Intangible assets are recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognized as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortized on a straight-line basis over the useful period. The useful lives and amortization method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(13) Intangible assets (Continued)

Trading seat rights at Shanghai and Shenzhen Stock Exchanges are amortized over 10 years (subject to any changes in industry rules subsequently issued) and charged to the consolidated income statement. Outsourcing software is amortized over 5 years. Self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets are amortized over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

(14) Long-term pre-paid expense

Improvement expenses on property, plant and equipment under operating leases are amortized on a straight-line basis over the shorter of the contractual lease terms and 5 years, while long-term pre-paid expenses are amortized on a straight-line basis over their respective benefit periods but no longer than 10 years.

(15) Revenue

An entity should determine at contract inception whether control of a good or service is transferred over time or at a point in time. The determination should depict the transfer of benefits to the customer and should be evaluated from the customer's perspective.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(15) Revenue (Continued)

An entity should first assess whether the performance obligation is satisfied with the following criteria over time. If not, the good or service transfers at a point in time.

(i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.

(ii) The entity's performance creates or enhances a customer-controlled assets.

(iii) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined.

An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(15) Revenue (Continued)

An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time:

– Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.

– Revenue from the securities brokerage services is recognized on the date of the securities transaction.

– Revenue from asset management services is recognized when management services are provided in accordance with the asset management contract.

– Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

Interest income of debt investments at amortized costs and FVOCI, is measured by carrying amount and effective interest rate. Interest income of credit impaired financial assets are measured by amortized cost and effective interest rate. Net gains of holding period from financial investments at FVPL is measured as “Net investment gains”.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(16) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the liability method on temporary differences arising between the carrying amount of an asset or liability at the end of the reporting period and its tax base.

All taxable temporary differences are recognized as deferred income tax liabilities, except:

(i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

(i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount will be reversed accordingly.

Deferred tax assets and liabilities are offset:

(i) when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and

(ii) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(17) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees or compensate for the termination of labour contract. The compensation payable is recognized as liability in the accounting period of services provided by employee. The employee compensation comprises of short-term compensation, post-employment welfare, termination benefits, and other long-term employee welfares.

Short-term compensation comprises of staff salaries, bonus, allowances, and subsidies, as well as social insurance expenses including employee welfare, medical insurance charge, work-related injury insurance charge, and maternity insurance and also covers housing funds, labour union expenses, personnel education expenses, short-term paid leave, short-term profit-sharing plan, non-monetary welfare and other short-term compensations.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(17) Employee compensation (Continued)

Post-employment welfare plans refer to agreements reached with employees or policies and measures established by the Group in relation to post-employment welfare. The defined contribution plans refer to post-employment welfare plans in which the Group pays contribution to an independent fund and the Group has no further payment obligation.

(18) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognized at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods stipulated in government documents are recognized as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the other grants are related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released into the consolidated income statement during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognized into profit or loss directly. Government grants related to assets are recognized as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded in the consolidated income statement directly.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(19) Impairment

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is any indication that assets are impaired. When any such indication exists, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group reduces the carrying amount to recoverable amount. The reduced amounts are recognized in the consolidated income statement and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(19) Impairment (Continued)

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognizes relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the loss of impairment of the above-mentioned assets has been recognized, it will not be reversed in the future accounting period.

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties.

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(20) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(21) Contingencies

The obligation pertinent to contingencies shall be recognized as provisions when the following conditions are satisfied concurrently:

– the obligation is a present obligation of the Group;

– the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and

– the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at each balance sheet date. If there is substantial evidence that the amount of provisions cannot reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that a rise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(22) Perpetual bonds

Perpetual bonds issued by the Group, which satisfied with the following criteria are classified as equity instruments:

(i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);

(ii) Financial instruments must or can be settled on own equity: (a) For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares; (b) Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual bonds, which are classified as equity instruments, are accounted for as profit distribution.

(23) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may appropriate certain proportions of net profit for a discretionary surplus reserve after setting aside the statutory surplus reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve sets aside by the Company are used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company, expand the Company's business or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(23) Profit distribution (Continued)

Dividends proposed by the directors are not deducted from equity, until they have been approved by the ordinary equity holders in the Annual General Meeting. When these dividends have been approved by the ordinary equity holders, they are recognized as a liability.

3.2 Significant accounting judgements and estimates

During the preparation of the Group's financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. At the end of the reporting period, management made the following judgements and main assumptions on major future uncertainties, which might lead to adjustments in the book value of assets and liabilities.

(1) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(1) Measurement of the expected credit loss allowance (Continued)

Inputs, assumptions and estimation techniques

ECL are the discounted product of probability of default having considered the forward-looking impact, exposure at default, and loss given default.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the probability of default ("PD") vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 53.1.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayment of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

(3) Fair Value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine its fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using discount cash flow analysis and option pricing model to estimate. Valuation methods maximize the use of observable market information. However, when observable market information is unavailable, management will estimate the significant non-observable information included in the valuation methods.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(4) Income tax

The Group needs to make a judgement on future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax regulations, the Group carefully evaluates the impact of income tax on transactions and accordingly calculates income tax. The deferred income tax assets can only be recognized when there is a possibility of future taxable profits and can be used to offset the temporary differences. This requires a major judgement on the tax treatment of certain transactions and a significant estimate of the possibility of having sufficient future taxable profits to offset deferred income tax assets.

(5) Consolidation of structured entities

Management needs to make significant judgements on whether to control and consolidate structured entities, confirming whether it will affect accounting treatment and the financial situation and operating results of the Group.

In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In judging whether the Group controls the structured entities, it also needs to consider whether the Group's decision-making behavior is carried out as a principal or as an agent. Considerations usually include the scope of decision-making power of the Group to the structured entities, the substantive rights enjoyed by other parties, the level of remuneration of the Group, and the risk that the Group bears variable returns for holding other interests of the structured entities.

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company and its subsidiaries excluding China Futures Co., Ltd. and China Securities (International) Finance Holding Co., Ltd. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy issued by local taxation bureau in Yuzhong District, Chongqing City, the applicable income tax rates for China Futures Co., Ltd. is 15%.

The income tax rate for China Securities (International) Finance Holding Co., Ltd. is 16.5%.

4 TAXATION (Continued)

(2) Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No.36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No.70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018 as the manager of asset management products.

After the implementation of the VAT Pilot Programs, the Group's related income is presented at value net of its respective VAT in the consolidated income statement.

(3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of VAT payable, respectively. In addition, according to the provisions of "Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing" (Jing Zheng Fa [2011] No.72), since 1 January 2012, the local educational surcharges of the Company's head office and securities trading department located in Beijing are paid at 2% of the total amount of value-added tax payable.

(4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

5 OPERATING SEGMENT INFORMATION (Continued)

	Year ended 31 December 2020					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	6,179,157	4,247,364	1,899,092	1,298,645	–	13,624,258
Interest income	–	4,024,477	2,370,109	11,698	697,369	7,103,653
Net investment gains	–	–	8,271,822	401,500	–	8,673,322
Other income	4,404	33,204	636	24,179	1,256,469	1,318,892
Total revenue and other income	6,183,561	8,305,045	12,541,659	1,736,022	1,953,838	30,720,125
Segment expenses	(2,411,556)	(6,946,137)	(7,045,294)	(683,829)	(1,519,451)	(18,606,267)
Including: Interest expenses	(17,829)	(1,876,917)	(3,754,409)	(94,574)	(29,203)	(5,772,932)
Credit impairment losses	(2,227)	(1,016,516)	(297,518)	(1,266)	(1,323)	(1,318,850)
Impairment losses on other assets	–	–	–	–	(77,324)	(77,324)
Operating profit	3,772,005	1,358,908	5,496,365	1,052,193	434,387	12,113,858
Share of profits and losses of associates	–	–	–	24	11,841	11,865
Profit before income tax	3,772,005	1,358,908	5,496,365	1,052,217	446,228	12,125,723
Income tax expense						(2,589,038)
Net profit for the year						9,536,685
Total assets	646,094	110,472,132	218,287,289	13,106,537	28,716,091	371,228,143
Total liabilities	1,846,134	103,519,021	182,061,174	9,839,494	5,890,873	303,156,696
Other segment information:						
Depreciation and amortization	170,272	161,573	223,331	54,916	34,058	644,150
Capital expenditure	117,909	113,222	165,496	24,349	11,798	432,774

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (Continued)

	Year ended 31 December 2019					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	3,869,173	2,805,793	875,551	1,082,148	–	8,632,665
Interest income	–	3,654,054	1,860,886	28,477	699,630	6,243,047
Net investment gains	–	–	3,807,339	599,171	–	4,406,510
Other income	3,858	52,578	331	22,167	46,238	125,172
Total revenue and other income	3,873,031	6,512,425	6,544,107	1,731,963	745,868	19,407,394
Segment expenses	(1,741,542)	(5,087,210)	(4,507,611)	(606,111)	(303,574)	(12,246,048)
Including: Interest expenses	(13,275)	(1,777,158)	(2,774,316)	(85,489)	(33,668)	(4,683,906)
Credit impairment (losses)/reversals	(5,041)	68,231	(4,469)	–	709	59,430
Operating profit	2,131,489	1,425,215	2,036,496	1,125,852	442,294	7,161,346
Share of profits and losses of associates	–	–	–	(8,378)	772	(7,606)
Profit before income tax	2,131,489	1,425,215	2,036,496	1,117,474	443,066	7,153,740
Income tax expense						(1,624,092)
Net profit for the year						5,529,648
Total assets	15,488,935	87,014,335	139,656,556	12,514,812	30,994,987	285,669,625
Total liabilities	16,183,468	85,453,116	110,649,632	9,039,119	7,449,556	228,774,891
Other segment information:						
Depreciation and amortization	149,436	165,847	160,601	62,815	33,835	572,534
Capital expenditure	75,797	87,787	84,729	25,809	16,144	290,266

6 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2020	2019
Investment banking income	6,179,157	3,869,173
Brokerage services income	5,998,602	3,557,079
Asset and fund management income	1,298,645	1,082,148
Others	147,854	124,265
Total	13,624,258	8,632,665

7 INTEREST INCOME

	Year ended 31 December	
	2020	2019
Margin financing and securities lending	2,869,330	1,955,265
Bank deposits	2,116,490	1,801,032
Financial assets at fair value through other comprehensive income	1,309,117	1,259,229
Financial assets held under resale agreements	808,716	1,221,991
Financial assets at amortized costs	–	5,530
Total	7,103,653	6,243,047

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

8 NET INVESTMENT GAINS

	Year ended 31 December	
	2020	2019
Net gains from financial assets at fair value through profit or loss	9,512,034	5,140,331
Net gains from disposal of financial assets at fair value through other comprehensive income	403,282	157,198
Net gains from disposal of financial assets at amortized costs	–	1,088
Dividend income from financial assets at fair value through other comprehensive income	5,320	102,022
Net losses from financial liabilities at fair value through profit or loss	(151,221)	(14,313)
Net losses from derivatives	(754,660)	(472,730)
Net gains attributable to other interest holders of consolidated structured entities	(341,433)	(507,086)
Total	8,673,322	4,406,510

9 OTHER INCOME

	Year ended 31 December	
	2020	2019
Bulk commodity trading income	1,213,145	27,721
Government grants	63,466	50,137
Rental income	16,867	13,790
Gains on disposal of property, plant and equipment	419	334
Net (losses)/gains on foreign exchange	(16,471)	287
Others	41,466	32,903
Total	1,318,892	125,172

10 EXPENSES

	Year ended 31 December	
	2020	2019
Fee and commission expenses:		
Brokerage expenses	1,162,281	710,396
Investment banking expenses	322,586	184,525
Others	115,003	112,700
Total	1,599,870	1,007,621
Interest expenses:		
Bonds in issue	2,390,409	2,478,668
Financial assets sold under repurchase agreements	1,510,855	1,175,727
Placements from banks and other financial institutions	558,405	310,131
Accounts payable to brokerage clients	283,857	178,936
Short-term financing instruments payable	902,619	409,568
Lease liabilities	38,265	39,356
Borrowings	11,987	26,442
Others	76,535	65,078
Total	5,772,932	4,683,906
Staff costs (including directors' and supervisors' remuneration):		
Salaries, bonuses and allowances	5,666,241	3,982,057
Staff benefits	487,636	427,119
Contributions to defined contribution schemes *(i)*	282,419	300,378
Total	6,436,296	4,709,554

10 EXPENSES (Continued)

(i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Year ended 31 December	
	2020	2019
Cost of bulk commodity trading	1,198,347	27,606
Depreciation and amortization expenses	644,150	572,534
Electronic equipment operating expenses	219,175	159,209
Office operating expenses	169,858	128,333
Postal and communication expenses	135,401	100,647
Business travel expenses	127,899	173,848
Membership fees of exchanges	119,058	89,602
Business entertainment expenses	104,443	105,287
Securities investor protection fund	95,704	60,520
Consulting expenses	85,658	37,133
Auditors' remuneration	5,875	6,450
Including: Audit service	5,442	6,226
Non-audit service	433	224
Others	339,380	344,631
Total	3,244,948	1,805,800

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

Name	Year ended 31 December 2020				
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	2,080	2,500	–	223	4,803
Li Geping *(President)*	1,954	2,500	–	212	4,666
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Wang Xiaolin *(i)*	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao	–	–	–	–	–
Wang Bo *(ii)*	–	–	–	–	–
Xu Gang *(iii)*	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu	–	–	245	–	245
Zhu Shengqin	–	–	245	–	245
Dai Deming	–	–	245	–	245
Bai Jianjun	–	–	245	–	245
Liu Qiao	–	–	245	–	245
Supervisors					
Lin Xuan	1,616	2,400	–	201	4,217
Zhao Ming *(iv)*	1,150	2,300	–	173	3,623
Li Shihua *(v)*	1,522	2,400	–	204	4,126
Ai Bo	–	–	–	–	–
Zhao Lijun	–	–	–	–	–
Total	8,322	12,100	1,225	1,013	22,660

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(1) Details of the directors' and supervisors' remuneration are as follows : (Continued)

	Year ended 31 December 2019				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	1,996	1,400	–	117	3,513
Li Geping *(President)*	1,870	1,400	–	112	3,382
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao	–	–	–	–	–
Wang Bo *(ii)*	–	–	–	–	–
Xu Gang *(iii)*	–	–	–	–	–
Dong Shi *(vi)*	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu	–	–	210	–	210
Zhu Shengqin	–	–	210	–	210
Dai Deming	–	–	210	–	210
Bai Jianjun	–	–	210	–	210
Liu Qiao	–	–	210	–	210
Supervisors					
Li Shihua *(v)*	1,442	1,700	–	95	3,237
Lin Xuan	1,594	1,500	–	91	3,185
Zhao Ming *(iv)*	794	2,000	–	61	2,855
Lu Ya *(vii)*	285	–	–	24	309
Ai Bo	–	–	–	–	–
Zhao Lijun	–	–	–	–	–
Total	7,981	8,000	1,050	500	17,531

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(1) Details of the directors' and supervisors' remuneration are as follows : (Continued)

Except for the remuneration shown above, directors and supervisors received the following after-tax deferred bonuses in 2020 and 2019:

For the year ended 31 December 2020, Executive Director Wang Changqing received deferred bonuses for the year ended 31 December 2016 of RMB2.09 million, Supervisor Li Shihua received deferred bonuses for the year ended 31 December 2016 of RMB1.93 million, Supervisor Lin Xuan received deferred bonuses for the year ended 31 December 2016 of RMB1.87 million, Supervisor Zhao Ming received deferred bonuses for the year ended 31 December 2016 of RMB1.59 million.

For the year ended 31 December 2019, Executive Director Wang Changqing received deferred bonuses for the year ended 31 December 2015 of RMB1.40 million and for the year ended 31 December 2014 of RMB2.20 million, Supervisor Li Shihua received deferred bonuses for the year ended 31 December 2015 of RMB1.40 million and for the year ended 31 December 2014 of RMB1.71 million, Supervisor Lin Xuan received deferred bonuses for the year ended 31 December 2015 of RMB2.21 million, Supervisor Lu Ya received deferred bonuses for the year ended 31 December 2015 of RMB1.44 million.

For each of the years ended 31 December 2020 and 31 December 2019, no directors and supervisors waived their remuneration. For non-executive directors and supervisors whose pre-tax remuneration were not paid by the Group was shown as zero in tables.

(i) Wang Xiaolin was appointed as non-executive director in July 2020.

(ii) Wang Bo resigned as non-executive director in July 2020.

(iii) Xu Gang resigned as non-executive director in November 2020.

(iv) Zhao Ming was appointed as supervisor in April 2019.

(v) Li Shihua resigned as supervisor in December 2020.

(vi) Dong Shi resigned as non-executive director in November 2019.

(vii) Lu Ya resigned as supervisor in April 2019.

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(2) Other benefits and rights of directors and supervisors

For each of the years ended 31 December 2020 and 31 December 2019, no emoluments were paid by the Group to any of the persons who were directors, or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for the contributions to social pension schemes and corporate pension schemes, there were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' and supervisors' services.

For each of the years ended 31 December 2020 and 31 December 2019, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly. In addition, the Group did not provide any guarantees or securities to certain controlled body corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

12 FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2020 and 31 December 2019, the five highest paid employees excluded directors and supervisors are as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and other benefits	6,775	6,397
Discretionary bonuses	22,950	24,390
Discretionary deferred bonuses	31,020	34,704
Retirement benefits	952	440
Total	61,697	65,931

12 FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of these individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2020	2019
RMB11,000,001 to RMB12,000,000 yuan	1	1
RMB12,000,001 to RMB13,000,000 yuan	4	–
RMB13,000,001 to RMB14,000,000 yuan	–	3
RMB14,000,001 to RMB15,000,000 yuan	–	1
Total	5	5

For the year ended 31 December 2020, the remuneration of these individuals above includes 2016 pre-tax deferred bonus paid in 2020. For the year ended 31 December 2019, the remuneration of these individuals above includes 2014 and 2015 pre-tax deferred bonus paid in 2019.

For each of the years ended 31 December 2020 and 31 December 2019, no remunerations were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Year ended 31 December	
	2020	2019
Financial assets held under resale agreements	988,921	(22,729)
Financial assets at fair value through other comprehensive income	290,395	17,254
Margin financing	28,025	(53,203)
Financial assets at amortized costs	–	(5,079)
Others	11,509	4,327
Total	1,318,850	(59,430)

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

14 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December	
	2020	2019
Current income tax		
– Mainland China	2,999,647	1,383,477
– Hong Kong	(23,040)	(14,139)
Subtotal	2,976,607	1,369,338
Deferred income tax	(387,569)	254,754
Total	2,589,038	1,624,092

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax	12,125,723	7,153,740
Income tax at the PRC statutory income tax rate	3,031,431	1,788,435
Effects of different applicable rates of tax prevailing in various jurisdictions	(29,587)	(3,579)
Non-deductible expenses	18,843	26,721
Non-taxable income	(255,288)	(103,942)
Others	(176,361)	(83,543)
Income tax expenses at the Group's effective income tax rate	2,589,038	1,624,092

15 DIVIDENDS

	Year ended 31 December	
	2020	2019
Dividends on ordinary shares proposed and paid	1,796,901	1,376,349
Distribution to other equity instrument holders *(Note 16(i))*	370,486	371,418

A cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares related to the year of 2020, amounting to RMB2,909 million (tax inclusive) in total has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

A cash dividend of RMB2.35 (tax inclusive) per 10 ordinary shares related to the year of 2019, amounting to RMB1,797 million (tax inclusive) in total and based on 7,646,385,238 shares was approved at the annual general meeting held on 5 June 2020.

A cash dividend of RMB1.80 (tax inclusive) per 10 ordinary shares related to the year of 2018, amounting to RMB1,376 million (tax inclusive) in total and based on 7,646,385,238 shares was approved at the annual general meeting held on 25 June 2019.

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

16 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2020	2019
Earnings:		
Profit attributable to equity holders of the Company	9,509,429	5,501,688
Less: Profit attributable to other equity instrument holders of the Company *(i)*	(370,486)	(371,418)
Profit attributable to ordinary equity holders of the Company	9,138,943	5,130,270
Shares:		
Weighted average number of ordinary shares in issue *(thousand) (Note 44)*	7,647,594	7,646,385
Basic and diluted earnings per share *(in RMB yuan)*	1.20	0.67

There were no dilutive shares during the years ended 31 December 2020 (years ended 31 December 2019: None).

(i) As of 31 December 2020, there were two tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 45 Other Equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

17 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2020	428,063	697,128	36,696	7,475	77,809	8,850	38,286	1,294,307
Increases	322	193,577	370	155	1,803	672	109	197,008
Decreases	(14,624)	(64,678)	(396)	(887)	(2,953)	(823)	(1,336)	(85,697)
31 December 2020	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Accumulated depreciation								
1 January 2020	(134,082)	(504,848)	(33,897)	(5,972)	(72,414)	(7,036)	(32,620)	(790,869)
Increases	(11,266)	(99,583)	(778)	(521)	(3,951)	(613)	(1,838)	(118,550)
Decreases	5,256	64,540	384	860	2,934	796	1,318	76,088
31 December 2020	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Net carrying amount								
31 December 2020	273,669	286,136	2,379	1,110	3,228	1,846	3,919	572,287
Cost								
1 January 2019	431,472	609,670	37,173	7,670	80,046	9,199	38,548	1,213,778
Increases	3,552	154,919	282	574	1,490	450	961	162,228
Decreases	(6,961)	(67,461)	(759)	(769)	(3,727)	(799)	(1,223)	(81,699)
31 December 2019	428,063	697,128	36,696	7,475	77,809	8,850	38,286	1,294,307
Accumulated depreciation								
1 January 2019	(122,179)	(491,714)	(33,116)	(6,218)	(70,140)	(7,194)	(31,841)	(762,402)
Increases	(12,593)	(80,745)	(1,517)	(500)	(5,950)	(596)	(1,983)	(103,884)
Decreases	690	67,611	736	746	3,676	754	1,204	75,417
31 December 2019	(134,082)	(504,848)	(33,897)	(5,972)	(72,414)	(7,036)	(32,620)	(790,869)
Net carrying amount								
31 December 2019	293,981	192,280	2,799	1,503	5,395	1,814	5,666	503,438

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2020	1,180,831	258,321	1,439,152
Increases	297,717	1,288	299,005
Decreases	(18,904)	(175)	(19,079)
Foreign currency translation differences	(14,521)	–	(14,521)
31 December 2020	1,445,123	259,434	1,704,557
Accumulated depreciation			
1 January 2020	(299,591)	(37,553)	(337,144)
Increases	(348,456)	(37,598)	(386,054)
Decreases	12,027	174	12,201
Foreign currency translation differences	3,114	–	3,114
31 December 2020	(632,906)	(74,977)	(707,883)
Carrying amount			
31 December 2020	812,217	184,457	996,674

18 RIGHT-OF-USE ASSETS (Continued)

	Properties and buildings	Others	Total
Cost			
1 January 2019	791,437	257,053	1,048,490
Increases	386,516	1,268	387,784
Decreases	(1,348)	–	(1,348)
Foreign currency translation differences	4,226	–	4,226
31 December 2019	1,180,831	258,321	1,439,152
Accumulated depreciation			
1 January 2019	–	–	–
Increases	(299,964)	(37,553)	(337,517)
Decreases	667	–	667
Foreign currency translation differences	(294)	–	(294)
31 December 2019	(299,591)	(37,553)	(337,144)
Carrying amount			
31 December 2019	881,240	220,768	1,102,008

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2020	542,596	75,948	618,544
Increases	211,692	–	211,692
Decreases	(31,668)	(1,700)	(33,368)
Foreign currency translation differences	(997)	(27)	(1,024)
31 December 2020	721,623	74,221	795,844
Accumulated amortization			
1 January 2020	(313,026)	(69,600)	(382,626)
Increases	(83,856)	–	(83,856)
Decreases	30,616	–	30,616
Foreign currency translation differences	500	–	500
31 December 2020	(365,766)	(69,600)	(435,366)
Net carrying amount			
31 December 2020	355,857	4,621	360,478

19 INTANGIBLE ASSETS (Continued)

	Software	Trading seat rights and others	Total
Cost			
1 January 2019	429,994	75,938	505,932
Increases	115,829	–	115,829
Decreases	(3,308)	–	(3,308)
Foreign currency translation differences	81	10	91
31 December 2019	542,596	75,948	618,544
Accumulated amortization			
1 January 2019	(249,417)	(69,600)	(319,017)
Increases	(66,737)	–	(66,737)
Decreases	3,078	–	3,078
Foreign currency translation differences	50	–	50
31 December 2019	(313,026)	(69,600)	(382,626)
Net carrying amount			
31 December 2019	229,570	6,348	235,918

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES

	31 December 2020	31 December 2019
Investments in subsidiaries	6,528,123	5,333,123

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights		Directly/ Indirectly hold	Principal activities
				As at 31 December 2020	2019		
China Futures Co., Ltd. *(i)*	Chongqing	Chongqing	RMB1,000 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd. *(i)*	Beijing	Beijing	RMB1,650 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd.	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd.	Beijing	Beijing	RMB300 million	55%	55%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. *(i)*	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) In 2020, the Company increased capital investment of RMB300 million, RMB150 million and RMB745 million in China Futures Co., Ltd., China Capital Management Co., Ltd. and China Securities Investment Co., Ltd., respectively.

(ii) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.

21 INVESTMENT IN ASSOCIATES

	31 December 2020	31 December 2019
Investments in associates	229,286	269,512

The following table illustrates details of investments in associates:

Name	1 January 2020	Increase	Decrease	Movement using the equity method	Impairment allowance for the current period	31 December 2020
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	118,018	–	–	10,108	(77,324)	50,802
Jiangsu DDBS Environment Remediation Co., Ltd	45,212	–	–	3,592	–	48,804
Beijing Tinavi Medical Technology Co., Ltd.	20,017	25,224	–	(1,033)	–	44,208
Guangdong South Lead TV & Film Co., Ltd.	27,763	–	–	(571)	–	27,192
Beijing Siban Technology Development Co., Ltd.	–	28,571	–	(2,762)	–	25,809
Zhongguancun Equity Trading Service Group Co., Ltd.	45,824	–	(28,571)	4,504	–	21,757
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	11,426	–	–	(1,967)	–	9,459
Beijing Haifu Capital Management Co., Ltd.	1,252	–	–	3	–	1,255
Total	269,512	53,795	(28,571)	11,874	(77,324)	229,286

21 INVESTMENT IN ASSOCIATES (Continued)

Name	1 January 2019	Increase	Decrease	Movement using the equity method	Impairment allowance for the current period	31 December 2019
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	–	116,857	–	1,161	–	118,018
Jiangsu DDBS Environment Remediation Co., Ltd.	44,075	–	–	1,137	–	45,212
Beijing Tinavi Medical Technology Co., Ltd.	23,723	–	–	(3,706)	–	20,017
Guangdong South Lead TV & Film Co., Ltd.	30,000	–	–	(2,237)	–	27,763
Zhongguancun Equity Trading Service Group Co., Ltd.	47,565	–	–	(1,741)	–	45,824
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	15,000	–	–	(3,574)	–	11,426
Beijing Haifu Capital Management Co., Ltd.	1,250	–	–	2	–	1,252
Xinjin Global Industrial Fund LP	1,100	–	(1,100)	–	–	–
Total	162,713	116,857	(1,100)	(8,958)	–	269,512

As at 31 December 2020, the fair value of CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd., an associate of the Group, was lower than its original book value indicating signs of impairment. As a result, an impairment allowance of RMB77.32 million was recorded by the Group (31 December 2019: Nil).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Non-current		
Financial assets at fair value through profit or loss		
Equity investments	3,939,113	3,103,611
Others	2,076,395	192,420
Subtotal	6,015,508	3,296,031
Analyzed into:		
Listed outside Hong Kong	1,574,603	1,141,393
Unlisted	4,440,905	2,154,638
Subtotal	6,015,508	3,296,031
Current		
Financial assets at fair value through profit or loss		
Debt instruments	82,315,132	50,723,715
Equity investments	14,139,675	8,073,044
Fund investments	10,460,975	8,081,851
Others	25,724,358	21,581,292
Subtotal	132,640,140	88,459,902
Analyzed into:		
Listed in Hong Kong	2,356,420	1,768,887
Listed outside Hong Kong	109,195,472	69,129,269
Unlisted	21,088,248	17,561,746
Subtotal	132,640,140	88,459,902
Total	138,655,648	91,755,933

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

As at 31 December 2020, the fair value of financial assets pledged as collateral for repurchase agreements (Note 37), placements from China Securities Finance Corporation Limited ("CSF") (Note 38), short-term borrowings (Note 40), futures business and securities borrowing business by the Group totaled RMB62,442.75 million (31 December 2019: RMB39,212.31 million).

As at 31 December 2020, financial assets held by the Group included securities lent amounted to RMB2,185.24 million (31 December 2019: RMB624.53 million).

As at 31 December 2020, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB3,754.15 million (31 December 2019: RMB1,154.27 million).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020	31 December 2019
Non-current		
Equity instruments *(i)*	3,225,144	3,153,312
Analyzed into:		
Unlisted	3,225,144	3,153,312
Current		
Debt instruments	44,816,764	32,430,035
Equity instruments	54,948	60,488
Subtotal	44,871,712	32,490,523
Analyzed into:		
Listed in Hong Kong	1,821,858	890,954
Listed outside Hong Kong	43,049,854	31,599,569
Subtotal	44,871,712	32,490,523
Total	48,096,856	35,643,835

(i) Equity instruments assets at fair value through other comprehensive income are the specific accounts invested by the Company together with several other securities companies and managed by CSF. According to the relevant contracts, risks and returns of the specific accounts are shared by the Company and other investing securities companies based on investment proportion and the accounts are operated and managed by CSF. The Company manages these financial assets for purposes other than to generate investment returns.

As at 31 December 2020, based on investment account report provided by CSF, the balance of cost and fair value of the Company's specific investment were RMB3,075.00 million and RMB3,225.14 million, respectively (31 December 2019: cost and fair value were RMB3,075.00 million and RMB3,153.31 million, respectively).

(ii) As at 31 December 2020, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 37), placements from CSF (Note 38), short-term borrowings (Note 40) and securities borrowing business were RMB33,765.93 million (31 December 2019: RMB24,019.91 million).

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2020	31 December 2019
Non-current		
Analyzed by collateral:		
Stock	1,353,536	2,512,486
Allowance for impairment losses	(5,219)	(5,210)
Subtotal	1,348,317	2,507,276
Current		
Analyzed by collateral:		
Stock	8,279,045	12,561,744
Debts	7,458,949	6,036,856
Others	111,442	104,549
	15,849,436	18,703,149
Allowance for impairment losses	(1,080,550)	(91,669)
Subtotal	14,768,886	18,611,480
Total	16,117,203	21,118,756

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	31 December 2020	31 December 2019
Collateral received	45,507,600	56,537,257
Including: Collateral allowed to be re-pledged	198,323	187,314
Collateral re-pledged	102,096	83,282

25 REFUNDABLE DEPOSITS

	31 December 2020	31 December 2019
Performance bonds	6,180,363	2,400,221
Trading deposits	2,488,830	362,194
Credit deposits	71,798	31,196
Total	8,740,991	2,793,611

26 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities are as follow:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2020	594,685	13,840	295,637	59,703	963,865
Credited to the consolidated income statement	327,169	85,580	328,011	11,525	752,285
Credited/(debited) to other comprehensive income	–	13,248	–	(3,879)	9,369
31 December 2020	921,854	112,668	623,648	67,349	1,725,519

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2019	529,303	84,035	335,650	25,518	974,506
Credited/(debited) to the consolidated income statement	65,382	(69,378)	(40,064)	33,812	(10,248)
Credited/(debited) to other comprehensive income	–	(817)	51	373	(393)
31 December 2019	594,685	13,840	295,637	59,703	963,865

26 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Changes of deferred tax assets and deferred tax liabilities are as follow: (Continued)

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2020	658,549	2,325	660,874
Debited/(credited) to the consolidated income statement	365,651	(935)	364,716
Debited/(credited) to other comprehensive income	39,918	(92)	39,826
31 December 2020	1,064,118	1,298	1,065,416

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2019	331,291	11,351	342,642
Debited/(credited) to the consolidated income statement	253,632	(9,126)	244,506
Debited/(credited) to other comprehensive income	73,626	100	73,726
31 December 2019	658,549	2,325	660,874

27 OTHER NON-CURRENT ASSETS

As at 31 December 2020 and 31 December 2019, other non-current assets of the Group primarily represented long-term deferred expenses incurred on leasehold improvements of property, plant and equipment.

28 MARGIN ACCOUNTS

	31 December 2020	31 December 2019
Margin accounts		
– Individuals	41,168,753	26,694,162
– Institutions	6,515,092	2,260,327
	47,683,845	28,954,489
Allowance for impairment losses	(1,168,670)	(1,148,349)
Total	46,515,175	27,806,140

Margin accounts are funds that the Group provided to clients in margin financing business. As at 31 December 2020 and 31 December 2019, no margin accounts were pledged for repurchase agreements (Note 37).

As at 31 December 2020, the fair value of securities lent in margin financing business was RMB8,978.45 million (31 December 2019: RMB1,029.66 million).

As at 31 December 2020, the Group received collateral with fair value amounted to RMB174,926.49 million (31 December 2019: RMB95,680.44 million), in connection with its margin financing business.

29 ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Trading deposits for return swaps	6,708,687	1,655,190
Clearing funds receivable	112,199	128,775
Assets management fee receivable	114,178	85,346
Clearing settlement fund and refundable deposits advanced on behalf of sponsored structured entities	24,890	24,494
Others	1,069,291	250,033
	8,029,245	2,143,838
Allowance for impairment losses *(i)*	(11,092)	(6,972)
Total	8,018,153	2,136,866

(i) ECL on account receivables arising from revenue recognized in accordance with IFRS 15 – Revenue, the Group is measured using simplified approach under IFRS9. ECL on other receivables is measured using the general approach and as at 31 December 2020, account receivables which measured using general approach was classified under Stage 1 (31 December 2019: Stage 1).

(ii) Analyzed by aging

	As at 31 December 2020			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	8,014,585	99.82%	(2,277)	20.54%
1 to 2 years	3,555	0.04%	(1,610)	14.51%
2 to 3 years	2,491	0.03%	(1,308)	11.79%
More than 3 years	8,614	0.11%	(5,897)	53.16%
Total	8,029,245	100.00%	(11,092)	100.00%

	As at 31 December 2019			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	2,126,028	99.17%	(64)	0.91%
1 to 2 years	5,387	0.25%	(1,086)	15.58%
2 to 3 years	11,194	0.52%	(5,822)	83.51%
More than 3 years	1,229	0.06%	–	–
Total	2,143,838	100.00%	(6,972)	100.00%

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

30 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2020		
		Fair value	
	Nominal value	Assets	Liabilities
Interest rate derivatives	165,977,744	812	950
Equity derivatives	97,824,331	1,449,975	2,274,318
Credit derivatives	292,000	1,913	2,132
Others	15,729,256	179,509	147,220
Total	279,823,331	1,632,209	2,424,620

	As at 31 December 2019		
		Fair value	
	Nominal value	Assets	Liabilities
Interest rate derivatives	142,900,688	87	391
Equity derivatives	71,142,876	939,568	723,540
Credit derivatives	147,000	622	1,463
Others	5,088,463	15,173	36,178
Total	219,279,027	955,450	761,572

Under the daily settlement arrangement, any gains or losses of the Group's positions in futures contracts, among others, were settled daily and the corresponding payments or receipts were included in "cash and bank balances". Accordingly, the amount of mark-to-market gains or losses of unexpired futures contracts, among others, included in derivative financial instruments above was Nil. As at 31 December 2020, the fair value of the Group's unexpired futures contracts was negative RMB153.85 million (31 December 2019: negative RMB56.12 million).

31 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 34). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" under the Securities and Futures Ordinance impose similar restrictions.

32 CASH AND BANK BALANCES

	31 December 2020	31 December 2019
Cash on hand	–	23
Deposits in banks	28,580,085	47,221,032
Total	28,580,085	47,221,055

As at 31 December 2020, the Group had restricted deposits of RMB810.72 million (31 December 2019: RMB278.37 million).

33 OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Interest receivable *(i)*	59,059	33,749
Commodity Inventories	15,227	21,789
Prepaid expenses	4,013	12,285
Deferred expenses	3,652	6,981
Dividend receivable	202	–
Others	527,301	254,766
	609,454	329,570
Allowance for impairment losses	(44,762)	(37,855)
Total	564,692	291,715

(i) As at 31 December 2020 and 31 December 2019, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represent the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash Held on Behalf of Clients (Note 31).

35 LEASE LIABILITIES

	31 December 2020	31 December 2019
Current		
Lease liabilities	323,956	340,140
Non-current		
Lease liabilities	655,308	735,122
Total	979,264	1,075,262

As at 31 December 2020, the Group's leases committed but not yet commenced were RMB24.56 million (31 December 2019: RMB41.22 million) (Note 53.2).

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	5,140	518,161
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(i)*	342,326	608,183
Subtotal	347,466	1,126,344
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(i)*	1,248,263	–
Total	1,595,729	1,126,344

(i) As at 31 December 2020 and 31 December 2019, the structured notes held by the Group were linked to equity indexes.

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2020	31 December 2019
Current		
Analyzed by collateral:		
Debt securities *(Notes 22 and 23)*	68,879,194	43,014,064
Gold	6,033,940	4,612,845
Others *(Notes 22)*	9,599,105	7,906,066
Total	84,512,239	55,532,975

As at 31 December 2020 and 31 December 2019, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

38 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Current		
Placements from banks	–	8,243,359
Placements from CSF *(Notes 22 and 23)*	9,035,700	1,020,186
Total	9,035,700	9,263,545

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

39 TAXES PAYABLE

	31 December 2020	31 December 2019
Current		
Income tax	938,489	324,807
Value added tax	198,371	151,731
Others	256,566	124,056
Total	1,393,426	600,594

40 SHORT-TERM BORROWINGS

	31 December 2020	31 December 2019
Current		
Analyzed by nature:		
Credit borrowings	87,411	183,287
Mortgage borrowings *(Notes 22 and 23)*	537,763	705,725
Total	625,174	889,012

As at 31 December 2020, the Group had fixed-rate borrowings which carried interest from 0.50% to 3.00%. As at 31 December 2019, the Group had short-term borrowings which carried interest at HIBOR, LIBOR or SOFR plus a margin.

As at 31 December 2020, the Group held collateral with fair value amounted to RMB634.50 million (31 December 2019: RMB838.71 million), in connection with its short-term borrowings.

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Issue date	Maturity date	Coupon rate	1 January 2020	Increase	Decrease	31 December 2020
Short-term commercial paper							
19 CSC CP006	09/10/2019	08/01/2020	2.88%	4,026,439	2,203	(4,028,642)	–
19 CSC CP007	24/10/2019	22/01/2020	3.02%	4,022,774	6,931	(4,029,705)	–
19 CSC CP008	11/12/2019	06/03/2020	3.05%	4,007,000	21,667	(4,028,667)	–
20 CSC CP001	06/01/2020	03/04/2020	2.79%	–	4,026,833	(4,026,833)	–
20 CSC CP002	20/01/2020	17/04/2020	2.79%	–	4,026,833	(4,026,833)	–
20 CSC CP003	19/02/2020	12/05/2020	2.52%	–	4,022,859	(4,022,859)	–
20 CSC CP004	04/03/2020	03/06/2020	2.42%	–	4,024,134	(4,024,134)	–
20 CSC CP005	07/04/2020	24/06/2020	1.50%	–	4,012,822	(4,012,822)	–
20 CSC CP006	21/04/2020	17/07/2020	1.38%	–	4,013,157	(4,013,157)	–
20 CSC CP007	08/05/2020	06/08/2020	1.55%	–	4,517,199	(4,517,199)	–
20 CSC CP008	02/06/2020	28/08/2020	1.58%	–	4,015,064	(4,015,064)	–
20 CSC CP009	22/06/2020	18/09/2020	2.20%	–	4,021,216	(4,021,216)	–
20 CSC CP010	17/07/2020	16/10/2020	2.55%	–	4,025,430	(4,025,430)	–
20 CSC CP011	04/08/2020	03/11/2020	2.60%	–	4,025,929	(4,025,929)	–
20 CSC CP012	03/09/2020	27/11/2020	2.70%	–	4,025,151	(4,025,151)	–
20 CSC CP013	22/09/2020	18/12/2020	2.70%	–	4,025,742	(4,025,742)	–
20 CSC CP014	14/10/2020	13/01/2021	2.69%	–	4,023,289	–	4,023,289
20 CSC CP015	03/11/2020	29/01/2021	3.12%	–	4,522,695	–	4,522,695
20 CSC CP016	26/11/2020	25/02/2021	3.35%	–	4,013,216	–	4,013,216
20 CSC CP017	16/12/2020	17/03/2021	2.80%	–	3,504,296	–	3,504,296
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	–	1,520,553	(4,259)	1,516,294
Structured notes *(i)*				5,439,740	66,080,415	(46,803,901)	24,716,254
Total				17,495,953	136,477,634	(111,677,543)	42,296,044

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (Continued)

Name	Issue date	Maturity date	Coupon rate	1 January 2019	Increase	Decrease	31 December 2019
Short-term corporate bonds							
18 CSC D1	12/02/2018	28/01/2019	5.34%	3,046,921	574	(3,047,495)	–
18 CSC D2	14/05/2018	24/04/2019	4.70%	2,982,426	37,817	(3,020,243)	–
Short-term commercial paper							
19 CSC CP001	25/04/2019	24/07/2019	3.00%	–	3,016,521	(3,016,521)	–
19 CSC CP002	24/05/2019	22/08/2019	2.99%	–	3,016,957	(3,016,957)	–
19 CSC CP003	14/06/2019	12/09/2019	3.06%	–	3,019,869	(3,019,869)	–
19 CSC CP004	12/07/2019	10/10/2019	2.70%	–	3,017,975	(3,017,975)	–
19 CSC CP005	16/09/2019	13/12/2019	2.75%	–	4,026,448	(4,026,448)	–
19 CSC CP006	09/10/2019	08/01/2020	2.88%	–	4,026,439	–	4,026,439
19 CSC CP007	24/10/2019	22/01/2020	3.02%	–	4,022,774	–	4,022,774
19 CSC CP008	11/12/2019	06/03/2020	3.05%	–	4,007,000	–	4,007,000
Structured notes *(i)*				7,724,359	25,065,979	(27,350,598)	5,439,740
Total				13,753,706	53,258,353	(49,516,106)	17,495,953

As at 31 December 2020 and 31 December 2019, there were no defaults related to any short-term financing instruments payable by the Group.

As at 31 December 2020 and 31 December 2019, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB258.13 million and RMB71.32 million, respectively.

(i) As at 31 December 2020 and 31 December 2019, the structured notes issued by the Group are calculated at a fixed annual interest rate or a fixed plus floating interest rate. The fixed interest rate ranges are 2.10%-4.00% and 2.70%-3.70%, respectively.

42 OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2019
Bonds in issue with maturity within one year *(1)*	15,304,192	22,751,549
Amounts due to other holders of consolidated structured entities at fair value	6,003,742	6,885,486
Trading deposits for return swaps	4,611,335	2,343,033
Salaries, bonuses and allowances payable	3,947,967	2,703,648
Futures settlement risk funds payable	111,404	92,583
Dividends payable *(Note 15 and 45)*	225,404	371,418
Settlement deposits payable	439,153	372,652
Accounts payable to underwriting clients	75,871	15,069,150
Provision	66,403	54,197
Funds payable to securities holders	5,997	6,047
Securities investor protection fund payable	53,278	34,346
Others	3,652,897	1,915,608
Total	34,497,643	52,599,717

42 OTHER CURRENT LIABILITIES (Continued)

(1) Bonds in issue with maturity within one year as at 31 December 2020 and 31 December 2019 were as follows:

		31 December 2020	31 December 2019
15 Xintou 01	(i)	–	1,828,260
CSCI FN15 B2009	(ii)	–	1,404,677
17 Xintou G1	(iii)	–	4,124,345
17 Xintou G2	(iv)	–	3,090,134
17 Xintou F1	(v)	–	5,104,367
17 Xintou F2	(vi)	–	3,024,929
18 Xintou F1	(vii)	–	4,172,538
18 Xintou F2	(viii)	4,144,105	–
18 Xintou F3	(ix)	3,578,358	–
18 Xintou F4	(x)	2,551,271	–
18 Xintou C1	(xi)	5,030,184	–
Structured notes	(xii)	274	2,299
Total		15,304,192	22,751,549

(i) In August 2015, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB1.8 billion, which offers the options, at the end of the fifth year, for the Company to redeem it at face value or increase the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 4.20% per annum and is not guaranteed. The bond was fully redeemed in August 2020.

(ii) In September 2015, the Company's subsidiary CSCI Finance (2015) Co., Ltd. publicly issued a 5-year fixed rate credit enhancement bond with a face value of USD0.2 billion. The bond pays interest semi-annually at 3.125% per annum and is unconditionally and irrevocably guaranteed by another subsidiary of the Company China Securities (International) Finance Holding Co., Ltd. The bond was fully redeemed in September 2020.

(iii) In April 2017, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 4.48% per annum and is not guaranteed. The bond was fully redeemed in April 2020.

(iv) In May 2017, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 4.88% per annum and is not guaranteed. The bond was fully redeemed in May 2020.

(v) In July 2017, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 4.74% per annum and is not guaranteed. The bond was fully redeemed in July 2020.

42 OTHER CURRENT LIABILITIES (Continued)

(1) Bonds in issue with maturity within one year as at 31 December 2020 and 31 December 2019 were as follows: (Continued)

(vi) In October 2017, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 5.07% per annum and is not guaranteed. The bond was fully redeemed in October 2020.

(vii) In March 2018, the Company privately issued a 2-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 5.43% per annum and is not guaranteed. The bond was fully redeemed in March 2020.

(viii) In April 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 5.12% per annum and is not guaranteed.

(ix) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB3.5 billion. The bond pays interest annually at 4.86% per annum and is not guaranteed.

(x) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB2.5 billion. The bond pays interest annually at 4.84% per annum and is not guaranteed.

(xi) In November 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 4.38% per annum and is not guaranteed.

(xii) As at 31 December 2020，the Company had structured notes named "Gushouxin series" amounted to RMB0.27 million, which accrue interests at a fixed annual rate in the range of 3.00%~3.10%, and all of which have remaining tenure less than one year (31 December 2019: RMB2.35 million with a fixed annual interest rate in the range of 3.10%~3.70%; the amount of the remaining tenure less than one year: RMB2.30 million). The principal and interest of these structured notes are payable at maturity and are not guaranteed.

43 BONDS IN ISSUE

	31 December 2020	31 December 2019
Subordinated bonds in issue	25,937,038	19,942,512
Corporate bonds in issue	20,023,181	10,135,228
Financial bonds in issue	4,056,088	4,055,229
Structured notes in issue	–	52
Total	50,016,307	34,133,021

(1) As at 31 December 2020 and 31 December 2019, there were no defaults related to any bonds in issue.

43 BONDS IN ISSUE (Continued)

(2) The details of bonds in issue

		31 December 2020	31 December 2019
Corporate bonds			
18 Xintou F2	42(1) (viii)	–	4,097,300
18 Xintou F3	42(1) (ix)	–	3,511,197
18 Xintou F4	42(1) (x)	–	2,526,731
20 Xintou G1	(i)	5,098,259	–
20 Xintou G2	(ii)	1,020,559	–
20 Xintou G3	(iii)	3,041,844	–
20 Xintou G4	(iv)	3,038,641	–
20 Xintou G5	(v)	4,553,500	–
CSCIF A N2508	(vi)	3,270,378	–
Subtotal		20,023,181	10,135,228
Subordinated bonds			
18 Xintou C1	42(1) (xi)	–	5,026,758
19 Xintou C1	(vii)	5,699,084	5,690,575
19 Xintou C2	(viii)	5,140,324	5,133,607
19 Xintou C3	(ix)	4,096,928	4,091,572
20 Xintou C1	(x)	4,004,909	–
20 Xintou C2	(xi)	1,000,725	–
20 Xintou C3	(xii)	4,996,249	–
20 Xintou C4	(xiii)	998,819	–
Subtotal		25,937,038	19,942,512
Financial Bonds			
19 CSC Financial Bond 01	(xiv)	4,056,088	4,055,229
Structured notes	42(1) (xii)	–	52
Carrying amount		50,016,307	34,133,021

43 BONDS IN ISSUE (Continued)

(2) The details of bonds in issue (Continued)

(i) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.

(ii) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.

(iii) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.

(iv) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.

(v) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4.5 billion. The bond pays interest annually at 3.46% per annum and is not guaranteed.

(vi) in August 2020, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 5-year medium-term note with a face value of USD0.5 billion million and an annual interest rate of 1.75%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.

(vii) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed.

(viii) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.

(ix) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed.

(x) In November 2020, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4 billion. The bond accrues interest at 3.90% per year and is not guaranteed.

(xi) In November 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.

(xii) In December 2020, the Company publicly issued a 455-days fixed rate subordinated bond with a face value of RMB5 billion. The bond accrues interest at 3.84% per year，and is not guaranteed.

(xiii) In December 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.18% per annum and is not guaranteed.

(xiv) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed.

44 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	31 December 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each *(in thousands)*		
– A shares	6,495,671	6,385,361
– H shares	1,261,024	1,261,024
Total	7,756,695	7,646,385

The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. on 28 December 2020. The Company issued a total of 110,309,559 shares with a nominal value of RMB1 per share.

45 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows：

– In January 2015, the Company issued the first tranche of perpetual subordinated bonds of 2015 amounted to RMB2 billion. The bond was fully redeemed in January 2020.

– In March 2015, the Company issued the second tranche of perpetual subordinated bonds of 2015 amounted to RMB3 billion. The bond was fully redeemed in March 2020.

– In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.

– In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.

45 OTHER EQUITY INSTRUMENTS (Continued)

Key terms and conditions relating to the equity instruments that exist at the end of the year are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;

- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;

- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;

- The priority over repayment of the 2019 and the 2020 perpetual subordinated bond is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 31 December 2020, the interest payable of perpetual subordinated bonds was RMB225 million (Note 42). As at 31 December 2019, the interest payable of perpetual subordinated bonds was RMB371 million (Note 42), which was paid in 2020.

46 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

46 RESERVES (Continued)

(2) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards for Business Enterprises, to its discretionary surplus reserve upon approval by the ordinary equity holders in Annual General Meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve (Note 3.1(23)). Regulatory reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

(4) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(5) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

47 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash and bank balances	28,580,085	47,221,055
Less: Restricted deposits *(Note 32)*	(810,715)	(278,373)
Interest receivable	(3,871)	(7,114)
Cash and cash equivalents	27,765,499	46,935,568

48 INTERESTS IN STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them.

(1) Structured entities included in consolidated financial statements

Considering that the Company acts as either the investment manager for the structured entities, or as principal in investing in the subordinated tranches or all of the shares issued by the structured entities, bearing most or all the risk of the products and obtaining most or all of the variable returns, the Group therefore consolidated these structured entities in its consolidated financial statements.

As at 31 December 2020 and 31 December 2019, total assets of consolidated structured entities, the Group's investments and maximum exposure arising from its investments in consolidated structured entities are as follows:

	31 December 2020	31 December 2019
Total assets	9,351,905	9,051,141
Investments	2,874,197	2,959,775
Maximum exposure	2,860,743	3,014,723

48 INTERESTS IN STRUCTURED ENTITIES (Continued)

(2) Interests in unconsolidated structured entities

(i) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group primarily include asset management plans and investment funds sponsored by the Group. As the manager of these structured entities, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each structured entity. The interests held by the Group in these unconsolidated structured entities primarily include investments held directly and/or management fees, commission and performance fee earned from managed structured entities. The Group concluded that it acted as an agent rather than a principal based on its assessment of the variable return derived from these structured entities. Therefore, these structured entities are not consolidated by the Group.

For the year ended 31 December 2020, the Group earned management fee, commission and performance fee amounted to RMB967.71 million (31 December 2019: RMB894.57 million) from these unconsolidated structured entities sponsored by the Group, for which the Group held no interest in during and as at the end of the reporting year.

As at 31 December 2020 and 31 December 2019, the maximum exposure and the carrying amount of relevant balance sheet items of the Group arising from these unconsolidated structured entities, for which the Group held interests in as at the end of the reporting year, were set out as below:

	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss		
– Carrying amount	4,232,618	2,405,675
– Maximum exposure	4,285,686	2,430,393

48 INTERESTS IN STRUCTURED ENTITIES (Continued)

(2) Interests in unconsolidated structured entities (Continued)

(ii) Structured entities sponsored by third party financial institutions

As at 31 December 2020 and 31 December 2019, the amount of maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities sponsored by third party financial institutions were equal, which set out as below:

	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss	34,863,966	28,270,622

49 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase transactions. The counterparties are allowed to re-pledge those securities sold under repurchase transactions in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return part of collateral or be required to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them. A financial liability is recognized for cash received.

49 TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances be required to return part of collateral or require counterparties to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2020	31 December 2019
Carrying amount of transferred assets		
– Securities lending	2,185,237	624,531
– Financial assets sold under repurchase agreements	–	1,155,843
Total	2,185,237	1,780,374
Carrying amount of related liabilities		
– Financial assets sold under repurchase agreements	–	1,059,736

50 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	31 December 2020	31 December 2019
Contracted, but not provided for	29,669	2,572

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 31 December 2020 and 31 December 2019, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

51 RELATED PARTY DISCLOSURES

(1) Beijing State-owned Capital Operation and Management Center

As at 31 December 2019, Beijing State-Owned Capital Operation and Management Center ("Beijing State Management Center") owned 35.11% of the equity interest of the Company.

Beijing State Management Center was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is a People-owned enterprise controlled by the PRC government.

51 RELATED PARTY DISCLOSURES (Continued)

(1) Beijing State-owned Capital Operation and Management Center (Continued)

The transactions between Beijing State Management Center and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Eleven months ended 30 November 2020	Year ended 31 December 2019
Fee and commission income	940	14,667
Interest expense	(22)	(20)

In January 2020, the Company received a notice from the original largest shareholder, Beijing State Management Center, who intended to transfer all of its holding of 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, to Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") for nil consideration ("Transfer"). In March 2020, Beijing State Management Center and Beijing Financial Holdings Group signed the Agreement on the Transfer. The Transfer has been approved by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality in March 2020 and approved by CSRC in October 2020, respectively. The Transfer registration has been completed on 30 November 2020.

After the completion of the Transfer, Beijing State Management Center no longer holds any shares in the Company and Beijing Financial Holdings Group directly holds 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, making it the largest shareholder of the Company. The Transfer has no impacts on the Company's non-controlling shareholders and the status that the Company has no actual controlling person.

51 RELATED PARTY DISCLOSURES (Continued)

(2) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group

As a result of the Company's non-public offering of A-shares in December 2020, the percentage of shareholding of Beijing Financial Holdings Group has declined passively. As at 31 December 2020, Beijing Financial Holdings Group owned 34.61% of the equity interest of the Company.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

The Group enters into transactions with Beijing Financial Holdings Group and companies under it in the ordinary course of business under normal commercial terms. In December 2020, the Group had no related-party transactions with Beijing Financial Holdings Group and companies under it.

(3) Central Huijin and companies under Central Huijin

As at 31 December 2020, Central Huijin Investment Limited ("Central Huijin") owned 30.76% of the equity interest of the Company (31 December 2019: 31.21%).

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the China State Council and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government. Central Huijin has equity interests in certain other banks and financial institutions under the direction of the PRC government.

51 RELATED PARTY DISCLOSURES (Continued)

(3) Central Huijin and companies under Central Huijin (Continued)

The Group enters into transactions with Central Huijin and companies under it in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Year ended 31 December	
	2020	2019
Fee and commission income	73,797	106,132
Interest income	348,892	242,334
Other income	2,888	–
Fee and commission expenses	(108,902)	(73,930)
Interest expense	(138,635)	(104,668)
Other operating expenses and costs	(547)	–

	31 December 2020	31 December 2019
Assets		
Financial assets at fair value through other comprehensive income	1,167,141	277,987
Financial assets at fair value through profit or loss	2,645,946	1,089,795
Derivative financial assets	16,525	60,067
Cash held on behalf of client	8,359,056	7,841,551
Cash and bank balances	2,883,531	1,681,302
Accounts receivable	31,916	35,405
Right of use assets	900	2,390
Liabilities		
Accounts payable to brokerage clients	17,430	4,907
Derivative financial liabilities	82,732	15,156
Financial assets sold under repurchase agreements	4,146,840	500,642
Short-term borrowings	–	89,598
Other current liabilities	77,513	118,556
Lease liabilities	849	2,387

51 RELATED PARTY DISCLOSURES (Continued)

(4) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the "government related entities") are also regarded as related parties of the Group.

Part of the Group's transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(5) Other major shareholders and its related parties

The Group's major transactions and balances with other major shareholders and its related parties were as follows:

	Year ended 31 December	
	2020	2019
Fee and commission income	23,956	107,407
Interest income	91,628	62,760
Fee and commission expenses	(45,012)	(37,158)
Interest expense	(14,789)	(47,477)
Other operating expenses and costs	(3,793)	–

51 RELATED PARTY DISCLOSURES (Continued)

(5) Other major shareholders and its related parties (Continued)

	31 December 2020	31 December 2019
Assets		
Financial assets at fair value through other comprehensive income	518,466	260,516
Financial assets at fair value through profit or loss	237,674	117,375
Derivative financial assets	790	6,229
Cash held on behalf of client	8,425,770	2,925,033
Cash and bank balance	719,343	623,182
Accounts receivable	18,051	10,527
Liabilities		
Accounts payable to brokerage clients	603,806	33,766
Derivative financial liabilities	15,262	16,774
Financial assets sold under repurchase agreements	1,388,121	579,585
Other current liabilities	20,507	26,507

(6) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(7) Key management personnel

Key management personnel are those who have the authority and responsibility to directly or indirectly plan, direct and control the Group activities, including the board of directors, the board of supervisors and other senior management personnel.

51 RELATED PARTY DISCLOSURES (Continued)

(7) Key management personnel (Continued)

The Group's remuneration paid for key management personnel is disclosed as follow:

	Year ended 31 December	
	2020	2019
Salaries, bonuses and allowances	141,704	134,968
Staff benefits	1,332	1,296
Contributions to defined contribution schemes	3,730	1,641
Total	146,766	137,905

For the year ended 31 December 2020, the remuneration of these individuals above includes 2016 pre-tax deferred bonus paid in 2020. For the year ended 31 December 2019, the remuneration of these individuals above includes 2014 and 2015 pre-tax deferred bonus paid in 2019.

52 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, weighted average cost of capital, liquidity discount, price to book ratio and volatility of underlying assets. As at 31 December 2020 and 31 December 2019, fair value changes resulting from the changes in the unobservable inputs were not significant. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(1) Financial instruments recorded at fair value

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	9,251,365	73,041,875	21,892	82,315,132
– Equity investments	13,741,958	1,717,204	2,619,626	18,078,788
– Fund investments	6,463,824	3,996,984	167	10,460,975
– Others	5,000	25,387,384	2,408,369	27,800,753
Subtotal	29,462,147	104,143,447	5,050,054	138,655,648
Derivative financial assets	323,043	970,900	338,266	1,632,209
Financial assets at fair value through other comprehensive income				
– Debt instruments	1,966,454	42,847,816	2,494	44,816,764
– Equity instruments	54,948	3,225,144	–	3,280,092
Subtotal	2,021,402	46,072,960	2,494	48,096,856
Total assets	31,806,592	151,187,307	5,390,814	188,384,713
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	5,140	–	5,140
– Financial liabilities designated as at fair value through profit or loss	–	–	1,590,589	1,590,589
Subtotal	–	5,140	1,590,589	1,595,729
Derivative financial liabilities	300,745	779,006	1,344,869	2,424,620
Total liabilities	300,745	784,146	2,935,458	4,020,349

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	5,559,555	45,155,332	8,828	50,723,715
– Equity investments	8,500,768	157,020	2,518,867	11,176,655
– Fund investments	5,439,702	2,642,149	–	8,081,851
– Others	–	20,088,269	1,685,443	21,773,712
Subtotal	19,500,025	68,042,770	4,213,138	91,755,933
Derivative financial assets	65,015	714,681	175,754	955,450
Financial assets at fair value through other comprehensive income				
– Debt instruments	830,466	31,597,072	2,497	32,430,035
– Equity instruments	60,488	3,153,312	–	3,213,800
Subtotal	890,954	34,750,384	2,497	35,643,835
Total assets	20,455,994	103,507,835	4,391,389	128,355,218
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	518,161	–	518,161
– Financial liabilities designated as at fair value through profit or loss	–	–	608,183	608,183
Subtotal	–	518,161	608,183	1,126,344
Derivative financial liabilities	66,622	308,662	386,288	761,572
Total liabilities	66,622	826,823	994,471	1,887,916

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(2) Movements in Level 3 financial instruments measured at fair value

Movements in Level 3 financial instruments measured at fair value in each year are as follow:

	Year ended 31 December 2020				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2020	4,213,138	2,497	175,754	608,183	386,288
Total gains or losses for the year	196,041	–	346,861	139,360	1,218,720
Total gains recorded in other comprehensive income	–	(1,010)	–	–	–
Increases	3,185,327	–	158,373	2,839,308	598,791
Decreases	(2,007,952)	–	(342,722)	(1,996,262)	(858,930)
Transfers to Level 3 from Level 1	32,239	–	–	–	–
Transfers to Level 3 from Level 2	114,934	1,007	–	–	–
Transfers to Level 1 from Level 3	(233,305)	–	–	–	–
Transfers to Level 2 from Level 3	(450,368)	–	–	–	–
31 December 2020	5,050,054	2,494	338,266	1,590,589	1,344,869
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	196,041	–	346,861	(139,360)	(1,218,720)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(2) Movements in Level 3 financial instruments measured at fair value (Continued)

Movements in Level 3 financial instruments measured at fair value in each year are as follow: (Continued)

	Year ended 31 December 2019				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2019	3,847,796	–	861,154	–	43,699
Total gains or losses for the year	220,853	–	(386,514)	4,041	219,286
Total gains recorded in other comprehensive income	–	(12,285)	–	–	–
Increases	1,916,099	–	367,493	604,142	902,124
Decreases	(1,878,024)	–	(666,379)	–	(778,821)
Transfers to Level 3 from Level 1	8,682	11,079	–	–	–
Transfers to Level 3 from Level 2	97,732	3,703	–	–	–
31 December 2019	4,213,138	2,497	175,754	608,183	386,288
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	220,853	–	(386,514)	(4,041)	(219,286)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(3) Important unobservable input value in fair value measurement of Level 3

The fair value of financial instruments under Level 3 are primarily determined by discounted cash flow model, option pricing model and comparable companies methods, etc. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are primarily based on the significance of the unobservable inputs which mainly include weighted average cost of capital, liquidity discount, price to book ratio, volatility of underlying assets and others to the overall fair value measurement.

(4) Transfers between Level 1 and Level 2

During the year ended 31 December 2020, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB459.41 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB7.53 million.

During the year ended 31 December 2019, the amount of financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income transferred from Level 1 to Level 2 were RMB40.86 million and RMB9.95 million, respectively

(5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. As at 31 December 2020 and 31 December 2019, financial assets and financial liabilities for which the carrying amounts approximate fair value, including financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable are not listed in the table below.

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(5) Financial assets and financial liabilities not measured at fair value (Continued)

As at 31 December 2020 and 31 December 2019, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	31 December 2020	31 December 2019
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount *(Notes 42 and 43)*	65,320,499	56,884,570
– Fair value	65,557,195	57,441,093

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Company's successful operations. Therefore, the Company has established a set of comprehensive risk management and internal control systems to enable the Company to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk and liquidity risk and operational risk.

The Company's risk management and control system is not significantly changed compared to 31 December 2019.

Structure of risk management

The Board

The Board of Directors is the Company's highest decision-making body in risk management, the executive management is the execution body, whilst different units are responsible for directly managing the risks they face in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before the event, during the event and after the event, as per their respective roles and responsibilities.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of risk management (Continued)

The Board (Continued)

The Board of Directors is the Company's highest decision-making body in risk management, which makes decisions with respect to the Company's overall risk management strategies and policies, internal control arrangements, and actions to address material risks faced by the Company, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Company's business and operating activities. The Board's Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

The Operation Management

The Company's Executives Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Company's risk preference and tolerance as well as key risk limits for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Company's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

The Chief Risk Officer of the Company is responsible for leading risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's comprehensive risk management practices, organizing the pilot work of consolidated risk control and monitoring, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (continued)

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Company has the responsibility to comply with the Company's relevant rules and procedures and contribute to daily risk control efforts as part of their own job responsibilities.

The Risk Management Department that is responsible for risk management of the Company, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Internal Audit Department that is responsible for the Company's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Company. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Company, and the Internal Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, aligned with the regulatory requirements, the Company has established the internal review department. Through such review at the firm level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk management activities

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, issue the "Risk Classification and Key Control List", and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, asset management business and custodian business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, and risk incidents of the departments, branches and subsidiaries as a key component of their performance assessment.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk management activities (Continued)

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk and reputation risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis, accidents on transaction system and major public health incidents, while emergency response mechanism has been established and is drilled sporadically on a regular or irregular basis.

The Risk Management Department establishes a mechanism for the transfer of risk information and significant risk warnings. The Company establishes the risk information management mechanism including transferring and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and executive management or a Risk Management Committee, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

Risk analysis and control

Financial risks in the Company's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Company has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Company relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programs for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Company performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carries out debt recovery activities for defaulting customers.

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Company carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. In 2020, the Company further tightened the quality of its investment portfolio, strengthened due diligence of investment targets and counterparties and credit risk management measures to improve the capability of credit risk management, default losses were at low level.

The Company controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Company monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Company prevents customer under-collateralisation. For option transactions, the Company takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

Expected credit loss measurement

The measurement of the ECL allowance for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The Group has applied a "three-stage" impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

– A financial instrument that is not credit-impaired on initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group;

– If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;

– If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company fully considers forward-looking information when measuring ECL. ECL are the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Company determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral's valuation. For debt securities investments, internal credit rating is taken into consideration.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Measuring ECL – models and parameters (Continued)

– LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.

– EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of Significant increase in credit risk (SICR)

The Company evaluates financial instruments to identify whether a SICR has occurred since initial recognition at each balance sheet date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This took account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Company sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

For securities financing business, the Company considered securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 31 December 2020 and 31 December 2019, over 95% of the securities financing balances of the Company were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The criteria of Significant increase in credit risk (SICR) (Continued)

For debt securities investments, the Company makes use of its internal rating measurement system's results. The Company considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 31 December 2020 and 31 December 2019, all the debt securities investments of the Company were rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment

The Company assesses whether a financial instrument has been credit-impaired in accordance with IFRS 9, in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of "in default", when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client's position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest internal ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor's financial difficulties;
- Concessions have been made by the Company relating to the debtor, issuer, borrower or counterparty's financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment (Continued)

In summary, the "three-stage" classification criteria for securities financing business is:

– Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.

– Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.

– Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the cumulative growth rate of Domestic Gross Domestic Product (GDP), Producer Price Index (PPI), Fixed Asset Investments Completion Rate and the growth rate of the financial institutions' loan balances. Regression analysis has been performed to determine the relationships between these economic variables and macro factors. The Company forecasts the economic variables under different economic scenarios and applies them in the measurement of ECL with Merton Model.

For all portfolios the Company concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Company revaluates the quantity and characteristic of the three scenarios at each balance sheet date. As at 31 December 2020 and 31 December 2019, the Company set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario employed by the Company was more than that of the other scenarios.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Forward-looking information (Continued)

In 2020, the Company's key macroeconomic assumptions used in various macroeconomic scenarios include a forecast cumulative growth rate of 9.10% of GDP, 1.60% of the PPI, 6.70% of fixed Asset Investment Completion Rate, and a forecast growth rate of 11.10% of the financial institutions' loan balances, under the base scenario. In optimistic and pessimistic scenario, the above indicators' forecast value changes around benchmark value by no more than positive or negative 30%.

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As at 31 December 2020, by taking current economy situation, pandemic's impact and supporting policies applied by the government into comprehensive consideration, the Company updated relevant economic indicators for forward-looking measurement based on the latest economic forecasts. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Sensitivity analysis (Continued)

As mentioned above, the Company adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 31 December 2020 and 31 December 2019 and the results were as follows:

(i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 5% deviation from the base ECL scenario;

(ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 5% of the ECL allowance;

(iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 5% of the ECL allowance.

Meanwhile, the Company also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 31 December and 31 December 2019，assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be less than 5%.

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Company determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin financing and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Impairment provision of securities financing business

As at 31 December 2020, the percentage of impairment provision applied by the Company on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.26%，0.54% and 70.50%, respectively (31 December 2019: 0.23%, 1.35% and 50.08%).

Credit risk exposure analysis

As at 31 December 2020 and 31 December 2019, the credit quality of the Company's financing exposures to customers was in good condition and over 95% of the securities financing business of the Company were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Company employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Company's debt securities investments were rated as investment grade (AA) or above externally.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	31 December 2020	31 December 2019
Financial assets at fair value through other comprehensive income	44,816,764	32,430,035
Financial assets held under resale agreements	16,117,203	21,118,756
Refundable deposits	8,740,991	2,793,611
Margin accounts	46,515,175	27,806,140
Financial assets at fair value through profit or loss	117,437,377	79,179,041
Derivative financial assets	1,632,209	955,450
Cash held on behalf of clients	70,268,389	52,695,657
Deposits in banks	28,580,085	47,221,032
Others	8,559,953	2,399,811
Total maximum credit risk exposure	342,668,146	266,599,533

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

	31 December 2020 Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	15,219,754	106,378	1,876,840	17,202,972
Loss allowance	(41,902)	(576)	(1,043,291)	(1,085,769)
Book value	15,177,852	105,802	833,549	16,117,203
Including: stock-pledged repurchase business				
Carrying amount	7,649,363	106,378	1,876,840	9,632,581
Loss allowance	(41,415)	(576)	(1,043,291)	(1,085,282)
Collateral	37,293,861	300,487	3,213,311	40,807,659
Margin accounts				
Carrying amount	46,611,235	60	1,072,550	47,683,845
Loss allowance	(99,346)	(2)	(1,069,322)	(1,168,670)
Book value	46,511,889	58	3,228	46,515,175
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	44,814,270	–	2,494	44,816,764
Loss allowance	(297,592)	–	(20,124)	(317,716)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

	31 December 2019 Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	19,835,841	374,703	1,005,091	21,215,635
Loss allowance	(27,466)	(5,075)	(64,338)	(96,879)
Book value	19,808,375	369,628	940,753	21,118,756
Including: stock-pledged repurchase business				
Carrying amount	13,649,571	374,703	1,005,091	15,029,365
Loss allowance	(26,862)	(5,075)	(64,338)	(96,275)
Collateral	47,569,964	992,840	1,594,753	50,157,557
Margin accounts				
Carrying amount	27,766,695	8	1,187,786	28,954,489
Loss allowance	(67,013)	(1)	(1,081,335)	(1,148,349)
Book value	27,699,682	7	106,451	27,806,140
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	32,422,774	4,764	2,497	32,430,035
Loss allowance	(10,514)	(1,558)	(15,366)	(27,438)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes,the resulted movements amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;

- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and

- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	67,013	1	1,081,335	1,148,349
Increases	69,664	2	5,218	74,884
Reversals	(37,327)	–	(9,532)	(46,859)
Write – offs	–	–	(430)	(430)
Transfer:				
Stage 2 to stage 1	1	(1)	–	–
Foreign exchange and other movements	(5)	–	(7,269)	(7,274)
31 December 2020	99,346	2	1,069,322	1,168,670

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	88,946	5,485	1,104,693	1,199,124
Increases	35,172	–	194,335	229,507
Reversals	(57,194)	(5,165)	(220,351)	(282,710)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(238)	–	238	–
Stage 2 to stage 1	319	(319)	–	–
Stage 3 to stage 1	5	–	(5)	–
Foreign exchange and other movements	3	–	2,425	2,428
31 December 2019	67,013	1	1,081,335	1,148,349

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	27,466	5,075	64,338	96,879
Increases	35,304	554	989,478	1,025,336
Reversals	(19,966)	(416)	(16,033)	(36,415)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(22)	22	–	–
Stage 1 to stage 3	(849)	–	849	–
Stage 2 to stage 3	–	(4,659)	4,659	–
Foreign exchange and other movements	(31)	–	–	(31)
31 December 2020	41,902	576	1,043,291	1,085,769

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	48,389	51,546	19,661	119,596
Increases	15,964	3,818	34,156	53,938
Reversals	(32,892)	(23,498)	(20,277)	(76,667)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(1,414)	1,414	–	–
Stage 1 to stage 3	(4,220)	–	4,220	–
Stage 2 to stage 3	–	(26,578)	26,578	–
Stage 2 to stage 1	1,627	(1,627)	–	–
Foreign exchange and other movements	12	–	–	12
31 December 2019	27,466	5,075	64,338	96,879

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	10,514	1,558	15,366	27,438
Increases	292,734	–	4,057	296,791
Reversals	(5,539)	(396)	(461)	(6,396)
Write – offs	–	–	–	–
Transfer:				
Stage 2 to stage 3	–	(1,162)	1,162	–
Foreign exchange and other movements	(117)	–	–	(117)
31 December 2020	297,592	–	20,124	317,716

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	7,978	1,227	1,005	10,210
Increases	9,169	1,160	14,358	24,687
Reversals	(6,602)	(831)	–	(7,433)
Write – offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(3)	–	3	–
Foreign exchange and other movements	(26)	–	–	(26)
31 December 2019	10,514	1,558	15,366	27,438

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk

Liquidity risks refer to the risks that the Company is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Company has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk management. The Company has established strict rules and procedures for managing its own funds and requires strict compliance with these rules and procedures in taking debts, providing guarantees and making investments; it also sets liquidity risk limits and conducts daily and monthly liquidity position analyses to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Company has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Company also calculates liquidity coverage ratio and net stable funds ratio as per regulatory requirements and all indicators fall within the safety zone.

The Asset and Liability Management Committee is responsible for organizing and managing the asset and liability allocation plan of the Company, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Company established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Company has improved its daily practice for liquidity risk management and control mechanism with the assistance of classified liquidity reserve system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. In addition, in year of 2020, the Company issued various medium and long-term debt financing instruments, and equity refinancing instruments, to maintain sufficient liquidity reserve, improve emergency plans for liquidity risk, and ensure liquidity risk under control.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2020					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	74,710,488	–	–	–	–	74,710,488
Derivative financial liabilities	2,420,159	3,598	813	50	–	2,424,620
Financial liabilities at fair value through profit or loss	–	5,140	342,326	1,248,263	–	1,595,729
Financial assets sold under repurchase agreements	–	78,784,575	5,852,698	–	–	84,637,273
Placements from banks and other financial institutions	–	9,063,700	–	–	–	9,063,700
Short-term borrowings	–	625,426	–	–	–	625,426
Short-term financing instruments payable	–	34,762,554	7,615,333	–	–	42,377,887
Bonds in issue	–	415,363	989,588	51,955,691	–	53,360,642
Lease liabilities	–	137,867	208,494	682,959	24,412	1,053,732
Others *(i)*	9,337,982	5,214,710	16,266,370	4,050	596	30,823,708
Total	86,468,629	129,012,933	31,275,622	53,891,013	25,008	300,673,205
Cash flows from derivative financial liabilities settled on a net basis	2,420,159	3,144	813	50	–	2,424,166
Gross-settled derivative financial liabilities	–	454	–	–	–	454
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	454	–	–	–	454

(i) Others mainly include bonds in issue with maturity within one year and amounts due to other holders of consolidated structured entities at fair value.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows: (Continued)

	31 December 2019					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	54,625,736	–	–	–	–	54,625,736
Derivative financial liabilities	759,681	1,450	313	128	–	761,572
Financial liabilities at fair value through profit or loss	–	842,773	283,754	–	–	1,126,527
Financial assets sold under repurchase agreements	–	52,701,156	2,944,771	–	–	55,645,927
Placements from banks and other financial institutions	–	9,265,754	–	–	–	9,265,754
Short-term borrowings	–	889,352	–	–	–	889,352
Short-term financing instruments payable	–	16,054,406	1,509,107	–	–	17,563,513
Bonds in issue	–	220,000	1,224,568	35,560,221	–	37,004,789
Lease liabilities	–	135,110	238,789	730,122	63,563	1,167,584
Others	20,694,121	10,169,078	19,458,764	10,286	–	50,332,249
Total	76,079,538	90,279,079	25,660,066	36,300,757	63,563	228,383,003
Cash flows from derivative financial liabilities settled on a net basis	759,681	823	262	128	–	760,894
Gross-settled derivative financial liabilities	–	627	51	–	–	678
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	627	51	–	–	678

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 31 December 2020 and 31 December 2019 but not commenced into the relevant maturity groupings based on their contractual maturities:

	31 December 2020				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	4,552	5,342	13,464	1,198	24,556

	31 December 2019				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	7,109	7,109	20,133	6,865	41,216

53.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

For market risks, the Company has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Company annually reviews and approves risk limits for the Company as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Company has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Company makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

In 2020, the overall scale of the Company's proprietary business increased to achieve better investment income, with market risk effectively controlled within the scope of various risk limit indicators.

(1) Value at risk (VaR)

The Company adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(1) Value at risk (VaR) (Continued)

The VaR of the Company's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Company implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Company and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	31 December 2020	31 December 2019
Equity price-sensitive financial instruments	153,437	166,277
Interest rate-sensitive financial instruments	183,447	116,813

In addition, for the purpose of maintaining market stability, the Company made contributions to a special account solely managed by China Securities Finance Corporation Limited and agreed with other investing securities companies to share risks and returns on the investments in proportion to their respective contributions. This investment is also exposed to market risks, but since it is impossible to accurately estimate the exposure, it is not included in the VaR calculation above.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Company's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Company primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the year-end on the Company's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and does not consider any risk management actions that the management may take to reduce its interest rate risk.

Interest rate sensitivity analysis are as follows:

Sensitivity to revenue	31 December 2020	31 December 2019
Change in basis points		
+25 basis points	(502,806)	(303,623)
– 25 basis points	506,548	305,685

Sensitivity to equity	31 December 2020	31 December 2019
Change in basis points		
+25 basis points	(250,464)	(267,953)
– 25 basis points	252,889	273,987

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(3) Foreign currency rate risk

With respect to foreign exchange rate risk, the Group's foreign-currency-denominated assets and liabilities represent only a small portion in its entire assets and liabilities portfolio. As at 31 December 2020, the foreign exchange exposure is approximately RMB1,533 million (31 December 2019: RMB1,621 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, limiting the size of its foreign-currency-denominated assets and liabilities and setting stop-loss limits for proprietary investments by its overseas subsidiaries. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

Other price risks refer to risks of fair value decline to the Group's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, including primarily commodity prices. The Group's investment portfolio primarily comprises equity securities and their derivative instruments as well as fixed income businesses. Other market price-related businesses include gold trading and commodity derivatives trading where the Group primarily focuses on providing liquidity services and arbitrage trading. The size of its portfolio represents a very small portion of the Group's portfolio and a negligible risk exposure. Accordingly, the Group believes that the other price risks do not have a significant impact on the Group's current operations.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016) (the "Administrative Measures") issued by the CSRC in 2016 and Calculation Standards for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No.10) (the "Calculation Standards") issued by the CSRC in 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.4 Capital management (Continued)

Risk coverage ratio = net capital/sum of various risk capital provisions x 100%,

Capital leverage ratio = core net capital/total asset on-/off-balance-sheet x 100%,

Liquidity coverage ratio = high quality liquid assets/net cash outflow in 30 days x 100%,

Net stable funding ratio = available amount of stable funding/required amount of stable funding x 100%.

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Calculation Standards.

In March 2020, the Company received a Notice on the Matters about the Pilot of Consolidated Risk Control and Monitoring from CSRC (Notice of Department of Institutions (2020) No. 663), which allowed the Company to officially participate in the pilot of consolidated risk control and to implement differentiated calculation standards for risk control indicators.

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment		559,705	490,054
Right-of-use assets		772,405	833,701
Investment properties		56,133	49,438
Intangible assets		332,193	209,077
Investment in subsidiaries	20	6,528,123	5,333,123
Investment in associates		47,566	45,824
Financial assets at fair value through profit or loss		4,869,600	3,112,441
Financial assets at fair value through other comprehensive income		3,225,144	3,153,312
Financial assets held under resale agreements		1,348,317	2,507,276
Refundable deposits		4,558,229	960,075
Deferred tax assets		1,608,422	864,274
Other non-current assets		85,054	109,426
Total non-current assets		23,990,891	17,668,021
Current assets			
Margin accounts		46,293,953	27,752,838
Accounts receivable		7,955,142	1,977,201
Financial assets at fair value through profit or loss		116,226,883	75,551,994
Financial assets at fair value through other comprehensive income		42,784,820	31,436,517
Derivative financial assets		1,639,151	955,450
Financial assets held under resale agreements		14,467,809	18,392,326
Cash held on behalf of clients		62,345,724	47,853,696
Cash and bank balances		26,989,088	44,916,905
Other current assets		402,765	151,373
Total current assets		319,105,335	248,988,300
Total assets		343,096,226	266,656,321

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	31 December 2020	31 December 2019
Current liabilities			
Accounts payable to brokerage clients		62,619,896	47,967,795
Lease liabilities		259,349	279,206
Derivative financial liabilities		2,451,096	763,495
Financial liabilities at fair value through profit or loss		347,466	1,126,344
Financial assets sold under repurchase agreements		82,131,345	54,928,626
Placements from banks and other financial institutions		9,035,700	9,263,545
Taxes payable		1,292,817	529,492
Short-term financing instruments payable		42,296,044	17,495,953
Other current liabilities		27,910,324	43,974,564
Total current liabilities		228,344,037	176,329,020
Net current assets		90,761,298	72,659,280
Total assets less current liabilities		114,752,189	90,327,301
Non-current liabilities			
Bonds in issue		46,745,928	34,256,291
Lease liabilities		490,645	525,976
Financial liabilities at fair value through profit or loss		1,248,263	–
Deferred tax liabilities		952,400	639,292
Other non-current liabilities		4,394	4,480
Total non-current liabilities		49,441,630	35,426,039
Net assets		65,310,559	54,901,262
Equity			
Share capital		7,756,695	7,646,385
Other equity instruments		9,961,509	9,980,698
Reserves		27,330,438	20,858,907
Retained earnings		20,261,917	16,415,272
Total equity		65,310,559	54,901,262

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2020		7,646,385	9,980,698	8,690,960	3,416,707	8,530,041	221,199	16,415,272	54,901,262
Profit for the year		–	–	–	–	–	–	8,675,945	8,675,945
Other comprehensive income for the year		–	–	–	–	–	72,164	–	72,164
Total comprehensive income for the year		–	–	–	–	–	72,164	8,675,945	8,748,109
Capital injected by equity holders									
– Issuance of A shares	44	110,310	–	3,737,454	–	–	–	–	3,847,764
– Capital injected by other equity instrument holders	45	–	(19,189)	–	–	–	–	–	(19,189)
Appropriation to surplus reserves	46	–	–	–	867,595	–	–	(867,595)	–
Appropriation to general reserves	46	–	–	–	–	1,794,318	–	(1,794,318)	–
Dividends – 2019	15	–	–	–	–	–	–	(1,796,901)	(1,796,901)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	(370,486)	(370,486)
At 31 December 2020		7,756,695	9,961,509	12,428,414	4,284,302	10,324,359	293,363	20,261,917	65,310,559

The net profit of the Company for the year ended 31 December 2020 amounted to RMB8,676 million (2019: RMB5,397 million).

For the year ended 31 December 2020

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2019		7,646,385	5,000,000	8,690,960	2,876,986	7,419,395	4,936	14,416,192	46,054,854
Profit for the year		–	–	–	–	–	–	5,397,214	5,397,214
Other comprehensive income for the year		–	–	–	–	–	216,263	–	216,263
Total comprehensive income for the year		–	–	–	–	–	216,263	5,397,214	5,613,477
Capital injected by equity holders									
– Capital injected by other equity instrument holders	45	–	4,980,698	–	–	–	–	–	4,980,698
Appropriation to surplus reserves	46	–	–	–	539,721	–	–	(539,721)	–
Appropriation to general reserves	46	–	–	–	–	1,110,646	–	(1,110,646)	–
Dividends – 2018	15	–	–	–	–	–	–	(1,376,349)	(1,376,349)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	(371,418)	(371,418)
At 31 December 2019		7,646,385	9,980,698	8,690,960	3,416,707	8,530,041	221,199	16,415,272	54,901,262

56 EVENTS AFTER THE REPORTING PERIOD

(1) Subordinated bond issuance

In January 2021, the Company publicly issued a subordinated bond with a face value of RMB3 billion to professional investors. The bond can be divided into two categories: (a) the "21 Xintou C1" has a face value of RMB2 billion, with a maturity of 546 days and a nominal rate of 3.50%; (b) the "21 Xintou C2" has a face value of RMB1 billion, with a maturity of 3 years and a nominal rate of 3.87%. The bond pays interest annually at fixed rate per annum and is not guaranteed.

In March 2021, the Company publicly issued a subordinated bond with a face value of RMB4 billion to professional investors. The bond can be divided into two categories: (a) the "21 Xintou C3" has a face value of RMB3 billion, with a maturity of 455 days, and accrues interest at a nominal rate of 3.40%; (b) the "21 Xintou C4" has a face value of RMB1 billion, with a maturity of 3 years and a nominal rate of 3.88%, and pays interest annually. The bond accrues interest at fixed rate per annum and is not guaranteed.

(2) Short-term commercial paper issuance

In January 2021, the Company publicly issued a 88-day fixed rate commercial paper with a face value of RMB4 billion ("21 CSC CP001"). The bond pays the principal and interest at 2.40% per annum at maturity and is not guaranteed.

In January 2021, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4 billion ("21 CSC CP002"). The bond pays the principal and interest at 2.42% per annum at maturity and is not guaranteed.

In February 2021, the Company publicly issued a 91-day fixed rate commercial paper with a face value of RMB4.5 billion ("21 CSC CP003"). The bond pays the principal and interest at 2.89% per annum at maturity and is not guaranteed.

In March 2021, the Company publicly issued a 88-day fixed rate commercial paper with a face value of RMB4.5 billion ("21 CSC CP004BC"). The bond pays the principal and interest at 2.62% per annum at maturity and is not guaranteed.

(3) Dividend

On 31 March 2021, the Board of directors proposes a cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares, amounting to RMB2,909 million (tax inclusive) in total based on 7,756,694,797 shares for the year ended 31 December 2020. The dividend distribution represents 31.83% of profit for the year 2020 attributable to ordinary equity holders of the Company in the consolidated financial statements. The remaining undistributed profit will be carried forward to the following years. Such proposal is subject to the approval by the ordinary equity holders in the Annual General Meeting.