



# 中州证券

## Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)

Stock Code: 01375



## Annual Report 2014

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# IMPORTANT

The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company undertake that the annual report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.

This report has been deliberated and approved at the 44th meeting of the fourth Board and 17th meeting of the fourth Supervisory Committee where all directors and supervisors were present respectively. No directors, supervisors or senior management declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The annual financial report for 2014 prepared by the Company in accordance with the International Financial Reporting Standard and China's Accounting Standard for Business Enterprises has been audited by PricewaterhouseCoopers and ShineWing Certified Public Accountants (Special General Partnership) respectively with qualified auditing reports produced. All amounts set out in this report are stated in RMB unless otherwise stated.

Chairman of the Board Mr. Jian Mingjun, President Mr. Zhou Xiaoquan, Chief Accountant Ms. Zhu Junhong and Officer-in-charge of the accounting institution Mr. Li Xiaoqiang declare that they undertake the financial reports in this annual report are true, accurate and complete.

Forward-looking statements including future plan and development strategy involved in this report do not constitute the Company's substantive commitment to investors. The investors are advised to pay attention to investment risks.

# CHAIRMAN'S STATEMENT

2014 is a milestone year in the history of the Company. During the year, we successfully completed the listing of our shares in Hong Kong, and became the fourth mainland brokerages listed in Hong Kong out of over one hundred securities firms in China. as well as the first listed financial institution in Henan Province. For the six months since listing, our shares price has been outperforming the market, with an accumulated increase of 190%, and once named as the then "Top Gainer" by Hong Kong media. Net profit attributable to shareholders of the Company for the year significantly increased by 122.3%, which was the biggest rise in recent years.

Our listing in Hong Kong has not only enlarged development potentials of the Company, but what is importantly is that it optimized shareholding structure and established a market mechanism where a symbiotic relationship and mutual interests existed between employees and the company. Most of the employees of the Company directly hold our shares. Hence, their personal interests are bound up with the with the interests of the Company, which encouraged them to provide continuous support for the future development of the Company.

Looking forward, the Company will be rooted in the development of Central Plains Economic Zone while keep exploring and innovating, and will accelerate self-development while serving the real economy. The Company will proactively deepen the reform of a market-oriented employment mechanism and strengthen the building of our talents team, so as to promote the sustainable and healthy development of our company with such reform.

In 2015, the Company will firmly follow two mainstreams, one is to focus our efforts on operations, and the other is to grasp fully the work of returning to A Share market. Meanwhile, the Company will strive to progress its key works on the establishment of Hong Kong subsidiaries and Henan Equity Exchange, as well as the development of online financial service, etc. The Company will fully implement the four major standards to establish ourselves as a boutique listed company, further approaching our strategic goal of building a modern large financial holding group.

# SECTION 1 DEFINITIONS

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

## 1. GENERAL TERMS

The Company, Company or Central China Securities	Central China Securities Co., Ltd., a joint stock company incorporated on 8 November 2002 in Henan, PRC with limited liability (carrying on business in Hong Kong as “中州证券”), with its H shares listed on the main board of the Hong Kong Stock Exchange
The Group or Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
<i>Listing Rules</i>	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
<i>Model Code</i>	the <i>Model Code for Securities Transactions by Directors of Listed Issuers</i> as set out in Appendix 10 to the <i>Listing Rules</i>
<i>Corporate Governance Code</i>	<i>Corporate Governance Code and Corporate Governance Report</i> as set out in Appendix 14 to the <i>Listing Rules</i>
<i>SFO</i>	the <i>Securities and Futures Ordinance</i> (Chapter 571 of the Laws of Hong Kong)
This report	this annual report
SSE	the Shanghai Stock Exchange
Domestic shares	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi

## SECTION 1 DEFINITIONS

Wind Info	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an Independent Third Party of the Company
A shares	domestic listed ordinary shares, which are subscribed for and traded in Renminbi
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Reporting period	for the year ended 31 December 2014
End of the reporting period	31 December 2014
Prospectus	the H shares prospectus of the Company dated 11 June 2014
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau and Taiwan)
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
SAT	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
NDRC	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
Ministry of Commerce	the Ministry of Commerce of the PRC (中華人民共和國商務部)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)

## SECTION 1 DEFINITIONS

Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Henan Administration for Industry & Commerce	the Henan Administration for Industry & Commerce (河南省工商行政管理局)
Finance Office of Henan	Financial Service Office of Henan Provincial People's Government (河南省人民政府金融服務辦公室)
Hong Kong Stock Exchange	the Stock Exchange of Hong Kong Limited
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司) incorporated by Henan Construction Investment Corporation (河南省建設投資總公司) merging with Henan Economic and Technology Development and according to the <i>Company Law</i> , which holds 33.096% equity interest in the Company
Henan Economic and Technology Development	Henan Economic and Technology Development Co., Ltd. (河南省經濟技術開發公司), which held 35.173% equity interest in the Company
Henan Construction Investment	Henan Construction Investment Corporation (河南省建設投資總公司), which held 9.673% equity interest in the Company
Bohai Fund	Bohai Industrial Investment Fund (渤海產業投資基金), a fund established upon approval by the NDRC, on whose behalf Bohai Fund Management holds 23.104% equity interest in the Company
Bohai Fund Management	Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司), which holds on behalf of Bohai Fund 23.104% equity interest in the Company
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司), which holds 7.139% equity interest in the Company

## SECTION 1 DEFINITIONS

Pingmei Shenma Energy	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司), which holds 3.018% equity interest in the Company
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司), which is rebuilt from Anyang Economic Technology Development Co., Ltd. (安陽市經濟技術開發公司) according to <i>Company Law</i> and holds 1.963% equity interest in the Company
Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), which is renamed from Jiangsu Silk Group Co., Ltd. (江蘇省絲綢集團有限公司) and holds 1.089% equity interest in the Company
Xuchang Superlift	Xuchang Superlift Construction Materials Science & Technology Co., Ltd. (許昌施普雷特建材科技有限公司), which holds 0.912% equity interest in the Company
Guangzhou Liby Investment	Guangzhou Liby Investment Co., Ltd. (廣州立白投資有限公司), which holds 0.760% equity interest in the Company
Shenhuo Group	Henan Shenhuo Group Co., Ltd. (河南神火集團有限公司), which holds 0.714% equity interest in the Company
Henan Jinlong	Henan Jinlong Industrial Co., Ltd. (河南省金龍實業有限公司), which holds 0.608% equity interest in the Company
Shandong Huanqiu	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. (山東環球漁具股份有限公司), which holds 0.570% equity interest in the Company
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司), which holds 0.547% equity interest in the Company
Jiangsu Huiyou	Jiangsu Huiyou Woollen Sweater Co., Ltd. (江蘇惠友毛衫有限公司), which holds 0.380% equity interest in the Company
Freetrade Science & Technology	Zhangjiagang Freetrade Science & Technology Co., Ltd. (張家港保稅科技股份有限公司), which holds 0.380% equity interest in the Company

## SECTION 1 DEFINITIONS

Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司), which holds 0.363% equity interest in the Company
Hebi Construction and Investment	Hebi Construction & Investment Group Co., Ltd. (鶴壁市經濟建設投資集團有限公司), which is rebuilt from Hebi Construction & Investment Co., Ltd. (鶴壁市經濟建設投資總公司, formerly known as Hebi Development Construction & Investment Company (鶴壁市經濟發展建設投資公司)) according to Company Law and holds 0.357% equity interest in the Company
Xuji Group	Xuji Group Co., Ltd. (許繼集團有限公司), which held 40.627% equity interest in the Company
Anyang Trust	Anyang Trust & Investment Company Limited (安陽市信託投資公司), which held 1.018% equity interest in the Company
Ping An Trust	China Ping An Trust Co., Ltd.
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司), whose securities business-related assets were acquired by the Company
Central China Futures	Central China Futures Co., Ltd. (中原期貨有限公司), in which the Company holds 92.55% equity interest as at the end of the reporting period
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司), the wholly-owned subsidiary of the Company
Ashmore-CCSC Fund Management	Ashmore-CCSC Fund Management Company Limited (中原英石基金管理有限公司), a subsidiary in which the Company holds 51% equity interest
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司), an indirect subsidiary in which the Company holds 60% equity interest through ZDKY Venture Capital
<i>Articles of Association</i>	the prevailing valid <i>Articles of Association of the Company</i>

<i>Company Law</i>	the <i>Company Law of the PRC</i> (中華人民共和國公司法)
<i>Securities Law</i>	the <i>Securities Law of the PRC</i> (中華人民共和國證券法)
Yuan or RMB	the lawful currency of China – Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong

## 2. TECHNICAL TERMS

GDP	Gross domestic product
Convertible bonds	bonds that can be converted into corporate shares under certain conditions
Third party custody	securities firms giving client transaction settlement funds to an independent third party (namely commercial banks qualified as third party custodian) for custody service. Under the third party custody model, depository banks are responsible for the custody of the client transaction settlement funds and provision of stock-bank transaction, fund deposit, withdrawal and inquiry and other services to clients; securities firms are responsible for securities transactions and share management of investors and liquidate investors’ funds and securities according to the transaction settlement data from the stock exchanges and China Securities Depository and Clearing Co., Ltd., but no longer provides clients with deposit and withdrawal service of transaction settlement funds
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale

## SECTION 1 DEFINITIONS

Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients
Stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
Margin financing	an operating activity in which securities financial companies provide their own or legally raised funds and securities for securities firms to handle margin financing and securities lending. Margin financing includes capital refinancing and securities refinancing
SIF	abbreviation for "stock index futures", a financial futures contract with stock price index as underlying
Hedging	enterprises, for the purpose of evading foreign exchange risk, interest rate risk, commodity price risk, stock price risk, etc., specifying one or more hedging instruments and have the fair value or cash flow of hedging instruments change to offset the whole or partial change in fair value or cash flow of the hedged items
Private equity	a business in which the subsidiary for private equity business set up by the securities firm leverages its own professional advantage to search for and find quality investment projects or companies and make equity or debt investment with their own or raised funds so as to obtain income from equity interest or debts
IB business	a business activity in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions of the futures companies and provide other related services

## SECTION 1 DEFINITIONS

Asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
IPO	abbreviation for “Initial Public Offering”
Equities exchange and quotations and New Third Board	abbreviation for “National Equities Exchange and Quotations” (全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council, subject to operation and management of National Equities Exchange and Quotations Co., Ltd.
RQFII	abbreviation for “RMB Qualified Foreign Institutional Investor” (人民幣合格境外投資者)
General securities accounts	a unified account platform of China Securities and Clearing Co., Ltd., namely “general securities accounts” in the securities market
Crowdfunding	raising monies from the public or the masses. It is translated as “眾籌” in PRC, “群眾集資” in Hong Kong and “群眾募資” in Taiwan. It consists of sponsors, followers and platforms. Characterized with low threshold, diversification, public support and emphasis on originality, it is an individual or corporate act of raising funds from the public to support the sponsors. Generally, it links together sponsors and proposers through an online platform

## SECTION 2 MATERIAL RISKS

As the business of the Company is highly dependent on China's overall economy and market, any fluctuation in the Chinese and international capital markets may have a significant effect on the Company's operating results.

The major risks facing by the Company include: legal and compliance risk resulting from failure to follow up with adjustment of state laws, regulations and regulatory rules in respect of business management and practice; strategic risk resulting from change of strategic plans made according to the profound changes in the domestic and overseas capital markets; internal operation and management risk resulting from business mode transformation, development of innovative businesses, new technologies, etc.; market risk possibly resulting from changes in market prices of the securities held by the Company; credit risk resulting from failure of the borrower or counterparty to perform the contract; liquidity risk resulting from capital shortage encountered by the Company during performance of repayment obligations; and operational risk possibly resulting from neglectful management of internal process, failure of information system or misconduct of staff. There are also risks related to competition internationalization and exchange rate risk.

In view of the abovementioned risks, the Company improved its organizational structure, management mechanism and information technology to prevent risks, optimized its business process to control operational risk, controlled market risk and credit risk, and focused on risk monitoring on new businesses and products.

# SECTION 3 COMPANY PROFILE

## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. Name of company

Chinese name: 中原证券股份有限公司 (a joint stock company incorporated on 8 November 2002 in Henan, PRC with limited liability and carrying on business in Hong Kong as “中州证券”)

Chinese abbreviation (in China): 中原证券

English name: CENTRAL CHINA SECURITIES CO., LTD.

English abbreviation: CCSC

### 2 BOARD OF DIRECTORS

#### **Executive Directors**

Mr. Jian Mingjun (*Chairman*)

Mr. Zhou Xiaoquan

#### **Non-executive Directors**

Mr. Li Xingjia

Mr. Zhang Qiang

Mr. Zhu Jie

Mr. Wang Lixin

Mr. Yu Zeyang

#### **Independent Non-executive Directors**

Mr. Zhu Shanli

Yuan Dejun

Mr. Yuen Chi Wai

## SECTION 3 COMPANY PROFILE

### Special Committees of the Board

#### Development and Strategy Committee

Jian Mingjun (*Director*)

Zhou Xiaoquan

Li Xingjia

Zhang Qiang

Wang Lixin

#### Risk Control Committee

Jian Mingjun (*Director*)

Yu Zeyang

Zhu Shanli

#### Remuneration and Nomination Committee

Yuan Dejun (*Director*)

Zhou Xiaoquan

Zhu Jie

Zhu Shanli

Yuen Chi Wai

#### Audit Committee

Yuen Chi Wai (*Director*)

Li Xingjia

Yuan Dejun

3. Legal Representative: Jian Mingjun  
President: Zhou Xiaoquan
4. Registered capital: RMB2,631,615,700  
Net capital: RMB4.001 billion

### 5. Qualifications for businesses in China

The Company is qualified for: entrusted investment management business; stock underwriting business as a lead underwriter; entrusted Internet securities business, sponsorship of offering and listing of securities, proxy sale of open-end securities investment funds, "SSE 50ETF" participant securities dealer business, buyout repurchase of T-bonds on SSE, IPO enquiry and placing, sponsorship of equity division reform, warrant trading, foreign exchange business, national inter-bank funding business, trading on Integrated Electronic Platform of Fixed-income Securities of SSE as a primary dealer, investment through block trading system as a qualified investor; intermediary introduction business for futures companies, agency system host securities dealer business, direct investment business, margin financing and securities lending business, proxy sale of financial products, underwriting of private placement bonds for small and medium-sized enterprises, pledged-bond repurchase business, agreed repurchase type securities trading business, capital refinancing business, agency service for registration of pledge of securities, securities refinancing and lending business, the "stock through-train program", piloting of issuing short-term corporate bonds, piloting of OTC market business, and piloting of Internet securities business.

### 6. Head Office in China

Registered address of the Company: 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)

Office address of the Company: 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)

Website of the Company: [www.ccnew.com](http://www.ccnew.com)

Email address: [investor@ccnew.com](mailto:investor@ccnew.com)

### 7. Principal Place of Business in Hong Kong

18F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

### 8. Secretary of the Board

Secretary of the Board: Xu Haijun

Address: 20F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province (postcode: 450018)

Tel: 0371-69177590

Fax: 0371-65585118

Email: [xuhj@ccnew.com](mailto:xuhj@ccnew.com)

## SECTION 3 COMPANY PROFILE

### 9. Joint Company Secretaries

Xu Haijun; Kwong Yin Ping Yvonne

### 10. Authorized Representatives of the Company

Jian Mingjun; Kwong Yin Ping Yvonne

### 11. Statutory audit institutions of the Company

Domestic accounting firm: ShineWing Certified Public Accountants (Special General Partnership)

International accounting firm: PricewaterhouseCoopers

### 12. COMPLIANCE ADVISOR

Guotai Junan Capital Limited

### 13. PRINCIPAL BANKERS

China Construction Bank Corporation  
Zhengzhou Futures Sub-branch

Industrial and Commercial Bank of China Limited  
Zhengzhou Huayuan Road Sub-branch

Agricultural Bank of China Limited  
Zhengzhou Zhengdong Sub-branch

Bank of Communications Co., Ltd.  
Zhengzhou Jingsan Road Sub-branch

China CITIC Bank Corporation Limited  
Business Department of Zhengzhou branch

China Merchants Bank Co., Ltd.  
Zhengzhou Zijingshan Sub-branch

Industrial Bank Co., Ltd.  
Business Outer Ring Road Sub-branch

### 14. H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

### 15. STOCK CODE

01375

## II. DEVELOPMENT HISTORY

On 25 October 2002, according to CSRC's Reply Concerning *Approval of Opening of Central China Securities Co., Ltd.* (Zheng Jian Ji Gou Zi [2002] No. 326, Henan Finance Securities Company Limited and the Securities branch of Anyang Trust & Investment Company Limited merged and reorganized into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000. After incorporation, the Company, according to the said CSRC's reply, acquired the Securities branch and Securities Services (which were originally under Henan Securities Co., Ltd.) and other securities assets.

## SECTION 3 COMPANY PROFILE

On 26 June 2006, subject to the *Reply Concerning Alteration of Name of Hebi Development Construction & Investment Company* (He Bian Ban [2005] No. 3) and approval by the fourth general meeting of the Company, the Company's shareholder Hebi Development Construction & Investment Company changed its name into "Hebi Construction & Investment Co., Ltd."

On 12 October 2006, according to *Notice Concerning Entrusting Anyang Economic Technology Development Co., Ltd. with External Control of the Securities branch Originally under Anyang Trust & Investment Company Limited As the Owner* published by People's Government of Anyang City and the approval by the Company's first extraordinary general meeting in 2006, the 1.018% equity originally held by the Company's shareholder Anyang Trust & Investment Company Limited was merged into Anyang Economic Technology Development Co., Ltd., after which Anyang Economic Technology Development Co., Ltd. holds 2.661% equity in the Company.

On 15 January 2008, according to the CSRC's *Reply Concerning Approval of Change of Registered Capital of Central China Securities Co., Ltd.* (Zheng Jian Xu Ke [2008] No. 94), the Company was approved to increase its registered capital from RMB1,033,790,000 to RMB2,033,515,700 with equity structure remaining unchanged. The Company also proportionately increased share capital and cash capital of its shareholders.

On 10 June 2008, according to CSRC's *Reply Concerning Approval of Equity Change of Central China Securities Co., Ltd.* (Zheng Jian Xu Ke [2008] No. 781), Henan Investment Group Co., Ltd. was approved to receive RMB196,704,200 worth of shares of the Company (accounting for 9.673% of the registered capital) held by Henan Construction Investment Corporation and RMB715,253,600 worth of shares of the Company (accounting for 35.173% of the registered capital) held by Henan Economic and Technology Development Co., Ltd., after which Henan Investment Group Co., Ltd. holds RMB911,957,800 worth of shares of the Company (accounting for 44.846% of the Company's registered capital).

On 23 December 2010, according to the *Letter Concerning Alteration of Name of Anyang Economic Technology Development Co., Ltd.* of the shareholder, Anyang Economic Technology Development Co., Ltd., and the approval by the Company's fifth extraordinary general meeting in 2010, "Anyang Economic Technology Development Co., Ltd." changed its name into "Anyang Economic Development Group Co., Ltd."

On 1 June 2011, according to the No-Objection Letter *Concerning Approval of Change of Shareholders Holding Less Than 5% of Equity of Central China Securities Co., Ltd.* (Yu Zheng Jian Han [2011] No. 111) issued by the Henan Branch of the CSRC, Jiangsu Silk Group Co., Ltd., Guangzhou Liby Investment Co., Ltd., Jiangsu Huiyou Woollen Sweater Co., Ltd., Shenzhen Rising Investment Development Co., Ltd., Zhangjiagang Freetrade Science & Technology Co., Ltd., China Pingmei Shenma Energy & Chemical Group Co., Ltd., Henan Jinlong Industrial Co., Ltd. and Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. respectively received from Xuji Group Co., Ltd. 30,000,000 shares, 20,000,000 shares, 10,000,000 shares, 10,000,000 shares, 10,000,000 shares, 83,159,600 shares, 16,000,000 shares and 15,000,000 shares of the Company (accounting for 1.475%, 0.983%, 0.492%, 0.492%, 4.089%, 0.787% and 0.738% of the Company's registered capital respectively).

## SECTION 3 COMPANY PROFILE

On 30 May 2011, upon approval by State-owned Assets Supervision and Administration Commission of People's Government of Jiangsu Province and Administration for Industry and Commerce of Jiangsu Province, "Jiangsu Silk Group Co., Ltd." changed its name into "Jiangsu SOHO Holdings Group Co., Ltd."

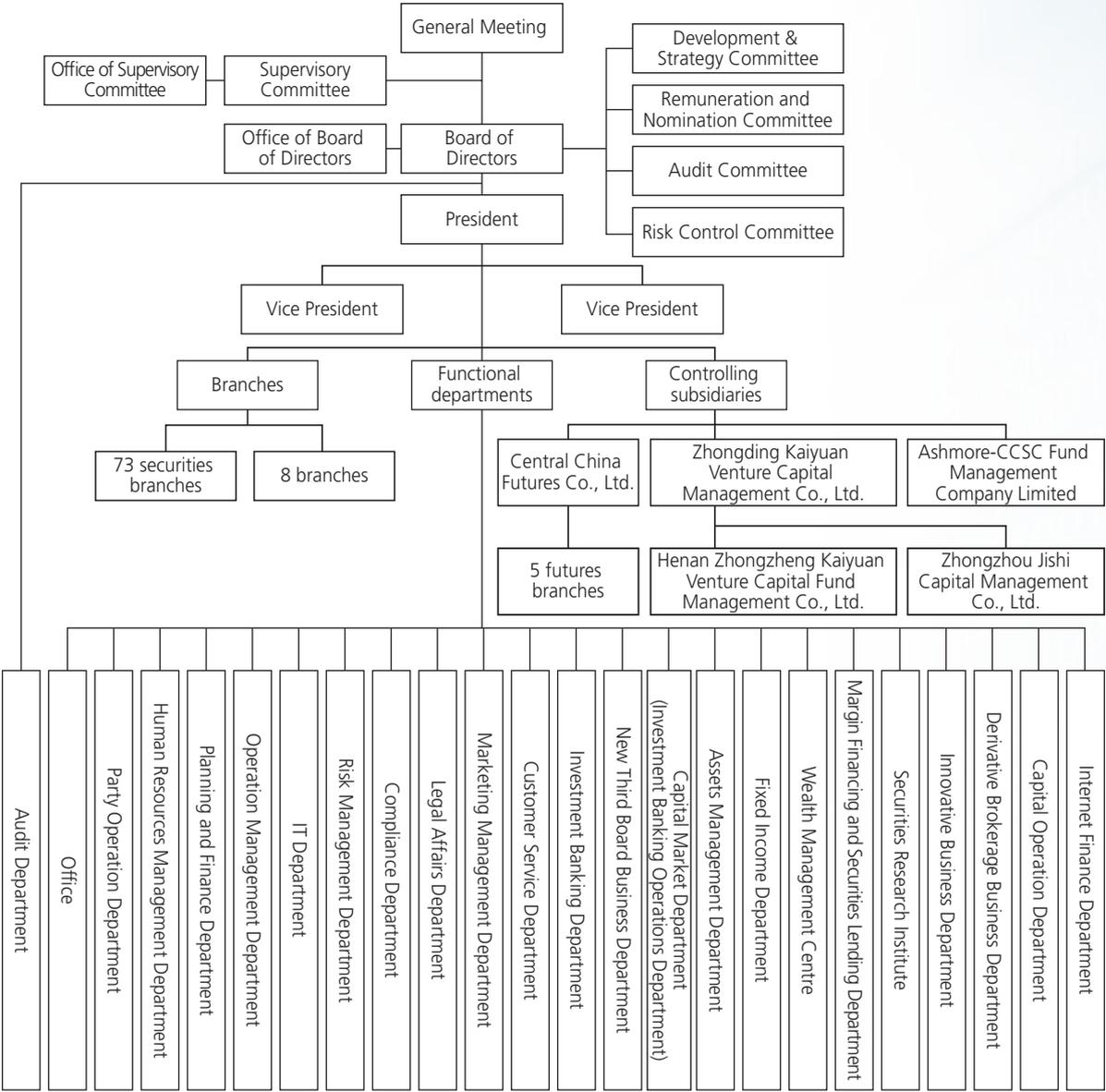
On 22 September 2011, according to CSRC's *Reply Concerning Approval of Change of Shareholders Holding More Than 5% of Equity of Central China Securities Co., Ltd.* (Zheng Jian Xu Ke [2011] No. 1534), Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. as a shareholder and was approved to receive 608,000,000 shares (accounting for 29.899% of the Company's registered capital) of Central China Securities Co., Ltd. held by Xuji Group Co., Ltd.

On 6 April 2012, according to the *No-Action Letter Concerning Change of Shareholders Holding Less Than 5% of Equity of Central China Securities Co., Ltd.* (Yu Zheng Jian Han [2012] No. 41) issued by the Henan Branch of the CSRC, Xuchang Superlift Construction Materials Science & Technology Co., Ltd. was approved to receive 24,000,000 shares (accounting for 1.18% of the Company's registered capital) of the Company held by Xuji Group Co., Ltd.

On 1 May 2012, according to the *Letter Concerning Change of Company Name of Hebi Construction & Investment Co., Ltd.* of shareholder Hebi Construction & Investment Co., Ltd. and approval by the Company's second extraordinary general meeting in 2012, shareholder "Hebi Construction & Investment Co., Ltd." changed its name into "Hebi Construction & Investment Group Co., Ltd."

On 22 April 2014, CSRC issued *Reply on Approving Central China Securities Co., Ltd. Offering Overseas Listed Foreign Shares* (Zheng Jian Xu Ke [2014] No. 438) to approve Central China Securities offering no more than 598,100,000 overseas listed foreign shares, which are all ordinary shares, with a par value of RMB1 each. On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock abbreviation: 中州证券; stock code: 01375). According to the *Reply Concerning Management and Transfer of State-owned Equities of Central China Securities Co., Ltd.* (Guo Zi Chan Quan [2013] No. 1070) by State-owned Assets Supervision and Administration Commission of the State Council, after the Company completed this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma Energy, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares (59,810,000 shares in total) to National Council for Social Security Fund. On 28 October 2014, the Company completed the change of the registered capital with the Henan Administration for Industry & Commerce, with registered capital rising to RMB2,631,615,700.

III. ORGANIZATIONAL STRUCTURE



## IV. SUBSIDIARIES

Name	Office address	Country of incorporation/ registered address	Main businesses/ country for business/type of legal person	Date of incorporation	Registered capital	Legal representative	Shareholding ratio	Contact No.	Remarks
Ashmore-CCSC Fund Management Company Limited	Room 1708, Citigroup Tower, No. 33 Huayuan Shiqiao Road, Pudong New Area, Shanghai	China/Room 101, Building 5, No. 135 Handan Road, Hongkou District, Shanghai	Fund raising and management, asset management (including those for specific customers) and other businesses as approved by CSRC/China/ Company with limited liability (Chinese-foreign joint venture)	23 January 2013	RMB200 million	Zhou Xiaoquan	51%	021-38556666	The legal representative was changed from Mr. Shi Baoshang to Mr. Zhou Xiaoquan in October 2014.
Central China Futures Co., Ltd.	4F, Zhongyuan Guangfa Finance Building, No. 10 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou, Henan	China/4F, Zhongyuan Guangfa Finance Building, No. 10 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou, Henan	Commodity futures brokerage; financial futures brokerage; futures investment consulting/China/ limited company	18 April 1993	RMB110 million	Yang Zhongxian	92.55%	0371-68599199	--
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	3F, Zhongyuan Guangfa Finance Building, No. 10 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou, Henan	China/Room 501-11, Building 1, No. 18 Courtyard, Lize Road, Fengtai District, Beijing	Use equity fund or establish direct investment fund to invest equity or creditor's rights in enterprises or other investment funds related to equity or creditor's rights; provide customers with investment advisory service related to equity or creditor's rights services; and other businesses as approved by CSRC/China/ limited company	8 February 2012	RMB500 million	Fang Jianmin	100%	0371-69177108	The company's registered capital increased from RMB200 million to RMB500 million in July 2014

## SECTION 3 COMPANY PROFILE

### V. BRANCHES

As at the end of the reporting period, the Company had 8 branches, as detailed below:

S/N	Branch	Address	Date of incorporation	Person in charge	Contact No.
1	Central China Securities Co., Ltd. Shanghai Branch	Room 01-17, 18F, No. 1600 Century Avenue, Pudong New Area, Shanghai	02/07/2009	Zhao Jizeng	021-50588666
2	Central China Securities Co., Ltd. Beijing Branch	Room 1-907, 8-9F, No. 1 Langqin International Building, 168 Guang'anmen Outer Street, Xicheng District, Beijing	16/09/2011	Zhou Weidong	010-83065730
3	Central China Securities Co., Ltd. Zhengzhou Branch	3F, No. 25 Jingsan Road, Jinshui District, Zhengzhou, Henan	10/03/2011	Li Huafeng	0371-65758315
4	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch	Securities Tower, Middle Liufeng Road, Sanmenxia, Henan	20/11/2013	Sun Huisi	0398-2829463
5	Central China Securities Co., Ltd. Luoyang Branch	No. 30, West Kaixuan Road, Xigong District, Luoyang	28/11/2013	Chen Mingwei	0379-63920568
6	Central China Securities Co., Ltd. Xuchang Branch	No. 38, Nanguan Avenue, Weidu District, Xuchang	12/06/2014	Zhou Jianghua	0374-2658481
7	Central China Securities Co., Ltd. Shangqiu Branch	No. 96, Shenhua Avenue, Shangqiu, Henan	24/04/2014	Li Yun	0370-2580009
8	Central China Securities Co., Ltd. Puyang Branch	No. 203, Middle Jianshe Road, Puyang	21/04/2014	Yu Chunyan	0393-8151433

## VI. DISTRIBUTION OF SECURITIES BRANCHES

As at the end of the reporting period, the Company had 73 securities branches in 12 provinces, autonomous regions and municipalities, including 2 in Beijing, 3 in Shanghai, 1 in Zhejiang, 2 in Guangdong, 1 in Hubei, 1 in Hunan, 1 in Jiangsu, 1 in Shaanxi, 2 in Shandong, 1 in Hebei, 1 in Tianjin and 57 in Henan. See the following table for details:

No.	Branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Jingliu Road Securities branch	No.9-3 Jingliu Road, Jinshui District, Zhengzhou City, Henan Province	Zhao Zhenxu
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities branch	No. 43 Tongbai Road, Zhengzhou City, Henan Province	Xin Zhihong
3	Central China Securities Co., Ltd. Zhengzhou Shangwu Outer Ring Road Securities branch	Room 303-306, 3F, Guangfa Finance Building, No. 10 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City	Li Huafeng
4	Central China Securities Co., Ltd. Zhengzhou Zijinshan Road Securities branch	2F, No. 72 Zijinshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Dong Fang
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities branch	No. 25 Jingsan Road, Zhengzhou City, Henan Province	Xiao Zhongchun
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities branch	2F, Jingwei Apartment, No. 30 Weier Road, Zhengzhou City, Henan Province	Li Weijie
7	Central China Securities Co., Ltd. Zhengzhou Guoji Road Securities branch	Room Shang-15, 1-2F, Building 32, Sennavis II Area of Provence, No. 168, Guoji Road, Jinshui District, Zhengzhou City	Zuo Kexin
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities branch	No. 4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City	Feng Yongjun

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities branch	No. 17, East Avenue, Xinmi City, Zhengzhou City, Henan Province	Zhang Yonghong
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities branch	No. 119-8 Songshan Road, Gongyi City, Zhengzhou City, Henan Province	Li Kaihui
11	Central China Securities Co., Ltd. Nanyang Renmin Road Securities branch	3-4F, Cultural Palace, No. 170 Renmin Road, Nanyang City, Henan Province	Yang Qing
12	Central China Securities Co., Ltd. Dengzhou North Wenhua Road Securities branch	No. 91 North Wenhua Road, Dengzhou City	Ma Xue
13	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities branch	Building 2, Rulin Yuzhu Garden, East Fanli Road, Nanyang City	Zhao Xiaoyu
14	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities branch	East Wuyi Road, Guanzhuang Working Area, Nanyang City	Wang Qingfeng
15	Central China Securities Co., Ltd. Xixia Century Avenue Securities branch	Intersection of Baiyu Road and Century Avenue, Xixia County, Nanyang City, Henan Province	Zhang Wandong
16	Central China Securities Co., Ltd. Pingdingshan South Zhongxin Road Securities branch	No. 2, South Zhongxin Road, Pingdingshan City, Henan Province	Yue Youliang
17	Central China Securities Co., Ltd. Pingdingshan Xinhua Road Securities branch	Guangsha Huishang Plaza, Middle Xinhua Road, Pingdingshan City, Henan Province	Wen Yiyao
18	Central China Securities Co., Ltd. Ruzhou Fengxue Road Securities branch	2F, Business Department of Industrial and Commercial Bank of China, No. 3 Fengxue Road, Ruzhou City, Henan Province	Zheng Wenchao

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
19	Central China Securities Co., Ltd. Luohe Huanghe Road Securities branch	No. 337-8 Huanghe Road, Luohe City, Henan Province	Luo Donghai
20	Central China Securities Co., Ltd. Luohe Changjiang Road Securities branch	No. 29 Changjiang Road, Luohe City, Henan Province	Wu Jun
21	Central China Securities Co., Ltd. Puyang Jianshe Road Securities branch	No. 18 Jianshe Road, Puyang City, Henan Province	Yu Chunyan
22	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities branch	No. 18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
23	Central China Securities Co., Ltd. Anyang Hongqi Road Securities branch	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	Liu Jinlin
24	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Tian Liqi
25	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Li Zhimin
26	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities branch	Northwest Angle, Intersection of Zhenlin Road and Xinglin Street, Linzhou City, Anyang City, Henan Province	Fu Hongbin
27	Central China Securities Co., Ltd. Hua County Wenming Road Securities branch	No. 2, Building B28, Huatong Century City, Wenming Road, Hua County, Henan Province	Chen Limin
28	Central China Securities Co., Ltd. Xinxiang Renmin Road Securities branch	No. 250, Renmin Road, Xinxiang City, Henan Province	Deng Feng

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
29	Central China Securities Co., Ltd. Xinxiang Hualan Avenue Securities branch	No. 407, Hualan Avenue, Xinxiang City, Henan Province	Yang Tao
30	Central China Securities Co., Ltd. Changyuan Renmin Road Securities branch	No. 3 Store, Yilong Ginza Apartment, Renmin Road, Changyuan County, Henan Province	Qiu Fei
31	Central China Securities Co., Ltd. Hui County Sumen Avenue Securities branch	South to the Middle Sumen Avenue, Hui County	Zhang Xiaodong
32	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities branch	No. 152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
33	Central China Securities Co., Ltd. Hebi Xinghe Street Securities branch	Podium 1-2F, Xinhua Mansion, No. 225 Xinghe Street, Qibin District, Hebi City, Henan Province	Zhou Zhen
34	Central China Securities Co., Ltd. Xun County Huanghe Road Securities branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Henan Province	Lu Bin
35	Central China Securities Co., Ltd. Xuchang Nanguan Street Securities branch	No. 38 Nanguan Street, Xuchang City, Henan Province	Zhou Jianghua
36	Central China Securities Co., Ltd. Changge Baqi Road Securities branch	Middle Baqi Road, Changge City, Xuchang City, Henan Province	Wang Jun
37	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
38	Central China Securities Co., Ltd. Xinyang Zhongshan Road Securities branch	5F, Xinxin Plaza, South-west angle of West Xinhua Road, Zhongshan Road, Xinyang City, Henan Province	Chen Lei

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
39	Central China Securities Co., Ltd. Gushi Hongsu Road Securities branch	3F, Century Mansion, Chen Yuanguang Plaza, Intersection of North Chengliao Road and Hongsu Road, Gushi County, Xinyang City, Henan Province	Li Xiaohong
40	Central China Securities Co., Ltd. Jiaozuo Middle Jiefang Road Securities branch	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	Ding Qingming
41	Central China Securities Co., Ltd. Mengzhou West Hanyu Street Securities branch	No. 292, West Hanyu Street, Mengzhou City	Zhen Rongxing
42	Central China Securities Co., Ltd. Qinyang South Qinyuan Road Securities branch	South Qinyuan Road, Qinyang City, Jiaozuo City, Henan Province	Zhai Jun
43	Central China Securities Co., Ltd. Jiyuan Jishui Street Securities branch	3F, Block C, Times Plaza, Jishui Street, Jiyuan City	Wang Yupeng
44	Central China Securities Co., Ltd. Kaifeng Daliang Road Securities branch	Yindi Business Plaza, Intersection of Daliang Road and West Ring Road, Kaifeng City, Henan Province	Guo Zhijun
45	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities branch	2F, Huazhong Business Chamber, opposite to People's Bank of China, East to North Yulu Avenue, Lankao County	Wang Yi
46	Central China Securities Co., Ltd. Sanmenxia Liufeng Road Securities branch	Securities Tower, Middle Liufeng Road, Sanmenxia, Henan	Sun Huisi
47	Central China Securities Co., Ltd. Lingbao Wulong Road Securities branch	2F, Four Seasons Business, Suqin Parkview, intersection of Wulong Road and Yinxi Road, North Lingbao District	Zhu Yanting
48	Central China Securities Co., Ltd. Mianchi Huimeng Road Securities branch	(1F of People's Bank of China) Middle Huimeng Road, Mianchi County, Henan Province	Zhang Xueyun

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
49	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities branch	3F, Block A, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City	Zhang Zhongmin
50	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities branch	Intersection of Zhongyuan Road and Guangming Road, Yongcheng City, Shangqiu City, Henan Province	Zhong Yahui
51	Central China Securities Co., Ltd. Zhoukou Qiyi Road Securities branch	Podium 3F, Netcom Corporation, No. 81, Qiyi Road, Zhoukou City, Henan Province	Li Hui
52	Central China Securities Co., Ltd. Luyi Ziqi Avenue Securities branch	200m North, West intersection of Zhenyuan Avenue and Ziqi Avenue, Luyi County	Chun Qiyao
53	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities branch	East Hall, 1F, (Qilihe Luoyang Medical Building) Xinrongji Mansion, No. 26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Wang Chongwu
54	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities branch	Building 1, No. 260 Kaiyuan Avenue, Luoyang City, Henan Province	Song Fei
55	Central China Securities Co., Ltd. Yichuan Yugang Avenue Securities branch	No. 170 Yugang Avenue, Chengguan Town, Yichuan County, Luoyang City, Henan Province	Gao Jingxian
56	Central China Securities Co., Ltd. Zhumadian Jiefang Road Securities branch	No. 196 Jiefang Road, Zhumadian City, Henan Province	Jia Yingkui
57	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities branch	No. 158 Xiping Avenue, Xiping County	Cheng Xiwen
58	Central China Securities Co., Ltd. Shanghai West Dalian Road Securities branch	No. 261 West Dalian Road, Shanghai	Shen Ruowei

## SECTION 3 COMPANY PROFILE

No.	Branch	Address	Person in charge
59	Central China Securities Co., Ltd. Shanghai Chongming Chenjia County Securities branch	Room 107, No. 2 Lane 4999 Yingchen Highway, Chenjia Town, Chongming County, Shanghai	Cai Huan
60	Central China Securities Co., Ltd. Shanghai Hunan Road Securities branch	No. 2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
61	Central China Securities Co., Ltd. Shenzhen Mintian Road Securities branch	Rooms 1903, 1905, 1906 and 1908, Xinhua Insurance Mansion, crossroad between Shennan Avenue and Mintian Road, Futian District, Shenzhen City	Jia Zhonghe
62	Central China Securities Co., Ltd. Qingdao Xianxialing Road Securities branch	B Area of Jin Ling Sunzone, No. 16 Xianxialing Road, Qingdao City, Shandong Province	Bao Dexu
63	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities branch	3F, Zhaowei Mansion, No. 14 Jiuxianqiao Road, Chaoyang District, Beijing	Liu Shu
64	Central China Securities Co., Ltd. Hangzhou Xinhua Road Securities branch	3F, No. 39 Xinhua Road, Hangzhou City, Zhejiang Province	Cao Jianbo
65	Central China Securities Co., Ltd. Tianjin Xikang Road Securities branch	No. 105-106, City Center VIP Plaza, 37 Xikang Road, Heping District, Tianjin City	Chen Litao
66	Central China Securities Co., Ltd. Shijiazhuang Xinhua Road Securities branch	2F, Huite Building, No. 563 Xinhua Road, Shijiazhuang City, Hebei Province	Cheng Tao
67	Central China Securities Co., Ltd. Jinan Jiefang Road Securities branch	Rooms 301-305, Building 5, No. 159 Jiefang Road, Lixia District, Jinan City	Liu Zhigang
68	Central China Securities Co., Ltd. Xi'an Weiyang Road Securities branch	2F, Hailian Building, intersection of Weiyang Road and North Second Ring, Xi'an City, Shaanxi Province	Wang Lin

## SECTION 3 COMPANY PROFILE

<b>No.</b>	<b>Branch</b>	<b>Address</b>	<b>Person in charge</b>
69	Central China Securities Co., Ltd. Changsha North Chezhan Road Securities branch	Building 5 of Panorama, No. 70 North Chezhan Road, Furong District, Changsha City, Hunan Province	Jiang Zhiang
70	Central China Securities Co., Ltd. Beijing Guang'anmen Outer Street Securities branch	8F, Building 1, No 168, Guang'anmen Outer Street, Xicheng District, Beijing City	Zhou Weidong
71	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities branch	No. 7 Jiannong Road, Building 10 of Gang Cheng No. 1, Yangshe Town, Zhangjiagang City, Jiangsu Province	Chen Xiaogang
72	Central China Securities Co., Ltd. Wuhan Zhongbei Road Securities branch	Room 9, 8F, Building 1 of Hai Shan Jin Gu, No. 101 Zhongbei Road, Wuchang District, Wuhan City	Wang Qilong
73	Central China Securities Co., Ltd. Guangzhou Tianhe Road Securities branch	Room 2809, No. 1 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province	Jiang Wang

# SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

## I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

### (I) Principal accounting data and financial indexes for the recent three years

Item	2014	2013	Growth of this period from last period	2012
<b>Operating results (RMB'000)</b>				
Total revenue and other income	2,346,169	1,434,599	63.5%	1,218,450
Profit before income tax	754,771	338,235	123.1%	257,104
Profit attributable to shareholders of the Company	562,290	252,937	122.3%	182,783
Net cash inflow/(outflow) from operating activities	(2,179,300)	(971,842)	(124.2%)	292,848
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	0.24	0.12	100.0%	0.09
Diluted earnings per share	0.24	0.12	100.0%	0.09
<b>Profitability index</b>				
Return on equity (%)	11.41	6.40	Up by 5.01 percentage points	4.90

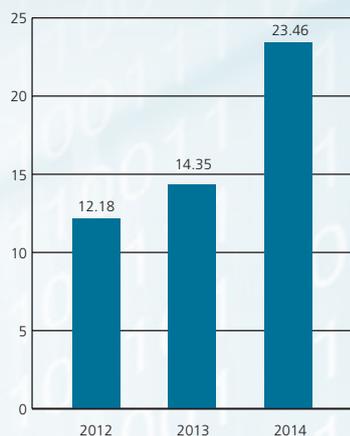
## SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

Item	31 December 2014	31 December 2013	Growth of the end of this period from the end of last year	31 December 2012
<b>Scale merit (RMB'000)</b>				
Total assets	28,269,242	13,649,605	107.1%	11,203,484
Total liabilities	22,412,446	9,474,323	136.6%	7,364,827
Accounts payable to brokerage clients	9,659,833	4,994,071	93.4%	5,208,568
Total equity attributable to shareholders of the Company	5,786,707	4,091,342	41.4%	3,825,500
<b>Total share capital ('000 shares)</b>	2,631,616	2,033,516	29.4%	2,033,516
<b>Net asset value per share attributable to the Company's shareholders (RMB/share)</b>				
	2.20	2.01	9.3%	1.88
<b>Gearing ratio (%)<sup>1</sup></b>	68.5	51.8	Up by 16.7 percentage points	36.0

<sup>1</sup> Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

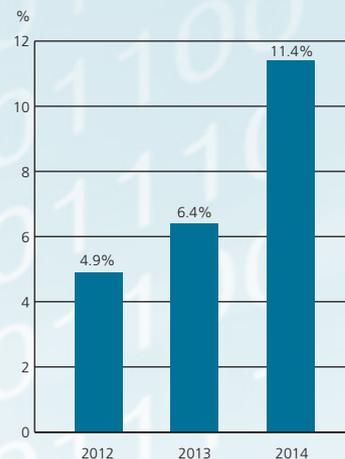
**Total revenue and other income (RMB100 million)**



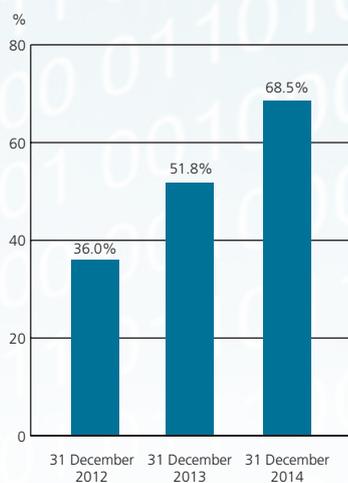
**Profit attributable to shareholders of the Company (RMB100 million)**



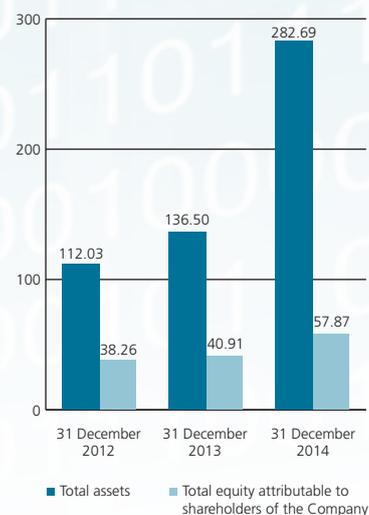
**Return on equity**



**Gearing ratio**



**Scale merit (RMB100 million)**



## SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

### (II) Principal accounting data and financial indexes for the recent four years

#### Earnings (RMB'000)

Item	2014	2013	2012	2011
Total revenue and other income	2,346,169	1,434,599	1,218,450	966,305
Total expenses	1,591,398	1,096,364	961,346	829,281
Profit before income tax	754,771	338,235	257,104	137,024
Profit attributable to shareholders of the Company	562,290	252,937	182,783	92,702

#### Assets (RMB'000)

Item	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	28,269,242	13,649,605	11,203,484	10,987,320
Total liabilities	22,412,446	9,474,323	7,364,827	7,360,476
Accounts payable to brokerage clients	9,659,833	4,994,071	5,208,568	5,249,766
Total equity attributable to shareholders of the Company	5,786,707	4,091,342	3,825,500	3,618,153
Total share capital ('000 shares)	2,631,616	2,033,516	2,033,516	2,033,516

#### Key financial indexes

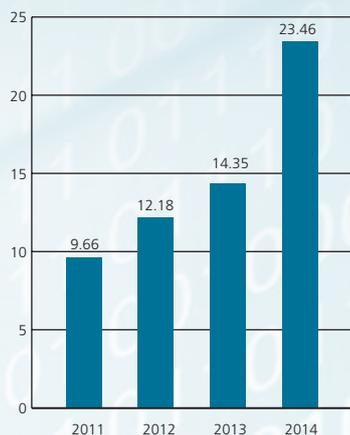
Item	2014	2013	2012	2011
Basic earnings per share	0.24	0.12	0.09	0.05
Diluted earnings per share	0.24	0.12	0.09	0.05
Return on equity (%)	11.41	6.40	4.90	2.53

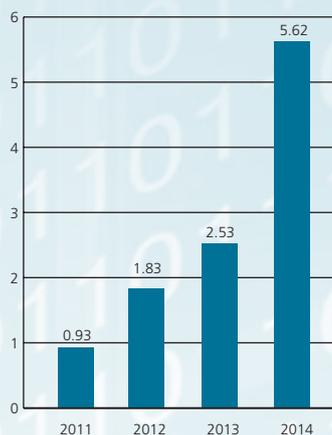
	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Gearing ratio (%)	68.5	51.8	36.0	36.8
Net asset value per share attributable to the Company's shareholders (RMB/share)	2.20	2.01	1.88	1.78

## SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

**Total revenue and other income  
(RMB100 million)**



**Profit attributable to shareholders of the Company  
(RMB100 million)**



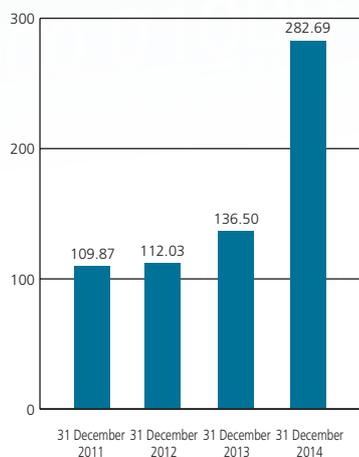
**Return on equity**



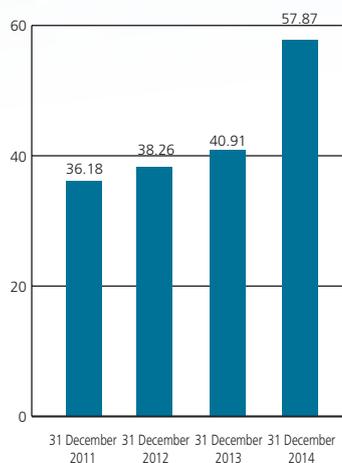
**Gearing ratio**



**Total assets  
(RMB100 million)**



**Total equity attributable to shareholders of the Company  
(RMB100 million)**



## II. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The consolidated financial statement prepared by the Company in accordance with International Financial Reporting Standard and the consolidated statement prepared in accordance with China's Accounting Standards for Business Enterprises show no difference in the net profit in 2014 and 2013 and the net assets as at 31 December 2014 and 31 December 2013.

## III. THE COMPANY'S NET CAPITAL AND RELATED RISK CONTROL INDEX

As at 31 December 2014, the net capital of the Company was RMB4,001 million, up by 36.27% from the net capital of RMB2,936 million in late 2013. During the reporting period, related risk control index of the Company's net capital met the regulatory requirements.

Unit: in RMB'000

Item	31 December 2014	31 December 2013	Regulatory standard
Net capital	4,001,041	2,936,157	–
Net assets	5,823,554	4,122,670	–
Net capital/sum of risk provisions (%)	423.08	477.95	>100%
Net capital/net assets (%)	68.70	71.22	>40%
Net capital/liabilities (%)	35.25	78.05	>8%
Net assets/liabilities (%)	51.30	109.59	>20%
Proprietary equity securities and securities derivatives/net capital (%)	17.41	14.77	<100%
Proprietary fixed income securities/net capital (%)	78.41	98.67	<500%

# SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

## I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

2014 has witnessed increasing divergence in fluctuated global economic recovery. The US economy rebounded following a downturn in the beginning and maintained its overall recovery momentum on the back of US Dollar appreciation. In the second half of the year, the Japan economy rebounded gradually on stimulus of a weaker Yen. The overall economy in Eurozone was stagnant with further divergence; The economic recovery of emerging economies faced more uncertainties as it was affected by capital outflow and decline in prices of global crude oil and bulk commodities; Chinese economy has entered the “new normal” reflected by its 7.4% GDP growth for the year, due to continuous optimization and upgrading of its economic structure as Chinese economy has shifted from a higher growth to medium-high growth and from factor-driven growth to innovation-driven growth.

During the reporting period, the State Council promulgated “Several opinions on Further Promoting the Healthy Development of Capital Markets”, which clearly stated that by the end of 2020, China should be finalizing the work for establishing a multi-level capital market system with a solid structure, full functionality, and standardized and transparent rules. In addition, the system will be robust, efficient and inclusive. This laid a policy foundation for the future development of capital market.

During the reporting period, driven by comprehensive deepening of reform and policies on economic transformation in China stock market, the market interest rate has been declining. SSE Composite Index increased significantly, with an increase of over 50% throughout the year. Margin financing and securities lending experienced rapid growth, with balance reached over RMB1 trillion, representing a year-on-year increase of 1.96 times. During the reporting period, A share IPO was re-opened, with a total of 125 companies listed for the first time. The actual proceeds raised reached RMB61, 327 million. New Three Board developed rapidly with a total of 1,572 companies listed, representing a year-on-year increase of 3.4 times. In respect of bond market, the wave of bull market has ended. The yield of 10-year treasury bonds declined approximately 93 bp from 4.55% in late 2013 to 3.62% at the end of the reporting period. Primary bond market continued its rapid growth. During the reporting period, securities firms have issued bonds exceeded RMB2 trillion, representing a year-on-year increase of 76.25%.

### II. ANALYSIS OF PRINCIPAL BUSINESS OF THE COMPANY

The businesses of the Group can be classified as brokerage business, investment banking business, investment and asset management business, proprietary trading business and headquarters and others.

#### (I) Brokerage Business

During the reporting period, revenue and other income from brokerage business amounted to RMB1,453.6 million, representing an increase of 61.3% as compared to 2013.

##### 1. Securities brokerage

Market environment

During the reporting period, securities brokerage business faced both development opportunities and increasing competition. On one hand, the security market was active, and its trading volume hit a record high. According to statistics of Wind, trading amount of stocks and funds in Shanghai and Shenzhen stock market reached nearly RMB79 trillion for the whole year whilst daily average security and fund transaction amount reached RMB322.3 billion, representing an increase of 59% as compared to 2013. The income contribution to the industry from the rapidly grew capital intermediary business, such as margin financing and securities lending, stock pledge and agreed repurchase, has risen sharply. Moreover, innovative measures such as Shanghai-Hong Kong Stock Connect explored new development areas, bringing securities brokerage business with good development opportunities. On the other hand, the competition in securities brokerage has been intensifying due to factors including the rapid growth of online financial services, the decline of over 20% in net brokerage commission rate and the official online of “Yimatong” account, forcing securities firms to push forward transformation.

Operating measures and results

The Company proactively grasped opportunities and continued to promote the transformation from provision of channeling services to value added wealth management services. The Company adjusted the structure of its securities brokerage business, accelerated the comprehensive transformation of integrated security and finance platform and continued to enhance its comprehensive ability in serving customers, strengthening its market position in traditional businesses. Leveraging on our enhanced financing ability upon listing, the Company has put great efforts in exploring capital intermediary business and increasing its market share. By optimizing branch network, the Company ensured the smooth implementation of various bearer services and gradually expanded the covered areas. In order to vigorously development e-securities business, the Company has established an “Online Financial Headquarter” to responsible for the research, management and implementation of online financial business, so as to effectively promote online account opening, simplify the account opening procedures, and optimize customers’ experience, and enhance the procedures efficiency. Through enriching the portfolio and means of service provision, the Company maintained its leading position and competitiveness in securities brokerage business within Henan Province, as well as enhanced its competitiveness outside the province.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, facing the increasing market competition, the Company maintained its comparative advantage in traditional business. The agency securities trading business of the Company ranked 37th among peer companies in terms of net revenue, up by 3 ranks as compared to 2013. The trading volume of A shares and funds amounted to RMB1,021,300 million; with market share of 0.65%, representing an increase of 6.15% as compared to 2013. As at the end of the reporting period, the total number of customers was 1,383,000, representing an increase of 2.98% as compared to 2013. The market share of entrusted securities (including restricted shares) was RMB146,200 million.

<b>Item</b>	<b>2014/ 31 December 2014</b>	<b>2013/ 31 December 2013</b>	<b>Year-on-year increase/ decrease</b>
Ranking of net income of acting trading securities	37	40	3 places forward
Amount of A Share fund transaction (in RMB100 million)	10,213	5,870	74%
Number of securities brokerage clients ('0,000)	138.3	134.3	2.98%

During the reporting period, the margin financing and securities lending business of the Company achieved a breakthrough. Interest income generated amounted to RMB312.8 million, representing an increase of 170.3% as compared to 2013.

At the end of the reporting period, the balance for margin financing and securities lending was RMB7.413 billion, representing an increase of 227.0% as compared to the end of 2013. Credit transaction volume was RMB129.573 billion, representing an increase of 284.49% as compared to 2013. The number of accumulated credit accounts opened was 29,750, representing an increase of 135.98% as compared to the end of 2013.

<b>Items</b>	<b>2014/ 31 December 2014</b>	<b>2013/ 31 December 2013</b>	<b>Year-on-year increase/ decrease</b>
Balance for margin financing and securities lending (in RMB100 million)	74.13	22.67	227.01%
Credit transaction volume (in RMB100 million)	1,295.73	337	284.49%
Credit account	29,750	12,607	135.98%

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Prospects for 2015

In 2015, leveraging on the establishment of the one-stop comprehensive financial service platform, the Company will strengthen its competitive edges in traditional brokerage business, accelerate business transformation and innovative development, promote online financial business from a high starting point, focus on optimization of revenue portfolio of securities brokerage business, and continue to enhance its competitiveness and profitability.

The Company will improve the quality of, increase the efficiency of and have strict control over its margin financing and securities lending business, enhance dynamic risk management while operating in accordance with law, and focus on current businesses; it will also optimize its incentive mechanism, make greater efforts in business innovation, improve risk management system, develop and expand securities lending and other professional businesses with high yields, and increase the competitiveness of its margin financing and securities lending business.

The Company will strive to promote the healthy development of agency financial products business, improve sale incentive mechanism, and strengthen the support of financial product sale on the transformation of brokerage business. The Company will introduce high quality financial products in order to further enrich its product pool. The Company will improve its after-sale tracking and services of its financial products, and continue to optimize the approaches and instruments for serving customers, with a view to increasing customer viscosity.

### 2. Futures brokerage

#### Market environment

During the reporting period, the Chinese futures market encountered a new trend of innovative development. The types of future products have diversified, with 5 types of newly listed products. The types of night trading products expanded to 23. The aggregate trading volume in futures market during the year amounted to RMB291.99 trillion, representing an increase of 9.16% as compared with last year. The scope of trail establishment of risk management subsidiaries for futures firms has further expanded. The minimum requirements for conducting asset management have been lowered. With the implementation of the “one asset company serving several customers”, the innovative development in futures market has been expanding. Meanwhile, there is substantial change in general environment of futures industry. The competition in similar traditional brokerage businesses has been intensified. Hence, the commission rate down by over 20%. Futures firms accelerated the progress in exploring efficient measures for the integration of traditional business and internet. The concentration ratio steadily increased with intensified divergence.

#### Operating measures and results

During the reporting period, Central China Futures proactively adopted various measures to further strengthen traditional channel-based businesses, explore innovative businesses, optimize cost control and enhance capital utilization. In respect of traditional business, the Company focused on enhancing its research and development capability, optimizing incentive appraisal system, strengthening its sale teams and increasing its support on IB business. In respect of innovative business, the Company successfully applied for the qualifications on conducting futures investment consultation and assets management (obtained on 28 January 2015). The Company strived to establish cooperation with banks, funds, securities firms, trusts and private investment institutions, attract talents on asset management, and accelerate the research and development on asset management products. In respect of cost control and capital utilization, the Company optimized cost classification and control measures, as well as increased the rate of return on capital in line with changes in environment. During the reporting period, the Company completed capital increase and share expansion, laying a solid foundation for the application of the establishment of spot risk management subsidiary and the commencement of related operations.

During the reporting period, Central China Futures recorded revenue and other income of RMB53.0 million, down by 20.3% as compared to 2013. Profit before income tax amounted to RMB11.6 million, representing a decrease of 9.5% as compared to 2013. Daily customer equity amounted to RMB650 million, representing an increase of 4.83% as compared to 2013. Accumulated agency transaction volume was RMB1.74 trillion, representing a decrease of 23% as compared to last year.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2015

In 2015, taking opportunities from the commencement of shareholding reform and expansion of capital replenishing channels of the Company, Central China Futures will introduce strategic investors and proactively push forward its listing on the New Three Board and futures & assets management business. Leveraging on the opportunities from the establishment of risk management subsidiary, Central China Futures will steadily develop business combining futures and spots. The Company will step up the transformation of brokerage business, and explore the operating development mode that combines both commissions with service fees for high value-added consultations, so as to enhance its competitiveness and achieve leap-forward development.

### 3. Wealth management

Market environment

China has experienced rapid economic development since the reform and opening up, bringing a continuous and rapid growth of the number of high-net-worth individuals and investment assets, as well as a huge room for development in the wealth management market. Institutions such as commercial banks, securities firms, insurance companies, funds, trusts, private funds and third party wealth management companies valued highly on developing wealth management business.

Operating measures and results

The Company was one of the securities firms to establish its wealth management center at the headquarters level in early stage. Leveraging on its competitive edges and based on the needs of our customers, the Company has been enhancing product differentiation and customer services in order to promote business transformation through wealth management.

During the reporting period, the Company has been improving the expertise of its teams by strengthening the establishment of customer service teams, aiming to increase customers' satisfactory. The options on assets allocation for customers have been enriched through our agency service and the introduction of new products such as sunshine private fund products. Riding on the Central China Wealth brand of Central China Wealth (財富中原) and product system, the Company enhanced customers' experience, and provided comprehensive, multi-levels value-added wealth management services for customers.

During the reporting period, the number of contracted customers of Central China Bible (中原寶典) and Central China Housekeeper (中原管家) was 149,819 in aggregate, representing a year-on-year increase of 137%.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2015

In respect of wealth management business, the Company will keep perfecting the product library of “cash management, fixed income, equity investment and alternative investment”, deepen the product sales model, promote the model transformation from product sales to product customization, design and cooperation, and thereby improving profitability. The Company will also enhance business training and information support, build product-based wealth management service system, integrate internal and external resources, deepen the “N+1” high-end customer service mode, as well as strengthen the function of sale department in serving high-end customers, aiming to quickly respond to the needs of high-end customers through our integrated resources.

### 4. Distribution of financial products

During the reporting period, the Company proactively promoted the transformation of our brokerage business. The Company has been committed to establish a one-stop comprehensive financial service platform, continued to enrich its agency financial products, and proactively pushed forward the sale of financial products, with a view to improving product services and increasing customer viscosity.

During the reporting period, the agency sale of funds products of the Company amounted to RMB1,153 million, representing an increase of 10.87% as compared to 2013. The sale of asset management products under management of the Company was RMB3,363 million, representing a year-on-year increase of 42.62%. The agency bank wealth management products amounted to RMB265 million. The agency trusts amounted to RMB146.5 million, representing a year-on-year decrease of 7.37%. Accumulated net income generated from agency products was approximately RMB4.4 million, representing a year-on-year decrease of 9.0%.

### 5. Research business

During the reporting period, the Company's service support capability for research business enhanced. It released 674 research reports, 245 morning meeting reports and over 180 regular research reports. Strategic analyst of our research institute was named Top 5 Best Strategic Analyst for the first half of 2014 by the Investor Journal Weekly (《投資者報》). Our IT analyst was awarded the Best IT Analyst Award under the 10th Chinese Security Analyst Selection for 2013 (2013年度(第十屆)天眼中國證券分析師評選) organized by Investoday (《今日投資》). The research institute provided over 300 times research supports and services for the Company's decision and development of its major businesses. It organized a total of 13 specialized road shows in 2 occasions upon the launch of Shanghai-Hong Kong Stock Connect. In compliance with the laws and regulations, the research institute has been exploring external revenue generation mode and the service mode for retail customers of the Company.

### (II) Investment banking business

During the reporting period, revenue and other income generated from investment banking business amounted to RMB116.5 million, representing a decrease of 29.3% as compared to 2013.

#### 1. Equity financing and financial advisory services

Market environment

During the reporting period, the total proceeds raised in SSE and Shenzhen Stock Exchange amounted to RMB771,810 million, representing an increase of 89.44% as compared to 2013. The number of newly listed companies in National Equities Exchange and Quotations (hereinafter referred as to the "New OTC Board") was 1,216. Proceeds raised from private offer amounted to RMB12,999 million, which is 3.95 times of the aggregate amount over prior years. Capital involved in merger and reconstruction was RMB3,096 million. The number of individual investors and institutional investors recorded year-on-year increase of 5 times and 3.63 times, respectively. Transaction volume recorded a year-on-year increase of 15 times. At the end of the reporting period, the number of listing companies in New OTC Board was 1,572, representing an increase of 341% as compared to the end of 2013.

Operating measures and results

During the reporting period, as affected by various factors such as project cycle and auditing meeting, the revenue generated from equity financing and financial advisory services has declined. The Company analyzed market environment based on the changes in policies. On the basis of continuous tracking on target projects, the Company put greater efforts on the expansion of refinancing and merger and reconstruction business. It proactively distributed its businesses in the New OTC Board. During the year, the number of newly listed companies was 26, ranking 14th in terms of number of companies completed listing at the end of the reporting period. Hence, the Company managed to maintain its leading position in the industry.

During the reporting period, the Company completed 2 offering projects as the lead underwriter, involving an amount of RMB2,552 million. In addition, the Company completed 94 financial advisory projects and the listing of 26 companies in the New OTC Board, with 3 applications of A share IPO pending for approval.

Items	2014	2013	Year-on-year increase/ decrease
Underwriting amount (in RMB100 million)	25.52	22.46	13.62%
Number of underwriting companies	2	4	(50%)
Number of financial advisory projects	94	42	123.8%
Number of New OTC Board listing projects	26	3	766.67%

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Name of company	Financing method	Role of the Company	Amount of lead underwriting project (in RMB100 million)
Henan Tong-da Cable Co., Ltd.	Non-public offer	Sponsor and lead underwriter	4.6
Henan Yuneng Holdings Co., Ltd.	Non-public offer	Joint lead underwriter	20.92
Total			25.52

### 2. Bond financing

#### Market environment

The auditing standards for corporate bonds have continued to tighten since the end of 2013. The State Council, NDRC and Ministry of Finance have promulgated intensively several documents, which clearly stated that urban investment enterprises shall de-linked with government debt financing within specific time schedule. With the ever-enriching of the types of bonds as well as the ever-increasing of private placement, the credit asset securitization lead by CBRC grew rapidly, with an amount exceeding RMB280,000 million as at the end of reporting period.

#### Operating measures and results

During the reporting period, the Company completed 4 bond offer projects as an underwriter, 1 financial advisory projects and 1 asset securitization offer. The underwriting amount was RMB6,130 million.

Items	2014		2013	
	Amount of lead underwriting project (in RMB100 million)	Number of offering	Amount of lead underwriting project (in RMB100 million)	Number of offering
Enterprise bond	41	4	36	4
Financial advisory service	15	1	–	–
Asset securitization	5.3	1	–	–
Corporate bond	–	–	40.5	1
Total	61.3	6	76.5	5

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Prospect for 2015

In 2015, grasping the external opportunities from reform on security registration system and promotion of asset securitization, the Company will implement profit-oriented market reform for its investment banking business. It will remodel its revenue allocation mechanism, organizational structure and clear team responsibilities for its investment banking business line. Taking the opportunity of introducing new teams, the Company will strengthen its team building by further motivating its member, making its bigger and stronger.

In respect of equity financing business, the Company will closely monitor target projects and speed up project progress. The Company will proactively explore opportunities arising from mixed ownership reform, merger and reconstruction and recommended overseas listing of enterprises. The Company will further increase investments in New OTC Board business, and seek more underwriting projects. Leveraging on its comprehensive edges in providing one-stop service from listing recommendation to market making in New OTC Board, the Company will assist excellent enterprises in conducting private placement, thereby strengthening its leading position in the market. The Company will also put more resources on market making business, explore new profit sources, and build the important part for five-in-one whole industry chain.

In respect of the debt financing business, the Company will explore resources for key construction projects and increase its project reserve through its competitive edges in construction in Central Plains Economic Zone and Zhengzhou Airport Zone. In addition, in order to explore new markets and enhance our profitability, the Company will proactively explore innovative business such as asset securitization and renewable bonds, and strengthen its research and development works over the forms of various products, including project revenue bonds, PPP mode, micro and small credit debts and private placement.

### (III) Investment and asset management business

#### 1. Asset management

Market environment

As at the end of reporting period, the statistics from the Asset Management Association of China showed that the total asset under management of fund management companies and its subsidiaries, securities firms, futures firms and private fund management institutions was approximately RMB20.5 trillion. Asset under management of securities firms amounted to RMB7.95 trillion, of which assets under collective asset management scheme, targeted asset management scheme and specific asset management scheme amounted to RMB655,400 million, RMB7.25 trillion and RMB36,600 million, respectively. Hence, securities firms became one of the major asset management institutions.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Operating measures and results

Grasping market opportunities for the asset management business, the Company has strengthened its team building and established qualitative investment mechanism and information system, bringing gains for customers and interests for the Company, which are win-win results. Revenue generated from products significantly increased, and the asset under active management recorded rapid growth. Coupled with the diversifying product portfolio, the Company has initially established system for product series such as the Lianmeng Series (聯盟系列), Yanhuang Series (炎黃系列) and Changsheng Series (長升系列).

During the reporting period, revenue and other income generated from asset management business was RMB61.4 million, representing a significant increase as compared to 2013. The total entrusted assets under management amounted to RMB3,364 million, representing a year-on-year increase of 42.66%. Of which, assets under collective asset management scheme amounted to RMB2,505 million, representing a year-on-year increase of 80.48%. Assets under targeted asset management scheme amounted to RMB290 million, representing a year-on-year decrease of 70.10%. Assets under specific asset management scheme amounted to RMB569 million. There were 18 assets under management (of which 8 were assets under collective asset management scheme, 9 were assets under targeted asset management scheme and 1 was asset under specific asset management scheme).

Items	31 December 2014			31 December 2013		
	Share	Net value	Number	Share	Net value	Number
Collective asset management	25.13	25.05	8	14.48	13.88	8
Targeted asset management	–	2.9	9	–	9.7	9
Specific asset management	5.3	5.69	1	–	–	–

### Prospect for 2015

In 2015, the Company will fully leverage on its extensive experience in the industry to strengthen team building and enhance operating efficiency for its asset management business. The Company will put efforts on the establishment of its marketing system, and expand our business by continuing our marketing works for existing products. It will also adhere to the expansion of financing asset management business, and enhance the external and internal resources allocation through specific projects on key areas including construction project financing in Zhengzhou Airport Zone, Zhengdong New District and Zhengzhou. The Company will establish MOM equity product platform, and support hedge, sunshine private placement and high frequency transaction team, thus maintaining stable income source. In addition, it will strengthen its operating team, enhance new product innovation, expand product lines, and put greater efforts in new product development. Through enhancing its cooperation with institutions such as commercial banks and strengthening online financial service integration, the Company will strive to enhance the sale ability of its team, aiming to break the bottleneck for the development of asset management business.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Direct investment

#### Market environment

In the reporting period, the multi-level capital market of China experienced accelerated construction. Affected by the regulatory transformation, the private equity market recorded a rapid development in fundraising, investment, management and withdrawal mechanism. Along with China's economic transformation, a new-round mixed-ownership reform, mergers and acquisitions of state-owned enterprises speed up, and new investment areas like biomedicine and Mobile Internet are booming, which bring new development opportunities to the equity investors such as brokers.

#### Operating measures and results

During the reporting period, ZDKY Venture Capital timely adjusted its investment strategies and proactively expanded its business channels. It implemented the investment strategies that focus on debt investment through strict risk control and management, explored innovative investment and business cooperation mode, and reserved innovative and investment projects.

During the reporting period, revenue and other income amounted to RMB27.7 million, representing an increase of 209.0% as compared to 2013. The number of new investment projects was 13, with investment amount of RMB324 million. The investment quota for equity investment and debt investment was RMB50 million and RMB274 million, respectively. Investments were made in various industries such as agricultural cultivation, agricultural machines and equipments, engineering machinery, medical and real estate.

During the reporting period, the Company completed the exit of 2 equity investment projects with annualized return of approximately 20% on average. It also completed the exit of 2 debt investment projects and successfully received principle and expected interests.

#### Prospect for 2015

In 2015, focusing on the equity investment, ZDKY Venture Capital will endeavor to invest in creditor's rights and actively promote fund management for steady strategic investment. It will improve its business income and profits to meet its strategic demands under favorable circumstances, and enhance profitability by increasing capital and shares and carrying out equity diversification, properly intensifying leverage and developing new investment modes. In addition, it will proactively boost the investment and financing services for medium, small and micro enterprises to increase the number of quality corporate resources; further improve relevant mechanisms in direct investment companies for their rapid development with reference to the changes of regulatory policies and external environment and industrial excellent and mature experience.

### 3. Fund management

#### Market environment

In 2014, the booming A share market has promoted the rapid growth of public offering of fund in China. As at the end of the reporting period, the net asset of public funds recorded a historical high of RMB4.47 trillion, representing an increase of RM 1.54 trillion or 52% as compared to 2013(Note: wind statistic). Money funds recorded an increase of RMB1.35 trillion throughout the year, which contributed approximately 90% of the increase in public funds.

#### Operating measures and results

During the reporting period, Ashmore-CCSC successfully issued the first public fund – Ashmore-CCSC Money Market Fund (hereinafter referred as to the “Money fund”) with offer scale of RMB568 million. As at the end of the reporting period, the money fund amounted to approximately RMB75 million. The second publicly offered fund has been approved by CSRC. The product will be issued during 2015 in due course.

During the reporting period, the Company recorded revenue and other income of RMB1.2 million, down by 13.6% as compared with the same period in 2013. As at the end of reporting period, products under two specific client asset management schemes of the Company were RMB2.0789 million and RMB1.9421 million, respectively.

#### Prospect for 2015

In 2015, Ashmore-CCSC will develop new fund products, enhance the cooperation with financial institutions and increase asset management scale. Ashmore-CCSC strives to increase the investment return of its existing public funds and specific products.

### (IV) Proprietary trading

During the reporting period, revenue and other income generated from proprietary trading business amounted to RMB365.2 million, representing an increase of 79.1% as compared to 2013.

#### Market environment

During 2014, the overall A share market experienced repress then a rebound. The A share market rebound after July on favorable policies following a narrow range of shock during the first half of the year. As at the end of the reporting period, SSE Composite Index, SZSE Component Index, SME Index and GEM Index rose by 52.87%, 35.62%, 9.67% and 12.83%, respectively. In respect of bond market, the central bank adopted moderate accommodative monetary policy in 2014, guiding the market interest rate to fall. As a result, the overall bond market saw an upward trend during the year. In 2014, ChinaBond Composite Index (net) rose by 5.54% as compared to the end of 2013.

#### Operating measures and results

During the reporting period, based on the principle of strict risk control and stable operation, the Company enhanced its research and field investigation on industry and the Company's fundamentals for its equity investment, which ensure the realisation of basic return. In respect of selection of industry and stock, the Company mainly deployed its investments related to state-owned enterprise reform, oil and gas resources, military and medical industry by basically following market heats. In respect of quantitative investment, the Company proactively tried various businesses including derivative transaction. The equity investment business of the Company maintained a good momentum during 2014.

During the reporting period, in respect of bond investment, the Company enhanced the tracking research on financial policies and market changes, continuously improved its investment strategies, timely avoided investment risks arising from products with low credit rate by increasing the proportion of credit product with higher credit rate, as well as better locked in profits by gradually lowering leveraging rate and shorten the duration. The Company increased research and investment on convertible bonds through promptly making investments at the lowest valuation price, and enhancing swing trading of convertible bonds. The Company improved transaction portfolio and optimized arbitrage mode and investment proportion, effectively minimising risk exposure of fixed income investment business.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Prospect for 2015

In 2015, in respect of proprietary trading, the Company will strive to generate more profits through structural and swing trade opportunities. In respect of equity investment, the Company will carefully study macro economy and stock market movements, and do a good job in basic allocation while adopting flexible and rolling operation. The Company will gradually increase its safety pad through term and calendar spread arbitrage. It will continue to conduct research and development on appropriate scale investment and investment methods that generate stable revenue. Meanwhile, the Company will put greater efforts on innovative business research and new income source exploration. In respect of bond investment, while maintaining liquidity and working well on traditional fundamental investment, the Company will strengthen business innovation and transformation to search for new profit-generating sources and realize the goal stable profit growth. The Company will consolidate and expand its quality customer base by further expanding its customer base and business network, thus increasing the revenue from intermediary businesses.

### (V) Headquarters and others

#### 1. Securities-backed lending

During the reporting period, the Company's Securities-backed lending recorded substantial growth in both revenue and size. Specifically, average daily transaction over the year logged RMB948 million, up 407% from 2013, and interest income came to about RMB78.2 million, up 1,059.1% from 2013. At the end of the reporting period, to-be-repurchased initial transaction reached RMB1.736 billion, up 492.7% year on year, with an average performance guarantee percentage of 275%.

#### 2. Securities repurchase

At the end of the reporting period, 416 new accounts were opened for Securities repurchase, up 132.4% from end 2013; during the reporting period, the Company's initial transaction amount, repurchase transaction amount and balance to be repurchased recorded RMB314 million (up 137.4% from 2013), RMB311 million (up 197.1% from 2013) and RMB75 million respectively. During the reporting period, interest income from agreed repurchase business came to RMB12.4 million in total, up 271.5% from 2013.

Item	2014/ 31 December 2014	2013/ 31 December 2013	Year-on-year increase/ decrease
Amount of initial transaction over the year (in RMB100 million)	3.14	1.32	137.42%
Amount of repurchase transaction (in RMB100 million)	3.11	1.05	197.06%
Number of accounts opened for the business	416	179	132.40%

### 3. Market-making business on new third board

During the reporting period, the Company invested RMB14.8 million in market-making business on the new third board, with a return of RMB7.3 million.

## III. FINANCIAL STATEMENTS ANALYSIS

### (I) Analysis on the profitability of the Company during the reporting period

During the reporting period, the Company steadily enhanced its comprehensive competitiveness by taking the opportunities for innovation and development of the industry. The market share for our key brokerage business gradually increased. The capital intermediary business experienced rapid growth, while the proprietary trading business generated considerable revenue. The investment bank New OTC Board trading business and asset management business experienced fast growth. In general, our operations maintained rapid development. Our profitability recorded significant growth for three consecutive years.

The Group recorded total revenue and other income of RMB2,346.2 million in aggregate, representing a year-on-year increase of 63.5%. Profit attributable to shareholders of the Company amounted to RMB562.3 million, representing a year-on-year increase of 122.3%, which is the highest growth in recent years. Earnings per share amounted to RMB0.24, representing a year-on-year increase of 100.0%. Return on equity was 11.41%, representing a year-on-year increase of 5.01 percentage points.

### (II) Asset structure and asset quality

As at the end of the reporting period, total assets of the Group amounted to RMB28,269.2 million, up by 107.1% as compared to RMB13,649.6 million as at the end of 2013. Total liabilities amounted to RMB22,412.4 million, up by 136.6% as compared to RMB9,474.3 million as at the end of 2013. Total equity attributable to shareholders of the Company amounted to RMB5,786.7 million, up by 41.4% as compared to RMB4,091.3 million as at the end of 2013. Net proceeds arising from listing of the Company's H shares had resulted in increase in equity of RMB1,102.7 million.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Our asset structure remained stable with sound asset quality and liquidity. As at the end of the reporting period, the total assets of the Group comprised of: cash assets, which primarily included Cash and bank balances (including Cash held for brokerage clients), Clearing settlement funds and Refundable deposits, amounted to RMB12,030.7 million, representing 42.6% of our total assets. Margin assets, which primarily included margin accounts receivable and financial assets held under resale agreements, amounted to RMB10,221.2 million, representing 36.2% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB5,179.1 million, representing 18.3% of our total assets. Operating assets (such as other property and equipment), which primarily included property and equipment, investment properties and intangible assets, amounted to RMB838.2 million, representing 2.9% of our total assets. During the reporting period, the Group has made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, available-for-sale financial assets, entrusted loans and accounts receivable and other receivables. There is no evidence showing that other assets may be subject to significant impairment.

Our gearing ratio and operating leverage ratio significantly increased. As at the end of the reporting period, liabilities after deducting accounts payable to brokerage clients amounted to RMB12,752.6 million, representing a year-on-year increase of RMB8,272.4 million or 184.6%. The increase was primarily attributable to the greater efforts on innovation and development of capital intermediary business as well as expansion in financing channels, which significantly increased the scale of financing business. The gearing ratio of the Group was 68.5%, up by 16.7 percentage points from 51.8% as at the end of 2013 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 3.2 folds, up by 52.0% from 2.1 folds as at the end of 2013 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### (III) Financing channels and financing ability

The Company has met its operating capital requirement through equity financing and debt financing. On 25 June 2014, the Company successfully listed in the Hong Kong Stock Exchange with proceeds of HK\$1,501 million. Upon listing, the Company is able to conduct equity financing through share offer and share placement. Debt financing of the Company included the issuance of bonds payable, short-term notes payable, short-term corporate bonds, issuance of bonds, beneficiary certification and refinancing, as well as interbank borrowings.

In 2014, the Company raised proceeds of RMB1,500 million from the bonds payable. Accumulated proceeds raised from the issue of short-term notes payable amounted to RMB4,800 million. Accumulated capital inflow from refinancing amounted to RMB2,433 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks. The existing financing channels of the Company have expanded effectively, strengthening our ability in maintaining sufficient capital for our business development.

### (IV) Liquidity management of the Company

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. Based on the principle of “comprehensive, prudent and predictability”, our liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by CSRC, the Company established sound management system and contingency measure for liquidity risk since March 2014. The Company will prepare monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout 2014 complied with the regulatory requirements. As at the end of the year, liquidity coverage ratio and net stable funding ratio were 309% and 111% respectively, which were higher than the regulatory index.

### (V) Cash flow

Excluding the effect of changes in client margin deposit, the net increase in cash and cash equivalents amounted to RMB837.1 million, which was attributable to the greater cash inflows generated from financing activities than the cash outflows arising from operating activities and investment activities of the Group for the year.

Net cash flow arising from operating activities for 2014 amounted to -RMB2,179.3 million, down by RMB1,207.5 million from -RMB971.8 million in the corresponding period in 2013. Net cash flow arising from investment activities for 2014 amounted to -RMB315.3 million, down by RMB88.4 million from -RMB226.9 million in the corresponding period in 2013. Net cash flow arising from financing activities for 2014 amounted to RMB3,331.6 million, up by RMB2,409.1 million from RMB922.5 million in the corresponding period in 2013. Net increase in cash and cash equivalents for 2014 amounted to RMB837.1 million, up by RMB1,113.3 million from -RMB276.2 million in the corresponding period in 2013.

**(VI) Analysis on operating revenue and profit****1. Items under income statement**

Summary of financial results

During the reporting period, the Group's profit before income tax amounted to RMB754.8 million, representing a year-on-year increase of 123.1%. The key financial results are as follows:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Revenue</b>				
Commission and fee income	1,243.5	953.3	290.2	30.4%
Interest income	613.3	286.7	326.6	113.9%
Net investment gains	449.7	158.6	291.1	183.5%
Other income and gains	39.7	36.0	3.7	10.3%
<b>Total revenue and other income</b>	<b>2,346.2</b>	<b>1,434.6</b>	<b>911.6</b>	<b>63.5%</b>
Total expenses	1,591.4	1,096.4	495.0	45.1%
<b>Profit before income tax</b>	<b>754.8</b>	<b>338.2</b>	<b>416.6</b>	<b>123.2%</b>
Income tax expense	204.8	99.8	105.0	105.2%
<b>Profit for the year</b>	<b>550.0</b>	<b>238.4</b>	<b>311.6</b>	<b>130.7%</b>
Profit attributable to shareholders of the Company	562.3	252.9	309.4	122.3%

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue structure

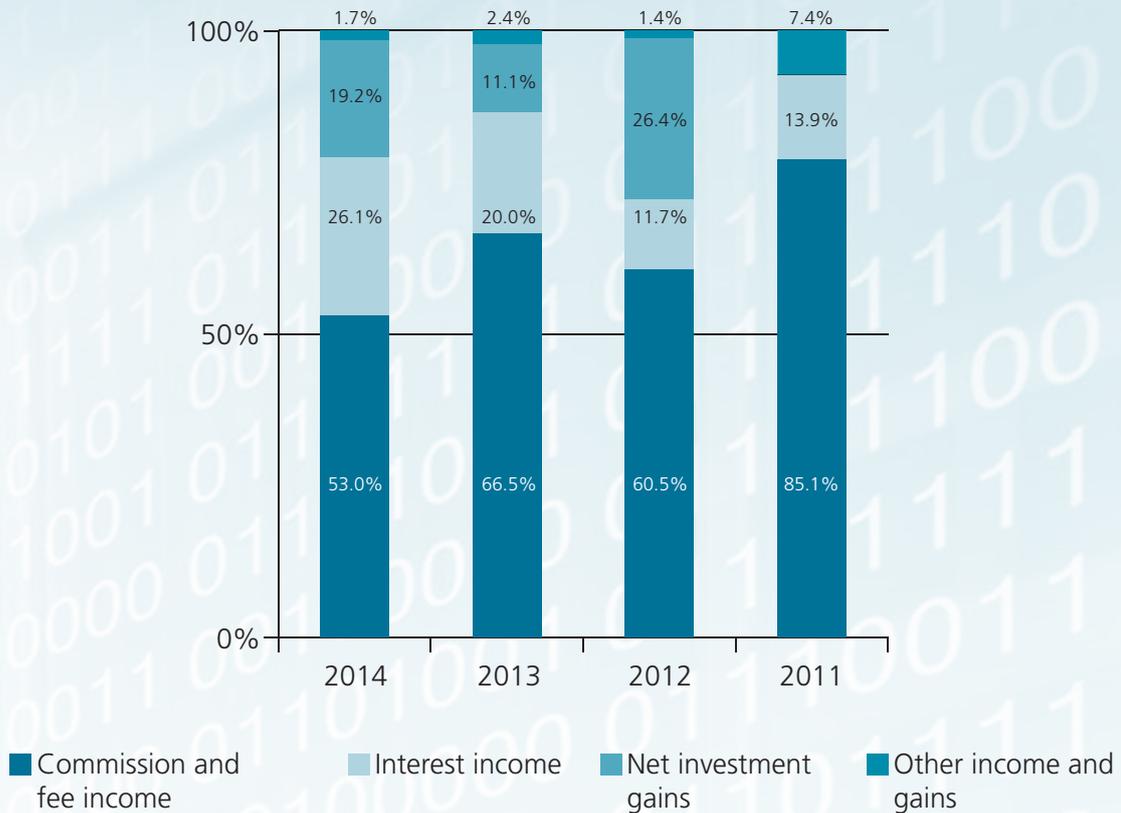
During the reporting period, total revenue and other income of the Group amounted to RMB2,346.2 million, representing a year-on-year increase of 63.5%. Among which, the proportion of commission and fee income was 53.0%, representing a year-on-year decrease of 13.5 percentage points. The proportion of interest income was 26.1%, representing a year-on-year increase of 6.1 percentage points. The proportion of net investment gains was 19.2%, representing a year-on-year increase of 8.1 percentage points. The revenue structures of the Group in the past four years are as follow:

Unit: in RMB million

<b>Items</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Commission and fee income	53.0%	66.5%	60.5%	85.1%
Interest income	26.1%	20.0%	11.7%	13.9%
Net investment gains	19.2%	11.1%	26.4%	(6.4%)
Other income and gains	1.7%	2.4%	1.4%	7.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Bar chart below sets forth the comparison of structures:



In view of the changes in revenue structure, the proportion of light capital businesses, which mainly included commission and fee income, has been decreasing year by year. Meanwhile, the proportion of capital-orientated businesses, which mainly included interest income and net investment gains, has been increasing year by year. Taking the opportunity of accelerating the establishment of integrated security and finance platform, the Company continued to enhance its profitability, improve revenue structure and profit potentials, vigorously promoting comprehensive business transformation innovation development.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

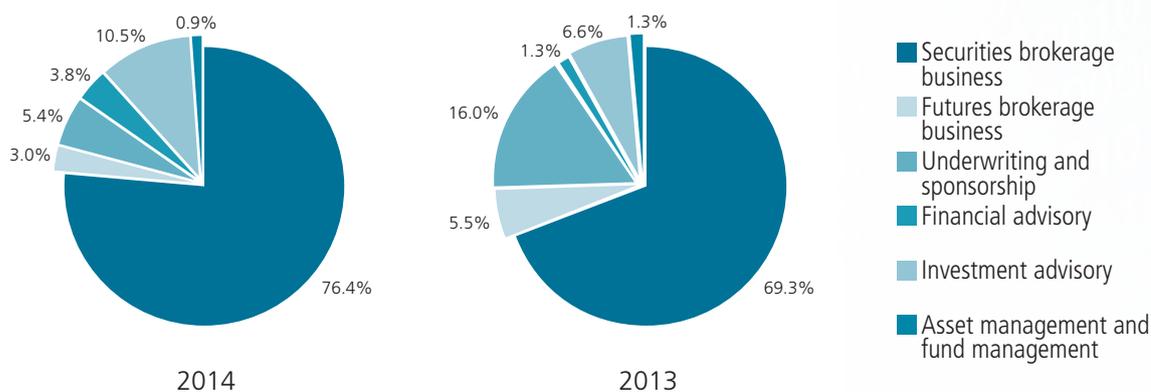
Commission and fee income

During the reporting period, the Group's commission and fee income consists of the following:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Commission and fee income</b>				
Securities brokerage	949.9	661.1	288.8	43.7%
Futures brokerage	36.9	52.9	(16.0)	(30.2%)
Underwriting and sponsorship	67.5	153.0	(85.5)	(55.9%)
Financial advisory	47.2	12.0	35.2	293.3%
Investment advisory	130.5	62.5	68.0	108.8%
Asset management and fund management	11.5	11.8	(0.3)	(2.5%)
<b>Total commission and fee income</b>	<b>1,243.5</b>	<b>953.3</b>	<b>290.2</b>	<b>30.4%</b>
<b>Commission and fee expenses</b>	<b>170.8</b>	<b>113.1</b>	<b>57.7</b>	<b>51.0%</b>
<b>Net commission and fee income</b>	<b>1,072.7</b>	<b>840.2</b>	<b>232.5</b>	<b>27.7%</b>

The Group's commission and fee income consists of:



During the reporting period, net commission and fee income of the Group amounted to RMB1,072.7 million, representing a year-on-year increase of 27.7%. The increase was primarily attributable to the increase in commission, investment advisory and financial advisory generated from securities brokerage business.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Commission and fee income generated from securities brokerage business increased RMB288.8 million or 43.7% year-on-year, primarily attributable to significant increase in daily transaction volume of securities and funds in the active stock market in China during 2014, as well as the increase in market share of the Company. Although the average commission rate of the Company has declined, the fee and commission income generated from securities brokerage business still recorded significant growth.

Underwriting and sponsorship income generated from investment banking business decreased by RMB85.5 million or 55.9% year-on-year, primarily attributable to the fluctuation business revenue arising from various factors such as project cycle and review meeting.

Financial advisory income generated from investment banking business increased by RMB35.2 million or 293.3% year-on-year, primarily attributable to the excellent results achieved in its continuous leading New OTC Board business as a result of its aggressive development and expansion of such business by grasping the opportunities arising from the development of New OTC Board.

Commission and fee income from futures brokerage decreased RMB16.0 million or 30.2% year on year, mainly due to the decline in acting underwriting amount and commission rate.

### Interest income

During the reporting period, net interest income of the Group amounted to RMB275.0 million, representing a year-on-year increase of 72.6%. The Group's net interest income for 2014 consists of the following:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Interest income</b>				
Bank deposits	175.1	140.3	34.8	24.8%
Financial assets held under resale agreements	109.9	26.3	83.6	317.9%
Margin financing and securities lending	312.8	115.7	197.1	170.4%
Entrusted loans	14.6	–	14.6	–
Others	0.8	4.4	(3.6)	(81.8%)
<b>Total interest income</b>	<b>613.2</b>	<b>286.7</b>	<b>326.5</b>	<b>113.9%</b>
<b>Interest expenses</b>	<b>338.2</b>	<b>127.4</b>	<b>210.8</b>	<b>165.5%</b>
<b>Net interest income</b>	<b>275.0</b>	<b>159.3</b>	<b>115.7</b>	<b>72.6%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from bank deposits increased RMB34.8 million or 24.8% year-on-year, primarily attributable to the increase in interest income as a result of rise in size of client margin deposit.

Interest income from financial assets held under resale agreements increased by RMB83.6 million or 317.9% year-on-year, primarily attributable to the significant increase in size of securities-backed lending business.

Interest income from margin financing and securities lending increased by RMB197.1 million or 170.4% year-on-year, primarily attributable to the significant increase in size of margin financing and securities lending business.

Interest income from entrusted loans increased by RMB14.6 million year-on-year, primarily attributable to the commencement of debt investment business by the affiliates.

Interest expenses increased by RMB210.8 million or 165.5% year-on-year, primarily attributable to the increase in the Company's leverage, interest expenses on securities, Financial assets sold under repurchase agreements, loans from other banks and bonds payable.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Net investment gains

During the reporting period, net investment gains of the Group amounted to RMB449.7 million, representing a year-on-year increase of 183.5%, mainly attributable to satisfactory return on the Company's bond investment and equity investment. The Group's net investment gains for 2014 consist of the following:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Net investment gains</b>				
Realised gain from disposal of available-for-sale financial assets	22.8	8.1	14.7	181.5%
Dividends and interest income from available-for-sale financial assets	51.0	7.6	43.4	571.1%
Recycling of available-for-sale financial assets reserve upon consolidation of structured entities	–	(7.4)	7.4	–
Realised gains from disposal from financial assets held for trading	206.0	19.2	186.8	972.9%
Dividends and interest income from financial assets held for trading	227.2	180.2	47.0	26.1%
Net realised losses from derivative financial instruments	(59.5)	(11.8)	(47.7)	404.2%
Investment income from associate	(0.3)	–	(0.3)	–
Unrealised fair value change of financial instruments at fair value through profit or loss	–	–	–	–
– Financial assets held for trading	80.0	(21.8)	101.8	(467.0%)
– Derivative financial instruments	(6.9)	10.8	(17.7)	(163.9%)
– Financial liabilities designated at fair value through profit or loss	(70.6)	(26.3)	(44.3)	168.4%
<b>Total</b>	<b>449.7</b>	<b>158.6</b>	<b>291.1</b>	<b>183.5%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Operating expenses

During the reporting period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB1,082.3 million, representing a year-on-year increase of 26.5%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Operating expenses</b>				
Staff costs	670.3	516.7	153.6	29.7%
Depreciation and amortisation	67.7	67.1	0.6	0.9%
Other operating expenses	316.6	264.1	52.5	19.9%
Impairment losses	27.7	7.9	19.8	250.6%
<b>Total</b>	<b>1,082.3</b>	<b>855.8</b>	<b>226.5</b>	<b>26.5%</b>

Staff costs increased by RMB153.6 million or 29.7% year-on-year, primarily attributable to the improved results and performance as a result of business development and increased bonus during 2014.

Depreciation and amortization increased by RMB0.6 million or 0.9% year-on-year, primarily attributable to the provision or amortisation for the additional property and equipment and intangible assets.

Other operating expenses increased by RMB52.5 million or 19.9% year-on-year, primarily attributable to significant increase in business taxes and surcharges the increase in rental expenses, expenses for listing of new H shares for the period not capitalised yet, and promotional fees.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses amounted to RMB27.7 million, representing a year-on-year increase of RMB19.8 million. Details are as follows:

Unit: in RMB million

Items	2014	2013	Changes	Growth rate
<b>Impairment losses</b>				
Margin accounts receivable	10.5	–	10.5	–
Available-for-sale financial assets	8.1	9.7	(1.6)	(16.5%)
Financial assets held under resale agreements	6.3	–	6.3	–
Entrusted loans	2.9	–	2.9	–
Accounts receivable	(0.1)	(1.8)	1.7	(94.4%)
<b>Total</b>	<b>27.7</b>	<b>7.9</b>	<b>19.8</b>	<b>250.6%</b>

Impairment losses on assets primarily included provision for margin financing business and provision for impairment of available-for-sale financial assets. Among which, impairment losses on available-for-sale financial assets incurred during the reporting period was RMB8.1 million. Impairment losses on margin financing business of RMB16.8 million was the impairment provision for different risk exposures of margin financing business.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

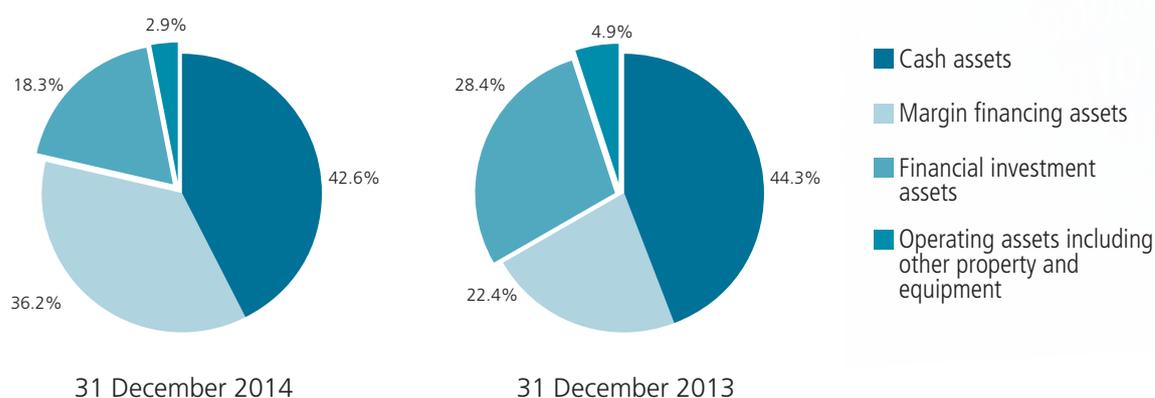
### 2. Assets

As at the end of the reporting period, total assets of the Group amounted to RMB28,269.2 million, representing a year-on-year increase of 107.1%. Of which, cash assets amounted to RMB12,030.7 million, representing a year-on-year increase of 98.8%. Margin financing assets amounted to RMB10,221.2 million, representing a year-on-year increase of 234.8%. Financial investment assets amounted to RMB5,179.1 million, representing a year-on-year increase of 33.8%. Operating assets including other property and equipment amounted to RMB838.2 million, representing a year-on-year increase of 24.0%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Total assets</b>				
Cash assets	12,030.7	6,051.0	5,979.7	98.8%
Margin financing assets	10,221.2	3,052.6	7,168.6	234.8%
Financial investment assets	5,179.1	3,870.2	1,308.9	33.8%
Operating assets including other property and equipment	838.2	675.8	162.4	24.0%
<b>Total</b>	<b>28,269.2</b>	<b>13,649.6</b>	<b>14,619.6</b>	<b>107.1%</b>

Total assets of the Group consist of:



## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### Cash assets

As at the end of reporting period, cash assets of the Group increased by RMB5,979.7 million or 98.8%, representing 42.6% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Cash assets</b>				
Cash and bank balances (including cash held for brokerage clients)	8,682.4	4,533.2	4,149.2	91.5%
Clearing settlement funds	2,620.9	1,104.8	1,516.1	137.2%
Refundable deposits	727.4	413.0	314.4	76.1%
<b>Total</b>	<b>12,030.7</b>	<b>6,051.0</b>	<b>5,979.7</b>	<b>98.8%</b>

Changes in cash assets primarily reflected in cash and bank balances (including cash held for brokerage clients). Bank balances (including cash held for brokerage clients) amounted to RMB8,682.4 million, representing a year-on-year increase of 91.5%. The increase was primarily attributable to the increase in client deposits during the year, as well as increase in capital reserve for the capital requirement of our business and liquidity management.

### Margin financing assets

As at the end of the reporting period, margin financing assets of the Group increased by RMB7,168.6 million or 234.8% year-on-year, representing 36.2% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Margin financing assets</b>				
Margin accounts receivable	7,331.5	2,259.5	5,072.0	224.5%
Financial assets held under resale agreements	2,889.7	793.1	2,096.6	264.4%
<b>Total</b>	<b>10,221.2</b>	<b>3,052.6</b>	<b>7,168.6</b>	<b>234.8%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Margin accounts receivable amounted to RMB7,331.5 million, representing a year-on-year increase of 224.5%. The increase was primarily attributable to the significant increase in the Group's margin financing and securities lending business.

Financial assets held under resale agreements amounted to RMB2,889.7 million, representing a year-on-year increase of 264.4%. The increase was primarily attributable to the significant increase in agreed securities repurchase and securities-backed lending.

Financial investment assets

As at the end of reporting period, financial investment assets of the Group increased by RMB1,308.9 million or 33.8% year-on-year, representing 18.3% of the Group's total assets. The following table set forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Financial investment assets</b>				
Investment in associates	49.7	–	49.7	–
Available-for-sale financial assets	752.6	431.2	321.4	74.5%
Financial assets held for trading	4,099.3	3,439.0	660.3	19.2%
Entrusted loans	277.5	–	277.5	–
<b>Total</b>	<b>5,179.1</b>	<b>3,870.2</b>	<b>1,308.9</b>	<b>33.8%</b>

Available-for-sale financial assets: As at the end of the reporting period, the available-for-sale financial assets of the Group increased by RMB321.4 million or 74.5% year-on-year, representing 2.7% of the Group's total assets. The Group's available-for-sale financial assets consist of the following:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Available-for-sale financial assets</b>				
Debt investment	–	–	–	–
Equity securities	19.3	49.5	(30.2)	(61.0%)
Collective asset management schemes	20.0	1.1	18.9	1,886.3%
Wealth management products	–	75.0	(75.0)	–
Investment funds	82.2	8.2	74.0	905.4%
Trust schemes	–	257.3	(257.3)	–
Other investments	631.1	40.1	591.0	1,473.9%
<b>Total</b>	<b>752.6</b>	<b>431.2</b>	<b>321.4</b>	<b>74.5%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets held for trading: as at the end of the reporting period, the financial assets held for trading of the Group increased by RMB660.3 million or 19.2% year-on-year, representing 14.5% of the Group's total assets. The Group's financial assets held for trading consist of the following:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Financial assets held for trading</b>				
Debt securities	3,601.9	2,906.4	695.5	23.9%
Equity securities	337.8	205.7	132.1	64.2%
Investment funds	159.6	326.9	(167.3)	(51.2%)
<b>Total</b>	<b>4,099.3</b>	<b>3,439.0</b>	<b>660.3</b>	<b>19.2%</b>

Operating assets including other property and equipment

As at the end of the reporting period, operating assets including other property and equipment of the Group amounted to RMB838.2 million, increased by RMB162.4 million or 24.0% year-on-year, representing 2.9% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Operating assets including other property and equipment</b>				
Property and equipment and investment properties	240.2	256.6	(16.4)	(6.4%)
Goodwill	7.3	7.3	0.0	–
Intangible assets	153.7	46.8	106.9	228.4%
Deferred income tax assets	104.5	71.2	33.3	46.8%
Other current assets and other non-current assets	332.5	293.9	38.6	13.1%
<b>Total</b>	<b>838.2</b>	<b>675.8</b>	<b>162.4</b>	<b>24.0%</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

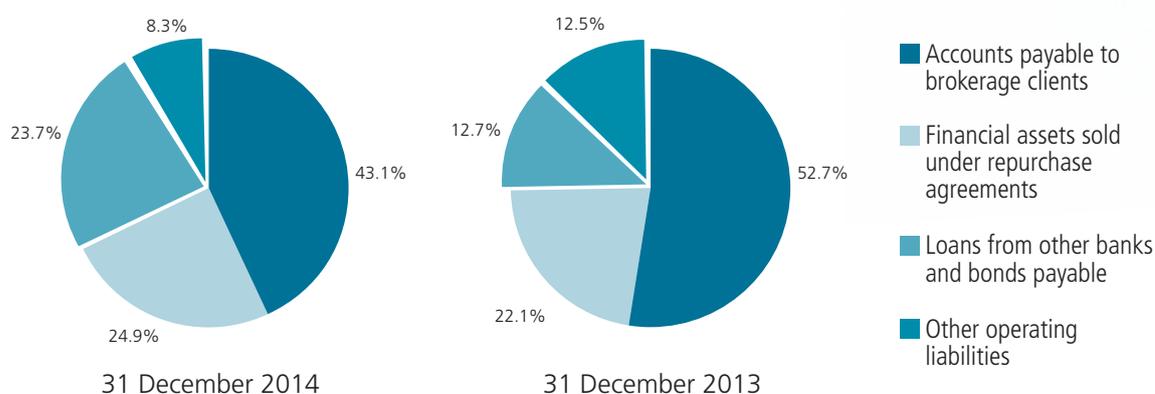
### 3. Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB22,412.4 million, representing a year-on-year increase of RMB12,938.1 million or 136.6%. In order to develop the capital intermediary market, the Company has expanded its financing scale and conducted its financing business through various channels. As at the end of the reporting period, accounts payable to brokerage clients amounted to RMB9,659.8 million, representing a year-on-year increase of 93.4%. Financial assets sold under repurchase agreements amounted to RMB5,587.2 million, up by 166.5% year-on-year. The increase was primarily attributable to the expansion in exchange-quoted bond repurchase business and increase in transfer of equity rights in margin financing and securities lending and forward transferred borrowings. Loans from other banks and bonds payable amounted to RMB5,304.3 million, up by 342.0% year-on-year. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Liabilities</b>				
Accounts payable to brokerage clients	9,659.8	4,994.0	4,665.8	93.4%
Financial assets sold under repurchase agreements	5,587.2	2,096.3	3,490.9	166.5%
Loans from other banks and bonds payable	5,304.3	1,200.0	4,104.3	342.0%
Other operating liabilities	1,861.1	1,184.0	677.1	57.2%
<b>Total</b>	<b>22,412.4</b>	<b>9,474.3</b>	<b>12,938.1</b>	<b>136.6%</b>

The Group's total liabilities consist of:



The Group does not have any overdue liability during the reporting period. Details on bonds payable, please refer to Section 5 "V. Major investment and financing activities of the Company" of this report.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Loans from other banks and bonds payable

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Loans from other banks and bonds payable</b>				
Due to other financial institutions	2,373.0	400.0	1,973.0	493.3%
Bonds payable and short-term notes payable	2,931.3	800.0	2,131.3	266.4%
<b>Total</b>	<b>5,304.3</b>	<b>1,200.0</b>	<b>4,104.3</b>	<b>342.0%</b>

Due to other financial institutions amounted to RMB2,373.0 million, up by 493.3% year-on-year. The increase was primarily attributable to the expansion in financing business resulted in increase in financing amount from CSF.

Bonds payable and short-term notes payable, which included outstanding short-term commercial notes, corporate bonds and beneficiary certification issued by the Group, increased by RMB2,131.3 million year-on-year.

Other operating liabilities

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Growth rate
<b>Other operating expenses liabilities</b>				
Salaries, bonus, allowances and benefits	375.9	221.3	154.6	69.9%
Other current liabilities	666.3	255.0	411.3	161.3%
Deferred income tax liabilities	27.8	0.3	27.5	9,166.7%
Financial liabilities designated at fair value through profit or loss	791.1	707.4	83.7	11.8%
<b>Total</b>	<b>1,861.1</b>	<b>1,184.0</b>	<b>677.1</b>	<b>57.2%</b>

Salaries, bonus, allowances and benefits increased by RMB154.6 million or 69.9% year-on-year, primarily attributable to the significant increase in Group's revenue and profit, which resulted in better operating results and increased provision for bonus.

Other current liabilities increased by RMB411.3 million, primarily attributable to (i) increase in interest payable as a result of rising active financing activities; and (ii) increase in other operating payables.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Equity

As at the end of the reporting period, total equity of the Group amounted to RMB5,856.8 million, up by 40.3% year-on-year. The increase was primarily attributable to the increase in equity of RMB1,102.7 million arising from net proceeds raised in listing of Company's H shares and the sharp increase in the Company's profits. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2014	31 December 2013	Changes	Year-on-year growth rate
Share capital	2,631.6	2,033.5	598.1	29.4%
Reserves	1,677.8	938.7	739.1	78.7%
Retained earnings	1,477.3	1,119.1	358.2	32.0%
Non-controlling interests	70.1	84.0	(13.9)	(16.5%)
<b>Total</b>	<b>5,856.8</b>	<b>4,175.3</b>	<b>1,681.5</b>	<b>40.3%</b>

### 5. Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage, (ii) investment banking, (iii) investment management, (iv) proprietary trading and (v) headquarters and others. We report financial results for our business lines in seven business segments. We report financial results for our brokerage business in three segments: (i) securities brokerage, (ii) margin financing and securities lending and (iii) futures brokerage. We report financial results for our other innovative business in headquarters and others. The following discussions of our segment revenue and other income, segment expenses and segment results include our inter-segment revenue and intersegment expenses.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth our segment revenue and other income (including inter-segment revenue) for the years indicated:

	2014		2013	
	(in RMB million)	%	(in RMB million)	%
Securities brokerage	965.2	41.1	678.9	47.3
Margin financing and securities lending	435.4	18.6	155.8	10.9
Futures brokerage	53.0	2.3	66.6	4.6
Investment banking	116.5	5.0	164.9	11.5
Investment and asset management	136.3	5.8	17.5	1.2
Proprietary trading	365.2	15.6	204.0	14.2
Headquarters and others	298.3	12.6	148.7	10.4
Inter-segment eliminations	(23.7)	(1.0)	(1.8)	(0.1)
<b>Total</b>	<b>2,346.2</b>	<b>100.0</b>	<b>1,434.6</b>	<b>100.0</b>

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2014		2013	
	(in RMB million)	%	(in RMB million)	%
Securities brokerage	615.6	38.7	472.3	43.1
Margin financing and securities lending	179.6	11.3	67.7	6.2
Futures brokerage	41.4	2.6	53.8	4.9
Investment banking	100.7	6.3	127.8	11.7
Investment and asset management	84.6	5.3	78.1	7.1
Proprietary trading	204.2	12.8	120.5	11.0
Headquarters and others	366.8	23.1	178.0	16.2
Inter-segment eliminations	(1.5)	(0.1)	(1.8)	(0.2)
<b>Total</b>	<b>1,591.4</b>	<b>100.0</b>	<b>1,096.4</b>	<b>100.0</b>

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated, which is calculated as segment revenue and other income (including intersegment revenue) minus segment expenses (including inter-segment expenses).

	2014		2013	
	(in RMB million)	%	(in RMB million)	%
Securities brokerage	349.6	46.3	206.8	61.1
Margin financing and securities lending	255.8	33.9	88.1	26.0
Futures Brokerage	11.6	1.5	12.8	3.8
Investment banking	15.8	2.1	37.0	11.0
Investment and asset management	51.7	6.9	(60.6)	(17.9)
Proprietary trading	161.0	21.3	83.4	24.7
Headquarters and others	(68.5)	(9.1)	(29.3)	(8.7)
Inter-segment eliminations	(22.2)	(2.9)	–	–
<b>Total</b>	<b>754.8</b>	<b>100.0</b>	<b>338.2</b>	<b>100.0</b>

### (VII) Contingent liability, capital commitment and capital pledge

Nil.

## IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

### (I) Branches

#### 1. Establishment of and changes in operation branches

##### (1) Newly established securities branches

During the reporting period, the Company set up eight new securities branches pursuant to the Reply Concerning Approval of Opening of Eight Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2014] No. 32) (《關於核准中原證券股份有限公司設立8家分支機構的批覆》(豫證監發[2014]32號)). Details are set out as follows:

No.	Name of branches	Region
1	Central China Securities Co., Ltd., Hua County Wenming Road branch	Henan Anyang
2	Central China Securities Co., Ltd., Xun County Huanghe Road branch	Henan Hebi
3	Central China Securities Co., Ltd., Weihui Bigan Avenue branch	Henan Xinxiang
4	Central China Securities Co., Ltd., Lankao County Yulu Avenue branch	Henan Kaifeng
5	Central China Securities Co., Ltd., Luyi Ziqi Avenue branch	Henan Zhoukou
6	Central China Securities Co., Ltd., Xiping Xiping Avenue branch	Henan Zhumadian
7	Central China Securities Co., Ltd., Zhengzhou Guoji Road branch	Henan Zhengzhou
8	Central China Securities Co., Ltd., Xinzheng Xinhua Road branch	Henan Zhengzhou

##### (2) Relocation

The Company constantly adjusted and optimized its branch network. During the reporting period, there was relocation of 7 branches within the same city, of which the relocation of branches on Zhangjiagang Jiannong Road, Luoyang Zhongzhouxi Road and Shangqiu Nanjing Road has finished and that of branches on Xuchang Liancheng Avenue, Beijing Jiuxianqiao Road, Puyang Kaizhou Road and Qinyang Qinyuannan Road was under preparation.

#### 2. Establishment of branch offices

During the reporting period, the Company set up three new branch offices pursuant to the Reply Concerning Approval of Opening of Three Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2014] No. 31) (《關於核准中原證券股份有限公司設立3家分支機構的批覆》(豫證監發[2014]31號)), which included the branch offices in Xuchang, Puyang and Shangqiu. For details, please see the section headed "V. Branch offices" in Chapter III.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Subsidiaries

During the reporting period, the registered capital of ZDKY Venture Capital increased from RMB200 million to RMB500 million.

### (III) Impact on results

Impact of the establishment of operation branches and branch offices on current results: In 2014, the Company set up three branch offices and eight operation branches, whereas the formers had no impact on current results as they undertook customers, assets, personnel and business from superior operation centers and the latter posted limited impact on current results of the Company with revenue and other income, total expenses and total loss for the year amounting to RMB1.7 million, RMB3.3 million and RMB1.6 million respectively.

ZDKY Venture Capital, after capital injection, formed a “five-in-one” industry chain integrating its five major activities, namely direct investment, New OTC Board listing, market making, listing transfer and post-transfer refinancing, with priority on direct investment business. Through the integration, the whole industry chain attained higher sustainability and overall profitability, which would help enhance core competitiveness of the Company.

## V. MAJOR INVESTMENT AND FINANCING

### (I) Equity financing

The listing of H shares of the Company on 25 June 2014 was approved at the seventh extraordinary shareholders’ meeting of the Company for 2013 held on 16 December 2013 with approval from the CSRC (Zheng Jian Xu Ke No. [2014]438), offering 598.1 million H shares globally at HK\$2.51 per share with net proceeds amounting to RMB1.501 billion.

### (II) Debt financing

1. As approved by the CSRC (Zheng Jian Xu Ke No. [2013]1612). On 23 April 2014, the Company publicly offered corporate bonds of RMB1.5 billion with an interest rate of 6.2% and a term of five years which offers the option of a coupon rate step-up and redemption at the end of the third year.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

2. The Company issued six tranches of short-term notes in the national interbank bond market through a bidding process in 2014, raising RMB4.8 billion in aggregate. As at 31 December 2014, among the notes RMB1.4 billion remained outstanding, with particulars as follows:

Unit: RMB billion

Tranche	Size	Use of proceeds	Date of issue	Expiry	Term (day)	Interest rate
14 Zhongyuan CP01	0.9	To replenish working capital	9 January 2014	10 April 2014	90	6.65%
14 Zhongyuan CP02	0.8	To replenish working capital	4 April 2014	7 July 2014	90	5%
14 Zhongyuan CP03	0.9	To replenish working capital	3 July 2014	2 September 2014	60	4.45%
14 Zhongyuan CP04	0.8	To replenish working capital	22 August 2014	23 November 2014	90	4.80%
14 Zhongyuan CP05	0.9	To replenish working capital	17 December 2014	18 March 2015	90	6.30%
14 Zhongyuan CP06	0.5	To replenish working capital	29 December 2014	13 February 2015	45	5.38%

3. In 2014, the Company raised an aggregate of RMB2.433 billion through China Securities Finance. As at 31 December 2014, outstanding margin amounted to RMB2.173 billion, with particulars as follows:

Unit: RMB billion

No.	Date of financing	Amount	Interest rate	Term (day)	Maturity
1	22 August 2014	0.15	5.80%	182	20 February 2015
2	3 September 2014	0.3	5.80%	182	4 March 2015
3	9 September 2014	0.41	5.80%	182	10 March 2015
4	30 September 2014	0.106	5.80%	182	31 March 2015
5	15 October 2014	0.198	5.80%	182	15 April 2015
6	17 October 2014	0.25	5.80%	182	17 April 2015
7	22 October 2014	0.15	5.80%	182	22 April 2015
8	24 October 2014	0.209	5.80%	182	24 April 2015
9	31 October 2014	0.4	5.80%	182	1 May 2015

4. In 2014, the Company raised an aggregate of RMB41.28 million through beneficiary certificates. As at 31 December 2014, outstanding beneficiary certificates amounted to RMB41.28 million, with particulars as follows:

Unit: in RMB million

Product name	Size	Date of value	Interest rate	Term (day)	Expiry
Jinyi 1	38.61	11 December 2014	6.00%	180	9 June 2015
Jinyi 2	2.67	24 December 2014	5.70%	90	24 March 2015

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (III) Equity investment

On 7 July 2014, it was passed at the 28th board meeting of the Company of the fourth session the Resolution of Central China Securities Co., Ltd. on Capital Increase of Zhongding Kaiyuan Venture Capital Management Co., Ltd. approving the capital increase of RMB300 million to ZDKY Venture Capital by the Company, of which RMB200 million was made by monetary contribution during the reporting period and the rest was paid up on 3 February 2015.

On 21 October 2014, it was approved at the 15th board meeting of ZDKY Venture Capital of the first session the establishment of Zhongzhou Jishi Capital Management Co., Ltd. (中州基石資本管理有限公司), a subsidiary principally engaged in asset management, by contribution of RMB50.00 million which constituted 100% of the equity interest therein. The corporate business license of the subsidiary with the registration number of 410000000034240 was issued by Henan Provincial Administration of Industry and Commerce on 16 December 2014.

On 16 December 2013, it was passed at the seventh extraordinary general meeting of the Company for 2013 the Resolution of Central China Securities Co., Ltd. on Capital Increase and Equity Changes of Central China Futures Co., Ltd. approving the additional capital contribution of RMB90.00 million by the Company to, and maintaining its controlling stake, Central China Futures. During the reporting period, the Company subscribed and paid in cash RMB78.5 million, which was verified in the Capital Verification Report Da Xin Yan Zi (2015) No. 1-00018 on 30 January 2015. The Company completed registration of change with the industry and commerce authority on 2 March 2015.

## VI. DISPOSAL, ACQUISITION AND REPLACEMENT OF MATERIAL ASSETS, SPIN-OFF AND REORGANIZATION

Nil.

## VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

### (I) Business innovation and its impact

During the reporting period, the market-making trading system of the New OTC Board rolled out, with 122 stocks and 61 securities firms signed up as at 31 December 2014. The internet was penetrating the securities industry at a faster pace, further pushing the transformation of the securities industry. The OTC market allowed total return swaps, beneficiary certificates, private bonds, short-term bonds, crowdfunding and other activities, opening up huge room for development. Since June 2012, provincial regulators and securities regulatory commissions supervised the setting up of over 30 equity trading markets including the Qianhai Equity Exchange and the Zhejiang Equity Exchange, building an infrastructure consisting in "a market for each province" across China.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The Company took business innovation as a key strategic development point and obtained qualifications for innovative businesses such as New OTC Board market-making, the Southbound Trading under Shanghai-Hong Kong Stock Connect, OTC trading market, internet finance and short-term bonds of securities companies during the reporting period.

1. Internet finance: During the reporting period, the Company launched an e-securities platform “up.ccnew.com”, through which on-line account opening, self service, product sale and other services were available. The Company also obtained qualification for piloting of Internet securities business on 26 December 2014.

During the reporting period, the Company had its on-line account openers account for 24.35% of its total account openers, and self services cover 58% of counter services. In October 2014, the Company began to extensively promote on-line account opening, with 21.77% accounts opened on-line. The percentage of on-line account openers in December rose to 51.53%, with single-day high reaching 61.11%. Product sales recorded around RMB63.53 million. The Company signed a strategic cooperation agreement with Hundsun Technologies Inc. on exchange visits among senior management, sharing of resource, information and innovative ideas, technological cooperation, preferential development, achievement protection and maintenance. (On 26 January 2015, the Company promoted all-round strategic cooperation with Ruiqi Capital Investment Company Limited, the general agent and marketing centre of Baidu (a leading Internet enterprise in Henan) in Henan. Their cooperation covered many aspects including comprehensive financial services, “one card” smart city service, advertising through Baidu search engine, “Baidu post bar”, media community, TV programs on starting businesses and outsourcing of comprehensive Internet services).

2. New OTC Board market-making: Since qualified for market-making on 2 July 2014, the Company has made markets for 10 stocks, ranked 13 in the market and accounting for 8% of total number of market-making stock. It formed a basic operation frame and teams which would prove to be a suitable foundation for future development. This business will strengthen its connection with investment banking and was anticipated to be a new profit growth point of the Company.
3. OTC market: The Company was qualified for piloting of OTC market business on 16 December 2014. During the reporting period, the Company launched the OTC product beneficiary certificates “Jin Yi No. 1” and “Jin Yi No. 2” (“金易1號”和“金易2號”), which raised over RMB40.00 million and expanded finance channels of the Company.
4. Southbound trading under Shanghai-Hong Kong Stock Connect: Since authorized to carry out the “Southbound Trading” in October 2014, the Company has consistently fulfilled its obligations of investor education and requirements management and improving its prospective investor education system for sustainable development. As at the end of the reporting period, the Company had over 5,000 accounts with Southbound Trading authorization, of which 344 made relevant trading, accounting for 7.39% of the national market share by volume.
5. Stock options: On 6 June 2014, the Company unconditionally passed the on-site inspection of Shanghai Stock Exchange for preparations of stock option brokerage. (On 16 January 2015, the Company became one of the first companies to be qualified by the SSE for option brokerage. The Company started the business on 9 February)

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Risk control of innovative business

The Company consistently updated and improved internal control mechanisms of its innovation business such as management systems, organizational structure, information technology systems to ensure thorough risk management and control.

The Company had in place a top-down evaluation system to reinforce prior risk control of innovative business. Under the system, innovative business departments and compliance risk control departments jointly analyzed and verified the significance, feasibility, operational characteristics, profit model, risk control measures and input and output of any proposed innovative business to ensure effectiveness of risk control from the respects of process and system. The overall control of such business was charged to the president's office to ensure consistency with development of the Company, and in this regard the board strengthened authorization management and clarified duties to ensure consistency with the overall risk tolerance of the Company.

Relevant process management was also strengthened by including the whole business innovation into the risk control system of the Company to enable real-time supervision, and contingency plans was drawn up for the compliance risk control and innovation business which could exercise effective control over unexpected incidents to ensure all relevant risks were measurable, controllable and tolerable.

### (III) Prospects

In 2015, the Company will exert itself in developing internet finance ("A strategic reserve" of the Company) and accelerating the transformation of various businesses based on the internet. Meanwhile, it will speed up the building of the integrated account platform, the third-party payment capital transaction settlement platform, the mobile online platform and the online shopping mall, which comprised a "highway" for the Company's internet banking development; promote online development of brokerage, capital management, investment banking and innovative business; deepen cooperation with external organizations to expand business applying internet finance; and explore new models of internet finance focusing on opening of capital management account, transfer of capital management products, equity crowd funding and P2P business to consolidate the customer base for building up a financial group.

The Company will endeavour to enhance its "five-in-one" whole industry chain on New OTC Board (i.e. listing, market-making, financing, restructuring and board transferring) in order to improve its services; and reinforce the communication and draw on successful experience in target selection and stable investment to strengthen training on market-making personnel on New OTC Board, improve its brand influence and strive to catch up forthwith, as well as increase investment in this regard to enhance return level.

The Company will pick up its pace in establishing Zhongzhou International Holdings Ltd. (中州國際金融控股有限公司), a Hong Kong subsidiary, to further improve business process, transactional platforms, risk control mechanisms by capitalizing on the listing position in Hong Kong. It will build investment research teams with international perspectives and familiar with operational rules of both China and Hong Kong to develop Hong Kong and overseas markets and better satisfy diverse investment needs of customers.

The Company also aims to commence the operation of the equity exchange in Henan as soon as possible through coordinating resources in the province, fully absorbing and drawing on good experience and practice of existing regional equity exchanges and bringing into full play its late-mover advantages. Furthermore, it will actively push forward relevant IPO work, strive to attract relevant institutions in and outside Henan Province to support the future development of the equity exchange. The equity exchange in Henan will focus on the core positioning and insist on market-oriented operation so as to support development of medium, small and micro-sized enterprises in the region. In addition, the equity exchange will strengthen collaboration and connection with the Company's businesses such as investment banking, direct investment and brokerage in a bid to improve the Company's overall competitiveness.

### VIII. RISK FACTORS AND POLICIES

Major risks include: credit risk, market risk, liquidity risk, compliance risk, operational risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in 2014 in order to achieve the Company's strategic development goal. Specific details are set out as follows:

#### 1. Credit risk and polices

Credit risks refer to risks arising from a borrower or counterparty's failure to perform an agreement as agreed. Since full margin settlement for brokerage can practically avoid relevant credit risks, currently the Company's credit risk mainly comes from bond investment, margin financing and securities lending, securities repurchases, securities-backed lending and bond investment, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) margin financing and securities lending customers' failure to duly repay loans or securities; and (4) receivables' becoming bad debts. With regard to credit risk management in bond investment, the Company, via credit rating, assessed the credit risks of investment products of different credit ratings in terms of investment product, issuer and counterparty; risk supervision and control include classified management of various investment products and counterparties as well as daily monitoring on credit of position investment products. As stipulated by the Company, all transactions beyond the authorized trading volume shall be reported to the Risk Management Headquarter as well as the upper authority for examination and approval. Then the Risk Management Headquarter would examine the transaction and settlement methods, credit rating of the counterparty and other aspects concerning the investment product and point out any transaction risk. As for the credit risk of receivables, the Company has fully withdrawn provision for bad debts according to the debtor's business operation, cash flow and bad-debt provision policies.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

With regard to credit risk management of margin financing and securities lending and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position, specifically strict customer entry barrier, credit investigation and credit standards and credit granting by the headquarters only, strict requirements on collateral, discount rate, deposit ratio and collateral ratio, daily marking for margin financing and securities lending, mandatory closing position when agreed level has been met, and subsequent claims to customers in case the capital or securities from such closing was not adequate. The Company also implemented customer credit rating through a special rating template and reviews on the results and the template. In 2014, the front-line, supporting and back-office of the margin financing and securities lending business stepped up their risk management to ensure sound operation.

The securities-backed lending has established a stringent client selection and account risk assessment system. Branches are responsible for the preliminary review of account information provided by clients in order to understand clients' identities, income, and investment experience and risk appetite. The headquarters will then compile a due diligence report on a "case-by-case" basis and submit to the relevant decision committee for risk assessment, in addition to daily marking and dynamic monitoring of the ratio of performance to collateral. The risk management department of the Company is responsible for risk monitoring after the account has been approved, which mainly includes such risk control indicators as account size, concentration per client, concentration per stock, ratio of closing performance to collateral, to ensure effective prevention against credit risk.

### 2. Market risk and policies

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Interest rate fluctuation risk refers to the risk of fluctuations in the Company's balance-sheet and off- balance-sheet financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid, lending, monies for purchase of financial assets held under resale agreements, and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. Though fluctuations in exchange rate do bring certain risks to the Company, the Company pays close attention to the foreign exchange market, makes reasonable decision-making and appropriately controls the scale of foreign exchange, and has relatively few foreign currency assets susceptible to such fluctuations in 2014.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock proprietary trading and bond proprietary trading during the year within the authorization granted by the Board, while the risk management department is responsible for monitoring relevant indexes and warning of risks; (2) established a multi-index risk monitoring and evaluation system. A quantitative index system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, pressure test, sensitivity analysis, etc.; and (3) controlled trading procedures in an all-round way. The Company monitored various indexes via the investment management system, controlled the bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes. In 2014, the Company was prudent and strict towards proprietary risk and significantly enhanced its market risk management capability.

### 3. Liquidity risk and policies

Liquidity risk refers to the risk which the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business.

In view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management, setting small quotas against all marketable securities within the same type of investments, thereby maintains liquidity risk at a relatively low level. Bond investments are mainly in fixed income products and debentures with high rating, with diversified positions, rational distribution of maturity and thus low liquidity risk. As for business development and due debt, the Company strengthens its real time monitor and management of significant amount of fund in order to achieve fund centralised allocation and coordination; and enters into inter-bank market and the capital market and explores different sources of other kind of liquidity such as inter-bank lending, bond repurchases, margin financing, bank's credit, short-term notes, short-term bonds of securities companies, bonds of securities companies, subordinated bonds and IPO, in order to satisfy the Company's liquidity need. In 2014, the Company used net capital, liquidity coverage and new net stable funding ratio-based monitoring system for real-time monitoring of risk control indicators, and used stress tests to assess the impact of business activities on the above indicators.

### 4. Compliance risk and polices

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on companies arises from violation of laws, regulations or rules due to the operation and management or practices of the Company or its personnel.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The Company has always taken the compliance operation as the foundation of survival and development, and therefore place great important on risk control and compliance awareness. The Company has built up a comprehensive compliance risk management system and compliance risk organization, through which made a compliance culture emphasizing “compliance creates value”, “compliance from the top”, “compliance is a matter of everyone”, “compliance from me” and other values; at the early stage of promoting the compliance management pilots of the securities industry, the Company set up a Compliance Management Headquarter, assigned full-time compliance management staff to grope for contents and models of compliance management and conducted effective control on the compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training. With these efforts, the compliance risk control capability of the Company rose steadily along with its standards of operation, management and practices.

### 5. Operational risk and policies

Operational risk refers to risk of financial loss resulting from improper operation of transaction process or management system.

The risk management department, together with other relevant departments, responsively monitors operational risks of brokerage, proprietary business and fixed income business and has formulated a brokerage risk management manual and other business risk control system. The Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge. For risk not quantifiable, through setting up stringent operational control procedure, the Company has decreased the technological and artificial risks and improved the risk management efficiency. In 2014, the Company put constant efforts into improving its internal control system and measures and effectively prevented operational risks.

## IX. RISK MANAGEMENT SYSTEM

Risk Management System is an important integral part of internal control. In accordance with the requirements of Guidelines for the Internal Control of Securities Companies (《證券公司內部控制指引》), together with its characteristics, the Company has established a four-level risk control and management structure, consisting of: the first level comprises the Board and Supervisory Committee; the second level consists of the Risk Control Committee and Audit Committee under the Board and the management; the third level is the cooperative work system for risk management before, during and after a risk occurs set up by the Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters and Review and Audit Headquarters; and the fourth level is composed of the frontline risk management systems of various operation and management departments and branches of the Company.

### 1. Level 1, the highest level

- (1) The Board is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment in the Company. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the Company's governance structure and tiered authority delegation system, and setting objectives for specific risk control activities.
- (2) The risk control responsibilities of the Supervisory Committee include focusing on supervising compliance practices in the course of business and management and financial affairs of the Company, mitigating the Company's exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in its operations, so as to protect legal rights and interests of the Company and its shareholders.

### 2. Level 2

The Risk Control Committee and Audit Committee under the Board and the management are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk management strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organisational structure and roles and responsibilities for risk control, as well as other matters delegated by the Board.

### 3. Level 3

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management Department, the Legal Affairs Department, the Risk Management Department and Internal Audit Department work together to manage risks before, during and after a risk occurs.

The Compliance Management Department and the Legal Affairs Department assist the Chief Compliance Officer to formulate compliance policies and compliance management rules and procedures, supports the implementation of compliance policies and systems, provides recommendations and advice on compliance to the management and business departments and branch outlets, and monitors compliance with laws and regulations in the Company's business and management activities. It also drives business departments and the Company's branch outlets to evaluate, develop, revise and improve their management systems and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules, major decisions, new products, new business offerings and major business activities; implements anti-money laundering and "separation barrier" systems; and reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating legal risks to which the Company and its businesses are exposed to.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board; continuously establishes and improves comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in the Company's business operations and transactions, and leverages the results to improve the risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; establishes communications with respect to risk control with various departments and branch outlets; and formulates risk management systems of the Company and reviews relevant systems, processes and indicators.

Under supervision of the Board, the Internal Audit Department is responsible for a double review and supervision on risk control of departments and branches and special inspection and supervision of risk control over principal business of the Company. Specifically, it, by way of regular and special audits, outgoing audits and audits on risk and compliance management, reviews and evaluates the completeness and efficiency of the internal control system, legal and compliance aspects of our business operations, the efficiency of our business operations, and the safety of our assets, as well as issuing remedial advice according to its findings.

### **4. Level 4**

The fourth level of risk control is the front-line risk control systems by departments and branch outlets of the Company, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their departments, and reporting risk issues in a timely manner to the relevant risk management departments.

## **X. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITION**

### **(I) Competition in the industry**

The economic transformation and the increasing proportion of direct financing seen in China has been expanding room for development of the securities industry. The Opinions on Further Promoting the Healthy Development of Capital Markets was conducive to a bull market of A shares, another development window for the industry. However, the opening of more securities license and the rapid growth of internet finance will further intensify competition and increase pressure on the industry to change.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The promising future and relaxing regulatory policies will draw capital, but lower commission and more fierce competition in conventional brokerage will force securities firms to transform.

Internet finance is fundamentally change the structure of the industry, bringing a chance for participants to get ahead but also eliminating more of the runners. The internet was breaking down barriers in the industry and pushing firms to transform into a more flattened, integrated and responsive model. Core competitiveness played a role more importance than ever with the accelerated integration seen in the industry.

Changes in the registration system and multi-level capital market have deepened real economic capability of securities firms and brought opportunities for the industry. With economic transformation of China, it will be the cornerstone of securities firms' core competitiveness to secure quality developing companies and provide them with financial services serving their needs from incorporate to maturity.

### (II) Market position

As the only securities firm registered in Henan, the Company has become an integrated securities firm with unique regional advantage after over ten years of development. It was ranked among "Top 100 Brands in Central Plains Economic Zone (Henan)" (中原經濟區(河南)100名片) in December 2012, "Top 100 Companies (by Benchmark)" (百高企業) together with its subsidiary Central China Futures by Henan's municipality in February 2013, "Best Investment Bank for Secondary Offerings" and "Best Chief Agency Broker for the NEEQ" for 2013 at the Investment Bank's Value Creation Summit cum 2013 Outstanding Chinese Investment Banks Awards (投行創造價值高峰論壇暨2013中國區優秀投行評選) organized by Securities Times in April 2013, "Best Listed Company to Invest" (最具投資價值上市公司) at the 2014 Chinese Listed Companies' Overseas Forum and the China Securities Golden Bauhinia Awards (2014中國上市公司海外高峰論壇暨中國證券金紫荊獎) in December 2014 and "Top Ten Most Respectable Enterprises of Central China for Year 2014" (2014中原十大最受尊敬企業) and "2014 Top Ten Zhuli Zhongyuan Financial Enterprises" (2014助力中原十大金融企業) in the same month. The Company's businesses maintained good development momentum.

According to the SAC, the Company ranked 44th, 51st and 52nd among securities firms in terms of total assets, net assets and net capital respectively as of 31 December 2013, and 40th and 43rd in terms of operating income and net profit respectively in 2013, all above industry medians.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

According to Wind Info, the Company ranked 39th among all securities firms in China share in terms of both share trading volume and share and fund trading volume in 2014, up 5 places as compared with 2013, 52nd and 60th in terms of amount of share underwriting and note underwriting respectively in 2014, and 1st, 14th and 14th in terms of number of share transfer handled and sponsored for listing in 2012, 2013 and 2014 respectively.

According to Wind Info and the Securities and Futures Association of Henan, among all PRC securities firms, it: ranked first in Henan from 2011 to 2013 in terms of the brokerage trading volume of stocks and funds; ranked first in Henan in terms of the total amount of equity financing lead-underwritten in both 2012 and 2013; and ranked first in 2012, second in 2013 and fourth in 2014 in Henan in terms of the total amount of corporate and state-owned enterprise financing lead-underwritten.

### (III) Core competitiveness

#### 1. Unique geographic advantage

Henan, is inhabited by a population of over 100 million with GDP ranked fifth nationally for ten consecutive years. As of the end of 2014, the securitization ratio of Henan was merely 16.21%, 42.09% below national average. Room for development is huge. With the Central Plains Economic Zone, the Zhengzhou Airport Economic Experimental Zone and the National Core Producing Area of Grains becoming a part of national strategies and industry migration, Henan will experience strong economic momentum.

The Company was the only securities firm registered and headquartered in Henan Province (at the end of the reporting period). It was quite familiar with the securities market in Henan and has established good relationship with the local authorities and enterprises. Given the great potential for economic growth in Henan Province and its unique geographic advantage. The Company will lay emphasis on Henan market and leverage its listing in Hong Kong to further develop securities business in mainland China; expedite the layout of securities business in Hong Kong and actively explore overseas markets.

### 2. Profession, stable, practical and aggressive team

Jian Mingjun, the chairman, and Zhou Xiaoquan, the president, each had held positions in general economy and management authorities including the Ministry of Finance and CSRC, have profound understanding and comprehension of macro-economic movements and patterns of economic development, and know the development and directions of the Company by heart after being chief officers of the Company for these years. Other members of the management are also with extensive management experience with near 20 years in the industry.

The Company's listing in the Hong Kong is the fourth among more than 100 Chinese securities firms and the first financial company in Henan (as at the end of the reporting period); The Company will take the opportunity of the "five-in-one" whole industry chain model to accelerate development in a bid to become a modern financial conglomerate and an excellent listed company, thus promoting the transformation and upgrade of its businesses.

### 3. Advantage of mixed ownership

Subsequent to listing, the shareholding of the Company was further optimized and its corporate governance was improved. Prior to the listing, 65.43% of the total share capital of the Company was held by the government, which fell to 48.29% upon listing, when foreign and private shareholding amounted to 51.71%. The Company is making substantial progress towards mixed ownership, which will be a sound foundation for further change in operation mechanisms and enhancement of decision-making efficiency.

As of the end of the reporting period, most of the officers of the Company held indirect interest in shares of the Company, which formed a linkage between the interest of the Company and that of its personnel as a developmental momentum of the Company.

### 4. Five-in-one whole industry chain

The industry chain gave advantage to the Company and allowed it to make progress in the equity exchange in Henan in preparation and its direct investment companies and carried on other investment banking, asset management and fixed income businesses, and ultimately served developing companies with a full set of financial service, gained more quality resources and enhanced its core competitiveness.

## SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Visionary transformation

The Management of the Company attached great importance to reform in the securities industry and arranged for overall business transformation and upgrading in advance. Ahead of its peers in 2009, the Company established its wealth management center at the headquarters level, transitioning its brokerage business from traditional channel-based services to value-added services. In 2013, it endeavoured to transform its branch offices from separated brokerage centers to one-stop integrated financial service platforms by enhancing service capabilities, and increasing clients' loyalty. Moreover, it will step up business innovation and various reforms according to the industry development and change, so as to constantly boost its competitiveness.

### 6. Market-oriented employment mechanism

The Company adopted a profit and market-oriented employment mechanism and performance-based employee compensation structure, and implemented a multi-layered and comprehensive evaluation system; enabled position and remuneration adjustment and stimulated the forward momentum of the Company; and built a perfect risk control and compliance system to attract excellent talent so as to accelerate building of its talent team.

### 7. Fulfilling and assuming social responsibility

Through its long operation and development history, the Company has established its corporate culture founded on "integrity, kindness, faithfulness and generosity", under which it put in place an "education allowance" for new frontline staff and provided aid to staff with difficulties in various ways.

The Company took it its mission to assume social responsibility. In 2012 and 2013, its monetary donation for the benefit of public welfare, mainly aided education of university and secondary school students and medical needs of children and single-living elderly in poverty, ranked top three in the securities industry by amount.

## XI. PROSPECTS

In the future, the Company will leverage its listing in Hong Kong and the rapid development of China's capital market to promote extensive growth of its businesses, constantly develop new business fields and deepen resources development so as to maintain its good development momentum. Moreover, it will make great efforts to continuously intensify various reforms and accelerate fostering and improving its core competitiveness in fundamental securities businesses.

In 2015, the Company will firmly adhere to the overall arrangement for both operation and return of A shares, implement the four standards for an excellent listed company in an all-round way and step up implementing its general strategies so as to get closer to its goal of a modern financial conglomerate.

# SECTION 6 REPORT OF THE BOARD OF DIRECTORS

## I. THE COMPANY'S MAIN BUSINESS

Set out in Section V "II. Analysis of the Company's Main Business" of this report.

## II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

The audit authority confirmed through audit that the Company achieved net profit of RMB562,921,210.75 in 2014. According to relevant regulations like the *Company Law*, *Securities Law*, *Financial Rules for Financial Enterprises*, and *Articles of Association*, and *Proposal on Distribution Plan of Accumulated Profits before Issue of H shares of Central China Securities Co., Ltd.* (which mentioned that proceeds from the current issue of H shares and accumulated undistributed profits before listing shall be shared by existing and new shareholders in proportion to their shareholding after H shares are offered) considered and passed at the 7th extraordinary general meeting of 2013, and *Proposal on Increasing the Percentages of Discretionary Surplus Reserve and General Risk Reserve* considered and passed at the 6th extraordinary general meeting of 2013, and *Proposal of Central China Securities Co., Ltd. on Change of Dividend Distribution Scheme after Issuance of H Shares* considered and passed at the 31st meeting of the 4th Board of the Company, the Company plans to distribute its undistributed profits in 2014 according to the following order: 1. Withdraw 10% of such sum as statutory surplus reserve and 5% as discretionary surplus reserve, totalling RMB84,438,181.61; 2. Withdraw 11% as general risk reserve, totalling RMB61,921,333.18; 3. Withdraw 10% as trading risk reserve, totalling RMB56,292,121.08; 4. After deducting the above three items, the Company's net profit in 2014 is RMB202,651,635.87, and its undistributed profit at the beginning of the year is RMB1,158,170,993.97, so the Company's accumulated profits distributable to shareholders at the end of 2014 is RMB1,518,440,568.85. According to the provision "Among profits available for distribution, those from fair value change shall not be used for cash distribution" under No. 1 *Guidance on Supervision over Annual Reports of Securities Companies – Basic Points* issued by CSRC, after deducting the cumulative after-tax influence of RMB35,864,518.19 of such part, the Company's accumulated profit distributable to shareholders in cash by the end of 2014 is RMB1,482,576,050.66.

In view of long-term development and interests of investors, the Company made the following profit distribution plan: 1. With total capital of domestic shares and H shares of 2,631,615,700 as of 31 December 2014 as the basis, distribute cash dividend as per RMB1.2 per 10 shares (tax inclusive) to holders of domestic shares and H shares in the shareholders' register on the equity registration date of the Company, totalling RMB315,793,884.00, accounting for 87.65% of RMB360,269,574.88 of profit distributable to shareholders in 2014. After the said cash dividend distribution, the remaining undistributed profit of RMB1,202,646,684.85 will be carried forward to 2015. 2. Cash dividends are stated and announced in Renminbi, and paid in Renminbi/HK Dollars for holders of domestic shares and H shares, respectively. The actual amount in HK Dollars will be based on the average benchmark rate between Renminbi and Hong Kong Dollar published by the PBoC five working days prior to the date on which the 2014 annual general meeting of the Company is to be held.

## SECTION 6 REPORT OF THE BOARD OF DIRECTORS

After the proposal for the distribution of profits 2014 being deliberated and approved at the annual general meeting, the cash dividend will be distributed within two months from the date on which the said meeting is held. The Company will announce at the right moment the date when 2014 annual general meeting will be held, and the time for suspension of registration of share transfer for determining the list of shareholders having the right to attend the annual general meeting and vote at the meeting. The Company will later announce the benchmark date for the current distribution of H share dividends and the date for suspension of registration of share transfer.

### III. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

#### (I) Use of Proceeds

As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2014] No. 438 Document, the Company issued public offering of 598,100,000 H shares at a price of HK\$2.51 per share in the Hong Kong Stock Exchange in June 2014, raising total funds of HK\$1,501,231,000, equivalent to RMB1,192,112,500.

The net funds raised as specified in the Company's prospectus shall be used as per the following purposes and percentages:

1. about 50% of the funds will be used for the development of margin financing and securities lending business
2. about 25% of the funds will be used for the development of capital intermediary business, including expansion of the stock pledged repurchase transaction and securities repurchase, gradual development of OTC products and market-making services, and actively exploring other capital-based intermediary business approved by the CSRC;
3. about 25% of the funds will be used for investing in fixed income securities and other proprietary trading products and for increasing the registered capital of ZDKY Venture Capital so as to prudently expand the direct investment business.

After deducting listing expenses, the Company's raised funds of HK\$1,416,850,000 were transferred back to China, all of which have been converted into Renminbi and used up for the application specified in the prospectus. In 2014, RMB1,132,021,700 raised fund (including interests on deposit) have been used cumulatively. As of 31 December 2014, the balance of the overseas special account for the Company's raised funds was HK\$3,213,600 (including interests), including the remaining raised funds available and part of the outstanding listing expenses.

## SECTION 6 REPORT OF THE BOARD OF DIRECTORS

### (II) Use of proceeds for the committed projects

Unit: RMB10,000

Name of committed projects	Any change in project	Invested raised funds during the reporting period	Actually invested raised funds	Percentage	Reason for change and procedure of change in raised funds
Margin financing and securities lending business	None	56,687.37	56,687.37	50%	—
Capital intermediary business	None	28,314.80	28,314.80	25%	—
Investment business	None	28,200.00	28,200.00	25%	—
Total		113,202.17	113,202.17		

### (III) Changes to the raised funds

No changes to the raised funds.

## IV. DIRECTORS

Information on directors of the Company during the reporting period and as of the date of this report is set out in Section 9 "Directors, Supervisors, Senior management and Staff".

## V. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No directors and supervisors of the Company entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

## VI. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE SIGNIFICANT CONTRACTS

The Company or its subsidiaries have not entered into any significant contracts entitling substantial interests to the directors or supervisors of the Company directly or indirectly in the reporting period.

## SECTION 6 REPORT OF THE BOARD OF DIRECTORS

### VII. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

Directors of the Company have no interest in business competing with the Company.

### VIII. DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

On 14 November 2014, the EGM adopted a resolution to reward Mr. Jian Mingjun and Mr. Zhou Xiaoquan shares equivalent to RMB1 million (before tax) and RMB600,000 (before tax) (the number of shares shall be calculated based on the stock price on the day of exercise of the award). The above reward will achieve via purchasing QDII products or other lawful means when conditions are ripe in accordance with the law.

Except as disclosed above, as of 31 December 2014, no directors, supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the directors, supervisors or their respective spouse or children under the age of 18 in any other body corporate.

### IX. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS

As of 31 December 2014, based on the information acquired by the Company and the knowledge of the directors, the directors, supervisors and senior management officers have no (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the *Securities and Futures Ordinance*) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the *Securities and Futures Ordinance*, or (ii) shall be recorded in the interests register in accordance with section 352 of the *Securities and Futures Ordinance*, or (iii) shares or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the *Model Code* in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance*).

### X. COMPLIANCE WITH NON-COMPETITION AGREEMENT

As disclosed in the prospectus, the Company entered into non-competition agreement (“non-competition agreement”) with Henan Investment Group on 10 March 2014, pursuant to which Henan Investment Group committed that in addition to the business having been completed by the Company, Henan Investment Group and its holding company (as defined in non-competition agreement) shall not, in China and abroad, alone or with others, directly or indirectly, engage in or participate in, assist in engaging in or participating in any business constituted or to be constituted competition with our main business. Henan Investment Group has confirmed that it has complied with the terms of non-competition agreement during the reporting period. During the reporting period, independent non-executive directors have, in relation to the decision on observing and performing non-competition agreement, conducted annual review over non-competition agreement to confirm that Henan Investment Group has fully complied with the Agreement and does not have any such breach.

### XI. OTHER DISCLOSURES

#### (I) Equity

Contained in “Consolidated Financial Statement” and Note 39 to the consolidated financial statements of this report.

#### (II) Pre-emptive rights arrangements

According to the Chinese law and the *Articles of Association*, currently the Company has no pre-emptive rights arrangements.

#### (III) Sufficiency of Public Float

From the Company’s H share listed date to the date of this report, according to the information obtained by the Company and the knowledge of the directors, the public shareholding of the Company’s H share is 25%, which is in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the *Listing Rules*.

#### (IV) Management Contract

During the reporting period, the Company entered into no management and administration contracts relating to all or any substantial part of the business of the Company.

### (V) Data on tax reduction and exemption by the shareholders of H shares

#### Individual investors

In accordance with the *Individual Income Tax Law of the People's Republic of China* issued by the Fifth Session of the Standing Committee of the National People's Congress on 10 September 1980, revised on 30 June 2011 and came into effect on 1 September 2011 and the "Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China" revised by the State Council on 19 July 2011 and came into effect on 1 September 2011, the dividends paid by the Chinese companies shall be subject to the withholding tax at a rate of 20.0%. Non-Chinese resident foreign individuals shall be imposed 20.0% of personal income tax on the dividends gained from Chinese companies, unless specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with applicable tax treaty.

According to the *Notice on the Management of Personal Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document* issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348), for domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the taxation agreement signed between their nations and China. The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to non-Chinese citizen H share individual holders shall be imposed personal income tax at the rate of 10.0%, without having to make applications to the Chinese tax authorities. If the tax rate of 10.0% is not applicable, the enterprises should (i) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid will be refunded; (ii) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10.0% but less than 20.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the agreement and no need to make an application; (iii) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed no tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20.0%.

According to the *Arrangements for the Avoidance of Double Taxation and Prevention of Tax Evasion in Mainland and Hong Kong* (Guo Shui Han [2006] No. 884) signed in relation to income tax on 21 August 2006, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10.0% of the total dividend payable; if Hong Kong residents hold at least 25.0% equity interest in the Chinese company, the relevant tax shall not exceed 5.0% of the total dividend payable by the Chinese company.

### Enterprise

According to the *Enterprise Income Tax law of the People's Republic of China* and the *Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though establish organizations and sites but the dividends and bonds received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10.0% of its income from the Chinese territory. The withholding tax may be relief under an applicable double taxation treaty.

According to the *Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders* (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10.0%. The withholding tax may be relief under an applicable double taxation treaty.

### (VI) Reserves and reserves of profits available for distribution

Please refer to the "Statement of Consolidated Equity Changes" and Note 40 to the consolidated financial statements of this report for the Group's reserves and reserve changes in the distribution of profits during the reporting period.

### (VII) Major customers and suppliers

The Company provides services for the various institutional and individual customers engaged in a number of industries. The Company's clients include large, small and medium enterprises, high net worth clients and retail customers. Major customers are located in mainland China. With our future expansion in overseas markets, we are expected to provide services for more overseas customers. In 2014, revenue and other income generated from the Company's largest customer accounted for 0.4%, and revenue and other income generated from the top five customers accounted for 2.0%. No directors or any of their associates (as defined in the *Listing Rules*), or any shareholders (who, to the directors' knowledge, have more than 5% of the issued share capital on the date of this report) have any equity in any of the Group's top five customers.

Due to the nature of the business, the Company does not have a major supplier.

## SECTION 6 REPORT OF THE BOARD OF DIRECTORS

### (VIII) Property and equipment

Please refer to Note 19 to the consolidated financial statements of this report for the Group's property and equipment during the reporting period.

### (IX) Fulfill Social Responsibilities

During the reporting period, Central China Securities intensified corporate social responsibility and actively carried out charitable contributions and social welfare activities. As of the reporting period, the Company has invested RMB9.14 million to help vulnerable groups in society, support poor rural construction and offer services for social welfare.

In regard to charitable contributions, the Company has made an aggregate of RMB6.61 million donations directly, including RMB4 million to local Hope Project and Education Fund such Xinyang, Luohe, Xuchang, Puyang, Hebi, Shangqiu, Jiyuan, and Henan University of Economics and Law to help poor primary, high and university school students. We donated RMB500,000 to LanKao County to help the poverty alleviation training, Jiao Yulu Memorial repairs, and the poor teachers and RMB700,000 to Hebi and Zhoukou for the infrastructure construction in the impoverished villages, RMB500,000 to Chinese Anti-Corruption Judicial Research Center for legal publicity, as well as RMB500,000 to Beijing Normal University Education Foundation to support the China Academy of Social Management Beijing Normal University in research, personnel training, and cooperation and exchange activities; we also made a donation of RMB300,000 to Kim Kyung-hospital Ruzhou for the relief of cerebral palsy orphans and RMB100,000 to Zhengzhou Municipal Public Security Bureau for the funding of the surviving family members of the heroes.

In regard to social welfare activities, the Company has been working with media including Henan Photographers Association and Dahebao, and has invested RMB2.53 million in total. Closely following the policies of the Third and Fourth Plenary Sessions of the 18th Session of the Central Committee of the Communist Party of China, we carried out the welfare propaganda activity and advocate community legal system, focusing on accelerating the improvement of modern market system, real economy of financial services, and comprehensively promoting the spirit of governing the state by laws. We committed to social welfare activities, advocate legal construction and the concept of the real economy of financial services and do well in investor education work. We make propaganda to create the "Prosperous Henan, Civilized Henan, Peaceful Henan, and Beautiful Henan", resulting in good social benefits.

### (X) SUGGESTION OF ISSUANCE OF A SHARES

According to the resolution at the board meeting held on 29 September 2014, the Company suggested resubmitting the application for issuance of A shares to CSRC and other relevant regulators. On 14 November 2014, the suggestion of issuance of A shares was approved at the extraordinary general meeting, domestic shares class meeting and H shares class meeting, respectively. CSRC accepted the application materials for the Company's IPO of A shares on 1 December 2014. On 5 December 2014, the Company published *IPO Prospectus for A Shares of Central China Securities Co, Ltd.* (application version) on CSRC website.

## SECTION 7 OTHER MATERIAL PARTICULARS

### I PUNISHMENT OR PUBLIC CENSURE IN THE COMPANY'S REPORTING PERIOD

None

### II SIGNIFICANT LAWSUITS AND ARBITRATIONS

#### (I) New lawsuits and arbitration cases in the reporting period

Significant lawsuits of the Company did not make any progress until the report date. Refer to the Prospectus section: Business--Law and Supervision--Litigation.

#### (II) Cases concluded in the reporting period

None

#### (III) Cases on Enforcement procedures and bankruptcy proceedings

No cases on enforcement procedures and bankruptcy proceedings appear were filed in the reporting period of the Company and its subsidiary (subsidiaries).

### III IMPORTANT CONTRACTS AND CONTRACT FULFILLMENT

A house-leasing contract has been entered between the Company, Beijing Jiuxianqiao Office of Central China Securities Co., Ltd., the Company's subsidiary Ashmore-CCSC Fund Management Company Limited (Ashmore) and Shanghai Lujiazui Capital Plaza Co., Ltd., Beijing Zhaowei Electronic (Group) Co., Ltd. and Shanghai Bading Property Development Co., Ltd. The total rent within the lease term is RMB14,174,300, RMB9,399,200 and RMB20,995,200 respectively. The rent in the reporting period was RMB4,859,756.04, RMB829,405.56 and RMB4,502,232.30 respectively.

The company also signed a house-leasing contract with Central China Futures Co., Ltd. and Zhongzhou Jishi Capital Partners Limited, a wholly-owned subsidiary of the Company's affiliate Zhongding Kaiyuan Venture Capital Management Co., Ltd. The total rent within the reporting period is agreed to be RMB2,496,600 and RMB616,850 each. The rent within the reporting period in 2014 each was RMB499,320 and zero. In addition, the Company was free from any major collocation, contract and lease (worth above RMB10 million) during or up to the report period.

## SECTION 7 OTHER MATERIAL PARTICULARS

### IV CONNECTED PARTIES AND CONNECTED TRANSACTIONS

Non-exempt connected transactions conducted within the reporting period in accordance with the Listing Rules of the Group are listed below:

An underwriting agreement was concluded between Henan Yuneng Holdings Company Limited (Henan Yuneng, the issuer), the Company and China Galaxy Securities Co., Ltd. (the co-lead underwriter) on 16 December 2014. The Company and the co-lead underwriter hereby agreed to underwrite and place shares in order to obtain corresponding commissions (RMB10,000,000 of which would be collectable for the Company). As a non wholly-owned subsidiary of Henan Investment Group, the controlling shareholder of the Company, the issuer Henan Yuneng shall be a connected person to the Company and transactions proposed to be carried on under the agreement shall constitute connected transactions of the Company according to Article 14A. 07(4) in the Listing Rules. More information about the connected transactions mentioned above, refer to the Company's announcement on 16 December 2014.

See Note 53 to the consolidated financial statements of this report for information about other connected parties and connected transactions.

### V ACQUISITION, MERGER AND SEPARATION IN THE REPORTING PERIOD

The Company and its affiliates were without any acquisition, merger or separation in the reporting period.

### VI ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

On 17 June 2014, obtained the qualification for securities refinancing and lending business;

14 October 2014, obtained the qualification for Southbound trading;

On 31 October 2014, became the pilot security company for issuing short-term corporate bonds;

On 16 December 2014, granted the qualification for piloting OTC market business;

On 26 December 2014, gained the qualification for piloting Internet securities business.

### VII MAJOR ITEMS OFF BALANCE SHEET

There are no major off-balance sheet items regarding such aspects as guarantee and mortgage that may affect financial conditions and operating results of the Company and its affiliates found within the reporting period.

### VIII ENGAGEMENT OF ACCOUNTING FIRMS

The engagement of accounting firms by the Company is shown below:

The Company will appoint ShineWing Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers as its external audit institutions of 2014 for providing correlated audit and review services based on Chinese accounting standards for business enterprises and international financial reporting standards upon the deliberation and approval of the 6th extraordinary general meeting in 2014.

The above accounting firms changed or not in the past three years: no.

Domestic accounting firms, signature CPA and service lengths: ShineWing Certified Public Accountants (Special General Partnership); Wang Gongyong and Chao Xiaoyan; three years;

International accounting firms and service lengths: PricewaterhouseCoopers; one year.

Remunerations for accounting firm: The Company's external audit expenditure in 2014 was RMB3,330,000, including RMB1,000,000 of H-share interim report-reviewing expenses and RMB2,330,000 of H-share's annual audit and statutory annual domestic audit fees according to the resolution at the 6th extraordinary general meeting in 2014. The Company paid RMB6,620,000 for the year's audit and IPO (initial public offerings) audit-related services, and RMB590,000 for non-audit services fees in 2014.

The engagement of accounting firms by affiliates is shown below:

Zhongding Kaiyuan Venture Capital Management Co., Ltd. renewed the contract with ShineWing Certified Public Accountants (Special General Partnership) for annual external audit at RMB50,000 audit expenses in 2014.

Central China Futures Co., Ltd. invited ShineWing Certified Public Accountants (Special General Partnership) to be its annual external audit institution at RMB80,000 audit expenses in 2014.

Ashmor appointed PricewaterhouseCoopers Zhong Tian LLP as its annual external audit institution at RMB180,000 audit expenses in 2014.

### IX OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

#### (I) Change of shareholders, directors, supervisors and senior management of the Company and its subsidiaries

##### 1. The Company

Ms. Shi Dan, the former independent non-executive director, resigned from the directorship for spending more time on her other business commitments on 6 January 2015.

Ms. Shi Dan resigned from her job as an independent non-executive director and a member of the Board's Audit Committee. According to Articles 3.10A and 3.21 of the Listing Rules, independent non-executive directors must make up at least a third of the Board and the Audit Committee must consist of at least three members. Ms. Shi's resignation means that the number of independent non-executive directors fails to reach a third of that of the Board and that the Company's Audit Committee only consists of two members, which is in violation of Articles 3.10A and 3.21 of the Listing Rules. Besides, the number of members of the Audit Committee does not meet the Terms of Reference for Audit Committee. To comply with the Listing Rules and the Terms of Reference for Audit Committee, the Company considered and approved the *Proposal on the Cooption of the Board's Audit Committee Members for Central China Securities Co., Ltd.* at the 42nd meeting of the 4th Board on 9 February 2015. According to the proposal, Mr. Yuan Dejun was appointed as member of the Audit Committee starting from 9 February 2015. Meanwhile, Mr. Ning Jincheng was recommended for the post of independent non-executive director but the appointment is still subject to an ordinary resolution at the extraordinary general meeting on 31 March 2015.

##### 2. ZDKY Venture Capital

There were no changes in the shareholders, directors, supervisor and senior executive in ZDKY Venture Capital from the end to the issuing date of the report period.

## SECTION 7 OTHER MATERIAL PARTICULARS

### 3 Central China Futures Co., Ltd.

Shareholder contributions before and after the change in registered capital are as follows:

Unit: RMB10,000

Shareholder	Before Alteration		After Alteration	
	Contribution Amount	Contribution Ratio	Contribution Amount	Contribution Ratio
Central China Securities Co., Ltd.	10,180.44	92.55%	16,947.69	51.357%
Henan Oil & Foodstuffs Foreign Trade Corporation	819.56	7.45%	2,543.69	7.708%
Henan Railway Investment Co., Ltd.	0	0	13,508.62	40.935%
Total	11,000	100%	33,000	100%

On 10 February 2015, Central China Futures Co., Ltd. convened the 1st shareholders meeting, the 1st meeting of the 3rd Board and the 1st meeting of the 3rd Supervisory Committee in 2015. According to the motions, Lu Zhili, Yang Zhongxian, Deng Shubin, Geng Mingzhai, Liu Xuejun, Chen Yage and Kong Fanming were voted members of the 3rd Board, with Yang Zhongxian and Chen Yage being the Chairman and Vice Chairman respectively. Among them Deng Shubin, Liu Xuejun, Chen Yage and Kong Fanming were new directors. Wang Xiujuan, Bao Xia and Ren Cai were voted members of the 3rd Supervisory Committee, with Wang Xiujuan being the Chairman. Moreover, Wang Wenhua and Guo Xiaoge were nominated and elected to be employee supervisors of the 3rd Supervisory Committee by the labor union committee and the works congress. Among them Bao Xia, Ren Cai and Guo Xiaoge were new supervisors.

### 4 Ashmore

There were no changes in the shareholders, directors, supervisors and senior management in Ashmore from the end to the issuing date of the report period.

## SECTION 7 OTHER MATERIAL PARTICULARS

### (II) Annual Corporate Profit Distribution Plan

#### 1. Annual corporate profit distribution plan

The Profit Distribution Plan 2014 is set out in the “II. Profit distribution and profit distribution plan” under Section 6 of this report.

#### 2. Annual profit distribution plan of affiliated companies

On 30 September 2014, Central China Futures convened the 4th extraordinary general meeting 2014 and considered and approved *Distribution Plan of Accumulated Undistributed Profits in the First Half of 2014 and Preceding Years of Central China Futures Co., Ltd.* As at the benchmark date (30 June 2014), Central China Futures Co., Ltd. logged accumulated undistributed profits of RMB20,726,087.05, based on which, RMB19,181,993.56 and RMB1,544,093.49 were distributed to Central China Securities Co., Ltd. and Henan Oil & Foodstuffs Foreign Trade Corporation respectively on 27 October 2014 upon calculation of percentage of their equity interest ended on 30 June 2014. Save for the aforesaid circumstance, there was no profit distribution plan in 2014 for the Company's subsidiaries ZDKY Venture Capital, Central China Futures and Ashmore CCSC Fund Management.

### (III) Major investment & financing

#### 1. Major investment & financing of the Company

##### (1) Investment

On 22 September 2014, the *Proposal of Establishing Central China Securities (Hong Kong) Subsidiaries* was discussed and approved in the fifth extraordinary general meeting. On 24 December 2014, CSRC issued the *Approval Letter of Central China Securities Establishing Central China International Financial Holdings Company Limited. in Hong Kong* (Zheng Jian Xu Ke[2014] No. 1409). Central China International Financial Holdings Company Limited. and its affiliated Central China International Securities Co., Ltd. were registered on 12 January 2015. Central China Securities injected an investment of HKD50 million into Central China International Financial Holdings Company Limited on 2 February 2015 and on-going efforts are being made to the application of license for dealing in securities for Central China International Securities Co., Ltd. from the Securities & Futures Commission.

On 29 September 2014, the *Proposal of Central China Securities Co., Ltd. on Establishment of an Alternative Investment Subsidiary in Qingdao City* was deliberated and approved in the 35th conference of 4th Board; on 14 November 2014, the proposal on amending the Articles of Association was passed in the 6th extraordinary general meeting of Central China Securities. As of the date of issuing the report, registration address (Qingdao), registered capital (RMB300 million) of the subsidiary, and name pre-approval were all confirmed; related business registration procedures were in the progress.

## SECTION 7 OTHER MATERIAL PARTICULARS

On 26 January 2015, the Company signed a strategic cooperation framework with Ruiqi Capital Investment Company Limited, the general agent and marketing centre of Baidu in Henan, which was mentioned in the Company's announcement dated 26 January 2015.

On 28 January 2015, the governor of Henan province clearly stated the goal of establishing Henan regional over-the-counter market in 2015 in the government work report during 4th session of 12th Henan People's Congress. Authorized by Henan People's Government, Central China Securities paid leading efforts to construct Henan regional over-the-counter market, that is, the Henan Equity Exchange Center.

### (2) Financing

According to the *Notice on Pilot Issuance of Short-Term Bonds By Security Companies* (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1526) issued by CSRC, Central China Securities was authorized to step on pilot issuance of short-term bonds. In accordance with *Letter of Filing Short-Term Bonds* (Shi Chang Jian Ce Bei An Han [2015] No. 4) issued by China Securities Inter-Agency Quotation System Company Limited\*(中證機構間報價系統股份有限公司) (formerly known as China Securities Capital Market Development Monitoring Centre Company Limited\* (中證資本市場發展監測中心有限責任公司)), short-term bond amount of Central China Securities allowed to be filed in CMSMC can reach RMB2.4 billion. On 29 January 2015, Central China Securities issued first batch of short-term corporate bonds in the amount of RMB1.3 billion, with term of 180 days and annual nominal interest rate of 5.6%.

According to the *Subordinated Bonds Management Regulations for Security Companies*, related requirements are met as to Central China Securities. On the demand for business development capital, Central China Securities issued subordinated bonds in the amount of RMB1.4 billion on 13 February 2015, with term of 2 years and nominal interest rate of 5.85%.

On 11 March 2015, the Company issued its first short-term financing bonds in 2015 amounting to RMB800 million, with a term of 90 days and coupon rate of 5.15%.

## 2. Major investment and financing of subsidiaries

The registered capital (initially RMB110 million) of Central China Futures was to amount to RMB330 million (plus the proposed additional RMB220 million). Central China Securities, Henan Grain & Oil Foreign Trade Co., Ltd., and Henan Railway Investment Co., Ltd. offered a capital inject in the amount of respectively RMB78.5 million, RMB20 million, and RMB156.7 million, with partial money flowing into capital reserve. At the end of December 2014, increased capital from Central China Securities and Henan Railway Investment Co., Ltd. was received. As of the date of the report, increased capital from Henan Grain & Oil Foreign Trade Co., Ltd. was also in place.

From the end of the reporting period to the issuing date of this report, no significant investing and financing activities for Ashmore and ZDKY Venture Capital.

\* For identification purposes only

## SECTION 7 OTHER MATERIAL PARTICULARS

### **(IV) Major lawsuits or arbitration matters**

None

### **(V) Amalgamation or arrangement of affiliated companies**

None

### **(VI) Other major matters affecting corporate financial condition, business performance, and cash flow**

On 16 January 2015, Central China Securities obtained access to stock options trading at Shanghai Stock Exchange and was conferred with brokerage authority for stock option.

On 9 February 2015, based on discussions of the Board of the Company, alterations were made from the "Wealth Management Center" to "Product Management Department", from "Customer Service Department" to "Retail Business Department", from "Margin Financing and Securities Lending Department" to "Credit Business Department", and from "Marketing Management Department" to "Brokerage Business Department".

### **(VII) CHANGES TO THE ARTICLES OF ASSOCIATION AND RULES OF PROCEDURE FOR BOARD MEETINGS AFTER THE REPORTING PERIOD**

On 9 February 2015, the Company planned to amend Article 17 of Articles of Association and Article 3 of Rules of Procedure for Board Meetings, which will come into effect after the approval of the extraordinary general meeting by means of special resolutions and ordinary resolutions on 31 March 2015. For details, please refer to the Company's announcement and circular dated 26 January 2015 and 13 February 2015.

# SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS

## I. SHAREHOLDING STRUCTURE

Name of main shareholders	Class of Shares	Number of shares	Percentage of the Company's total issued domestic shares/H shares (%)	Percentage of total number of issued shares (%)
Henan Investment Group Co., Ltd.	Domestic share	870,963,022	44.128%	33.096%
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund)	Domestic share	608,000,000	30.805%	23.104%
Anyang Iron and Steel Group Co., Ltd.	Domestic share	187,861,855	9.518%	7.139%
Other domestic shareholders	Domestic share	306,880,823	15.549%	11.661%
H-share public shareholders	H share	657,910,000	100%	25%

## II. CHANGES IN SHARES

The Company was successfully listed on the Hong Kong Stock Exchange on 25 June 2014, issuing a total of 598,100,000 H shares. Nine state-owned shareholders transferred 59,810,000 shares of state-owned shares to the National Council for Social Security Fund of the People's Republic of China and such shares were converted into H shares. After the completion of this offering, the Company's shares increased from 2,033,515,700 shares to 2,631,615,700 shares.

## SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS

### III. SHAREHOLDERS

At the end of the reporting period, the Company had 63 shareholders, including 16 domestic shareholders and 47 registered shareholders of H shares.

At the end of the reporting period, the shareholding of top 10 shareholders is as follows:

Name of main shareholders	Nature of shareholders	Number of shares held (shares)	Percentage	Number of shares changed during the year (shares)	Number of shares held with sale limitations	Number of shares held without sale limitations (shares)	Pledge or freezing of shares held
Henan Investment Group Co., Ltd.	State-own legal person	870,963,022	33.096%	(40,994,778)	870,963,022	0	None
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	657,785,000	24.995%	657,785,000	657,785,000	0	None
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	Social legal person	608,000,000	23.104%	0	608,000,000	0	None
Anyang Iron and Steel Group Co., Ltd.	State-own legal person	187,861,855	7.139%	(8,842,345)	187,861,855	0	None
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	State-own legal person	79,421,369	3.018%	(3,738,231)	79,421,369	0	None
Anyang Economic Development Group Co., Ltd.	State-own legal person	51,671,126	1.963%	(2,432,074)	51,671,126	0	None
Jiangsu SOHO Holdings Group Co., Ltd.	State-own legal person	28,651,425	1.089%	(1,348,575)	28,651,425	0	None
Xuchang Superlift Construction Materials Science & Technology Co., Ltd.	Social legal person	24,000,000	0.912%	0	0	24,000,000	None
Guangzhou Liby Investment Co., Ltd.	State-own legal person	20,000,000	0.760%	0	20,000,000	0	None
Henan Shenhua Group Co., Ltd.	State-own legal person	18,784,734	0.714%	(884,166)	18,784,734	0	None

Note 1: The shares held by HKSCC (Nominees) Limited are held by H-Share non-registered shareholders.

At the end of the reporting period, the controlling shareholder of the Company – Henan Investment Group held 33.096% equity interest in the Company. Henan Investment Group was established in 6 December 2007, which was acquired by Henan Construction and Investment and organized by Henan Economic and Technology Development, with a registered capital of RMB12 billion. Its business scope includes investment management, investment in construction projects, sales of industrial production materials and machinery equipment required for construction projects and product raw materials for investment projects (except for items specified by special provisions of the state); houses tenancy (Approval is required for the above scope. No operation shall be permitted before approval is obtained).

## SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS

### IV. DISCLOSURE OF INTERESTS

As of 31 December 2014, to the knowledge of the Company's directors, the following persons (not being the Directors, Supervisors or senior management of the Company) shall disclose their interests or short positions kept in the register of the Company in the shares or underlying shares in accordance with Sections 2 and 3 of Part XV of the *SFO* and Section 336 of the *SFO*:

Name of main shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of total number of issued shares (%)	Percentage of the Company's total issued domestic shares/H shares (%)	Long positions/ short positions/ shares available for lending
Henan Investment Group	Domestic share	Beneficial owner	870,693,022	33.10	44.13	Long positions
Bohai Fund	Domestic share	Beneficial owner	608,000,000	23.10	30.81	Long positions
Bohai Fund Management	Domestic share	Investment manager	608,000,000	23.10	30.81	Long positions
Anyang Iron and Steel Group	Domestic share	Beneficial owner	187,861,855	7.14	9.52	Long positions
National Council for Social Security Fund	H share	Beneficial owner	59,810,000	2.27	9.09	Long positions
China Reinsurance (Group) Corporation	H share	Interest of Corporation controlled by the substantial shareholder	58,000,000	2.20	9.70	Long positions

Save as disclosed above, as at 31 December 2014, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the *SFO*.

### V. PURCHASE, SALES OR REPURCHASE OF THE COMPANY'S LISTED SECURITIES

During the reporting period, in addition to H-share IPO, the Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company.

### VI. PREEMPTIVE RIGHTS

*Articles of Association* and the relevant Chinese laws and regulations do not require that the Company must give preemptive rights to the existing shareholders for the placement of new shares in proportion.

# SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## I. BASIC INFORMATION ABOUT INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

### (I) Directors

Name	Positions	Gender	Age	Time of taking office	Total remunerations received from the Company during the reporting period (RMB'000)	Remarks
Jian Mingjun	Chairman of the Board, executive director	Male	52	Served as director and president from October 2008 to August 2012, has served as chairman of the Board since August 2012	2,470	Re-elected for the new Board on 15 August 2012
Zhou Xiaoquan	Executive director, president	Male	42	Served as chairman of the Supervisory Committee from March 2009 to August 2012, has served as director and president since August 2012	2,787	-
Li Xingjia	Non-executive director	Male	50	Has served as director since June 2008	31	Re-elected for the new Board on 15 August 2012
Zhang Qiang	Non-executive director	Male	51	Has served as director since August 2012	31	-
Zhu Jie	Non-executive director	Male	30	Has served as director since September 2014	8	-
Wang Lixin	Non-executive director	Male	48	Has served as director since September 2014	8	-
Yu Zeyang	Non-executive director	Male	45	Has served as director since November 2014	3	-
Zhu Shanli	Independent non-executive director	Male	61	Has served as independent non-executive director since August 2012	126	-
Yuan Dejun	Independent non-executive director	Male	64	Has served as independent non-executive director since August 2012	126	-
Yuen Chi Wai	Independent non-executive director	Male	39	Has served as independent non-executive director since June 2014	74	-
Shi Dan	Independent non-executive director	Female	53	Served as independent non-executive director from August 2012 to January 2015	126	Resigned on 6 January 2015
Wang Jinian	Non-executive director	Male	65	Served as non-executive director from November 2002 to September 2014	23	Resigned on 24 September 2014
Song Chang	Independent non-executive director	Male	49	Served as independent non-executive director from December 2008 to May 2014	53	Resigned on 14 May 2014
Shi Lei	Non-executive director	Male	43	Served as non-executive director from August 2012 to January 2014	3	Resigned on 20 January 2014
Zhu Yijiang	Non-executive director	Female	49	Served as non-executive director from June 2009 to January 2014	3	Resigned on 18 January 2014

**(II) Supervisors**

Name	Positions	Gender	Age	Time of taking office	Total remunerations received from the Company during the reporting period (RMB'000)	Remarks
Zhou Jianzhong	Chairman of the Supervisory Committee	Male	59	Has served as chairman of the Supervisory Committee since August 2012	1,838	-
Wang Rui	Shareholder representative supervisor	Female	54	Has served as supervisor since November 2013	21	Elected at the 6th extraordinary general meeting of the Company on 14 November 2013
Yan Changkuan	Shareholder representative supervisor	Male	51	Has served as supervisor since June 2006	21	-
Ji Guangyuan	Shareholder representative supervisor	Male	41	Has served as supervisor since June 2009	21	-
Zhu Qiben	Employee representative supervisor	Male	50	Has served as supervisor since April 2007	1,193	-
Li Feng	Employee representative supervisor	Male	43	Has served as supervisor since February 2008	1,073	-

**(III) Senior management**

Name	Positions	Gender	Age	Time of taking office	Total remunerations received from the Company during the reporting period (RMB'000)	Remarks
Zhou Xiaoquan	Executive director, president	Male	42	Served as chairman of the Supervisory Committee from March 2009 to August 2012, has served as executive director and president since August 2012.	2,787	–
Lu Zhili	Standing vice president	Male	48	Served as vice president from November 2002 to March 2013, has served as standing vice president since March 2013.	1,413	–
Zhu Jianmin	Vice president	Male	51	Has served as vice president since August 2007.	1,157	–
Zhu Junhong	Vice president, chief financial officer	Female	45	Has served as chief financial officer since November 2002 and vice president since August 2012.	1,153	–
An Xiaolang	Audit-in-charge	Male	58	Has served as audit-in-charge since May 2003.	1,146	–
Fang Jianmin	Vice president	Male	42	Has served as vice president since November 2009	1,375	Receives remunerations from ZDKY Venture Capital
Zhao Jizeng	Vice president	Male	50	Has served as vice president since November 2009.	1,376	–
Xu Haijun	Chief compliance officer, secretary to the Board	Male	44	Has served as chief compliance officer since December 2008 and secretary to the Board since July 2014.	1,441	–
Xie Xuezhu	Chief risk officer	Female	44	Served as secretary to the Board from September 2009 to July 2014, has served as chief risk officer since July 2014.	1,596	No longer served as secretary to the Board from July 2014
Zhao Lifeng	Vice president	Male	42	Has served as vice president since August 2012.	2,505	–

## II. APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDERS' COMPANIES AND OTHER COMPANIES

### (I) Directors

Name	Positions in the Company	Employing unit	Positions in other institutions	Term of office
Jian Mingjun	Chairman of the Board, executive director	Standing Committee of Henan Provincial People's Congress	Committee member	From February 2015 up to now
		Financial and Economic Affairs Committee of Henan Provincial People's Congress	Committee member	From January 2013 up to now
		Investment Bank Committee under SAC	Committee member	From June 2011 up to now
		Securities and Futures Association of Henan	Chairman	From June 2013 up to now
Zhou Xiaoquan	Executive director, president	Ashmore-CCSC Fund Management	Director	From November 2014 up to now
		Ashmore-CCSC Fund Management	Chairman	Served as director from January 2013 to October 2014, has served as chairman of the board of directors since October 2014
		Securities Companies Compliance Committee of the SAC	Deputy director	From October 2009 up to now
Li Xingjia	Non-executive director	Henan Investment Group	Deputy general manager	From June 2010 up to now
Zhang Qiang	Non-executive director	Strategy investment department of Anyang Iron & Steel Co., Ltd.	Deputy division director	From April 2008 up to now
Zhu Jie	Non-executive director	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	From March 2014 up to now
Wang Lixin	Non-executive director	Bohai Fund Management	Deputy general manager	From June 2013 up to now
Yu Zeyang	Non-executive director	Capital Operation Department Henan Zhongping Investment Co., Ltd. Pingdingshan Tianan Coal Mining Co., Ltd. Henan Xindaxin Materials Co., Ltd.	Head General manager Supervisor Director	From January 2011 up to now From June 2011 up to now From May 2010 up to now From June 2013 up to now
Zhu Shanli	Independent non-executive director	Guanghua School of Management, Peking University	Director of academy committee, professor and doctor tutor	From November 2011 up to now
Yuan Dejun	Independent non-executive director	Ningxia Qinglong Pipes Industry Co., Ltd.	Independent non-executive director	From January 2014 up to now
Yuen Chi Wai	Independent non-executive director	Bolina Holding Co., Ltd.	Chief financial officer and company secretary	From May 2011 up to now
Shi Dan	Independent non-executive director	Institute of Industrial Economics of CASS	Party secretary and deputy director	From November 2013 up to now
		Shanxi Top Energy Company Ltd.	Independent non-executive director	From May 2010 to October 2014
		Hunan Corun New Energy Co., Ltd.	Independent non-executive director	From March 2012 to June 2014

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (II) Supervisors

Name	Positions in the Company	Employing unit	Positions in other institutions	Term of office
Yan Changkuan	Shareholder representative supervisor	Anyang Iron & Steel Group	General accountant	From December 2013 up to now
Ji Guangyuan	Shareholder representative supervisor	Henan Agric Synthesis Exploitation Co., Ltd.	Deputy general manager	From February 2014 up to now
Wang Rui	Shareholder representative supervisor	Henan Investment Group	Director of the auditing department	From July 2013 up to now

### (III) Senior management

Name	Positions in the Company	Employing unit	Positions in other institutions	Term of office
Zhou Xiaoquan	Executive director, president	Ashmore-CCSC Fund Management	Chairman	Served as director from January 2013 to October 2014, has served as chairman of the board of directors since October 2014
		Securities Companies Compliance Committee of the SAC	Deputy director	From October 2009 up to now
Lu Zhili	Standing vice president	Central China Futures	Director	From March 2008 up to now
		Ashmore-CCSC Fund Management	Director	From January 2013 up to now
Zhu Jianmin	Vice president	Professional Committee of Securities Brokerage	Committee member	From March 2013 up to now
		Securities and Futures Association of Henan	Vice president	From June 2013 up to now
Zhu Junhong	Vice president, chief financial officer	Financial Accounting and Risk Control Committee of the SAC	Committee member	From September 2011 up to now
Fang Jianmin	Vice president	ZDKY Venture Capital	Chairman	From March 2012 up to now
		ZZKY Venture Capital	Director	From December 2012 to July 2014
Xie Xuezhu	Chief risk officer	ZDKY Venture Capital	Director	From May 2013 up to now
		Ashmore-CCSC Fund Management	Supervisor	From January 2013 up to now
		ZZKY Venture Capital	Chairman of the Supervisory Committee	From November 2013 up to now

### III. BIOGRAPHICAL DETAILS OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Directors

Mr. Jian Mingjun, aged 52, has been the chairman of the Board of the Company (the “Chairman”) and the executive director since August 2012, and has been the secretary of the party committee and a director of Ashmore-CCSC Fund Management since November 2014. Mr. Jian joined the Company in December 2007 as the deputy party secretary of the Company, and served as our executive director and president from October 2008 to August 2012. Before he joined the Company, he used to be the vice chief officer of the planning office of the Company during the period from October 2000 to October 2002. Mr. Jian has almost 30 years’ experience in finance industry and served in various positions in governmental departments and institutions. Mr. Jian served in Comprehensive Plan Office of Ministry of Finance of the PRC from August 1985 to January 1987. Mr. Jian then served in Finance Department of Henan Province from January 1987 to May 1997. Mr. Jian served as the standing vice president of ASIA (group) Accounting Firm from May 1997 to June 2000. Mr. Jian was the director of General Office of Finance Department of Henan Province during the period from June 2000 to October 2000 and the period from October 2002 to December 2002. Mr. Jian was the chairman of State-owned Enterprises Supervisory Committee of the Henan Government from December 2002 to December 2007.

Mr. Jian is currently a standing committee member of Henan Provincial People’s Congress, a member of Henan Provincial People’s Congress, Financial and Economic Affairs Committee of Henan Provincial People’s Congress and the Investment Bank Committee under SAC, and the president of the Securities and Futures Association of Henan. Mr. Jian was granted the honourous title of model worker of Henan by Henan Government in April 2014 and was awarded as “People of 2013 – Henan Economic” in January 2014. He was also chosen as the “Most Influential Enterprise Leader in Central China” for five consecutive years from 2009 by mainstream media in Henan.

Mr. Jian graduated from Zhongnan University of Economics and Law (formerly known as Zhongnan University) (located in Wuhan city, the PRC) with a bachelor degree of economics majoring in public finance in July 1985. Mr. Jian was admitted exceptionally by Research Institute for Fiscal Science, Ministry of Finance (located in Beijing city, the PRC) to study public finance in September 1997 and obtained a doctoral degree of economics in July 2000. Mr. Jian has obtained senior accountant qualification granted by the Henan Government in July 2000 and a Provincial Excellent Expert granted by CPC Henan Province Committee and the Henan Government in May 2002.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhou Xiaoquan, aged 42, has been an executive director and the president of the Company since August 2012. Mr. Zhou joined the Company in March 2009 and served as the chairman of Supervisory Committee and the secretary of the party committee for disciplinary inspection of the Company for the period from March 2009 to August 2012. Mr. Zhou has been a director of Ashmore-CCSC Fund Management from January 2013 to October 2014. Mr. Zhou is a chairman of Ashmore-CCSC Fund Management since October 2014. Mr. Zhou is experienced in finance industry. Before he joined the Company, Mr. Zhou worked in the credit and loan department and corporate department of China Construction Bank Corporation respectively from July 1999 to November 2002. Mr. Zhou worked in the supervisory working department of CPC Central Financial Work Committee (which subsequently transformed into the CBRC) from November 2002 to August 2003. Mr. Zhou then worked consecutively in the supervisory committee of National Financial Institutions department of the CSRC, Institution Supervision Department of the CSRC and Securities Companies Risk Management Office of the CSRC from August 2003 to February 2009. Mr. Zhou is currently a deputy director of Securities Companies Compliance Committee of the SAC.

Mr. Zhou graduated from Wuhan Polytechnic University (formerly known as Wuhan Engineering College (located in Wuhan city, the PRC) with a bachelor degree of engineering majoring in food engineering in June 1995; he obtained a master degree of economics majoring in industrial economics from Zhongnan University of Economics and Law in June 1999 and a doctoral degree of economics majoring in industrial economics from Zhongnan University of Economics and Law in June 2003. Mr. Zhou is awarded as a Provincial Excellent Expert by CPC Henan Province Committee and the Henan Government in June 2011 and as a State Council Expert for Special Allowance by the State Council in February 2013.

Mr. Li Xingjia, aged 50, has been a non-executive director since June 2008. Mr. Li worked in Henan Construction and Investment as the chief economist and deputy general manager from March 2003 to October 2007. He worked in Henan Investment Group as a temporary officer responsible for asset management department I and the chief technology officer consecutively from October 2007 to June 2010 and has been appointed as deputy general manager since June 2010. Mr. Li is currently a member of Henan Provincial People's Congress.

Mr. Li obtained a bachelor degree of engineering majoring in urban gas thermal engineering from Harbin Engineering University (formerly known as Harbin Engineering College) (located in Harbin city, the PRC) in July 1984 and studied the post-graduate course of public administration from Tsinghua University (located in Beijing city, the PRC) and obtained a graduation certificate in April 2004.

Mr. Zhang Qiang, aged 51, has been a non-executive director of the Company since August 2012. Mr. Zhang served as the deputy general manager of medium factory of Anyang Iron & Steel Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 600569) from August 1983 to March 2002, and the deputy general manager of the third steel mill of Anyang Iron & Steel Co., Ltd. from March 2002 to August 2005. Mr. Zhang worked in Anyang Iron & Steel Group as the deputy director of the planning department from August 2005 to April 2008 and has been the deputy division director of the strategy investment department of Anyang Iron & Steel Co., Ltd. since April 2008.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhang graduated from Northeastern University (formerly known as Northeastern Engineering College) (located in Shenyang city, the PRC) majoring in pressurized metal process in July 1983. Mr. Zhang obtained the professional qualification of senior engineer from the Henan Government in December 1996.

Mr. Zhu Jie, aged 30, has been a non-executive director of the Company since September 2014. Mr. Zhu has been the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd. since March 2014. Mr. Zhu worked at the Shanghai Branch of China Construction Bank Corporation (whose A shares and H shares are listed on the Shanghai Stock Exchange (stock code: 601939) and Hong Kong Stock Exchange (stock code: 0939) respectively) between July 2007 and August 2010. He served as the assistant to president and investment manager of Beijing Maoyuan Investment Co., Ltd. between September 2010 and August 2013.

Mr. Zhu graduated from Renmin University of China (located in Beijing city, PRC) with a bachelor's degree in arts in July 2007 and a master's degree in business administration from Peking University (located in Beijing city, PRC) in July 2012.

Mr. Wang Lixin, aged 48, has been a non-executive director of the Company since September 2014. Mr. Wang has been the deputy general manager of Bohai Fund Management since June 2013. Mr. Wang held the positions of vice president of Beijing Representative Office at BOC International Holdings Limited, executive director and managing director of BOCI Securities Limited, and managing director of BOC International Holdings Limited between June 1998 and June 2013.

Mr. Wang graduated from Peking University (located in Beijing city, PRC) with a bachelor's degree in economics in July 1986 and obtained a master's degree in economics from Peking University in January 1989.

Mr. Yu Zeyang, aged 45, has been a non-executive director of the Company since November 2014. Mr. Yu has been the head of Capital Operation Department of Pingmei Shenma Energy, general manager of Henan Zhongping Investment Co., Ltd., supervisor of Pingdingshan Tianan Coal Mining Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange; stock code: 601666) and director of Henan Xindaxin Materials Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange; stock code: 300080). During February 2005 to January 2011, Mr. Yu served as deputy head of secretariat of the board of directors of Pingdingshan Coal (Group) Co., Ltd., deputy chief of office of the board of directors of and deputy head of secretariat of general office of Pingdingshan Coal (Group) Co., Ltd., and head of secretariat of general office of China Pingmei Shenma Energy & Chemical Group Co., Ltd.

Mr. Yu graduated from Henan Polytechnic University (formerly known as Jiaozuo Mining Institute) (located in Jiaozuo city, PRC) with a bachelor's degree in mining engineering in July 1992. He is currently a senior accountant.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhu Shanli, aged 61, has been an independent non-executive director of the Company since August 2012. Mr. Zhu has been working in Guanghua School of Management, Peking University as the deputy professor and professor consecutively since September 1992. He used to serve as the director of department of economics and management and the assistant dean of Guanghua School of Management, and he is currently the director of academy committee, professor and doctor tutor of Guanghua School of Management.

Mr. Zhu obtained his bachelor degree of economics majoring in political economics and from Peking University (located in Beijing city, the PRC) in January 1982 and the master degree of economics majoring in foreign history of economic thoughts from Peking University in July 1984. Mr. Zhu obtained a doctoral degree majoring in economics from Peking University in July 1992. Mr. Zhu has been currently a State Council Expert for Special Allowance granted by the State Council since April 1999.

Mr. Yuan Dejun, aged 64, has been an independent non-executive director of the Company since August 2012. Mr. Yuan taught in Harbin Finance University (formerly known as Harbin Finance Institution) as an associate professor from September 1982 to January 1995, and taught in Tianjin University of Finance & Economics as a professor from February 1995 to October 2000. Mr. Yuan used to be the senior economist of China Galaxy Securities Co., Ltd. from November 2000 to January 2012. Mr. Yuan has been an independent non-executive director of Ningxia Qinglong Pipes Industry Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002457) since January 2014.

Mr. Yuan obtained his bachelor degree majoring in finance from Jilin University of Finance and Economics (formerly known as Jilin College of Finance and Economics) (located in Changchun city, the PRC) in July 1982. He studied in Japan's Nomura Securities Companies and Nomura Research Institute (located in Japan) and obtained an on-job graduation certificate in November 1985. Mr. Yuan obtained doctoral degree of economics majoring in applied economics from Graduate School of Chinese Academy of Social Sciences (located in Beijing city, the PRC) in June 2000.

Mr. Yuen Chi Wai, aged 39, has been our independent non-executive director since 4 June 2014. Mr. Yuen is experienced in auditing, corporate internal control, and financial and risk management. Mr. Yuen used to work as an auditor in Charles Mar Fan & Co. from February 1998 to April 2000, and an auditor in Arthur Andersen from May 2000 to June 2002. Mr. Yuen worked in PricewaterhouseCoopers (Hong Kong) from July 2002 to August 2005 and served consecutively as an auditor; and worked in Beijing branch and Shenzhen branch of PricewaterhouseCoopers from August 2005 to December 2009 and served consecutively as an auditor. Mr. Yuen has been the chief financial officer and company secretary of Bolina Holding Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 1190) since May 2011.

Mr. Yuen graduated from the University of New South Wales (located in the Commonwealth of Australia) with a bachelor's degree majoring in commerce in April 1998. He was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2013 and a fellow member of Certified Public Accountants of Australia in July 2014.

### (II) Supervisors

Mr. Zhou Jianzhong, aged 59, has been the chairman of Supervisory Committee and secretary of the party committee for disciplinary inspection of the Company since August 2012. Mr. Zhou joined the Company and served as vice president and standing vice president consecutively from November 2002 to August 2012. Before joining the Company, he was the deputy county mayor of Xiuwu County, Jiaozuo City, the PRC from August 1993 to February 1996. He then served as the deputy general manager and deputy party secretary of Henan Zhongyuan Oil & Gas Development Company from February 1996 to March 1997, and as the deputy director of Henan Province Tendering Center of Mach. & Elec. Equipment from March 1997 to November 2002.

Mr. Zhou obtained a bachelor degree of engineering majoring in mining engineering, manufacturing and repairing from Henan Polytechnic University (formerly known as Jiaozuo Mining Industry Institute) (located in Jiaozuo city, the PRC) in July 1982.

Ms. Wang Rui, aged 54, has been a shareholder representative supervisor of the Company since November 2013. Ms. Wang worked in Henan Economic and Technology Development from January 1992 to October 2007 and served consecutively as its director of general office, director of planning and finance department and the chairman of the labor union. Ms. Wang has been working as the director of the auditing department and human resource department in Henan Investment Group from October 2007 to July 2013. Ms. Wang has been the director of the auditing department in Henan Investment Group since July 2013.

Ms. Wang majored in public finance and graduated from Henan Radio & Television University (located in Zhengzhou city, the PRC) in December 1986.

Mr. Yan Changkuan, aged 51, has been a shareholder representative supervisor of the Company since June 2006. Mr. Yan served consecutively as the assistant to the director of financial department and the deputy director of financial department of Anyang Iron & Steel Group from March 1996 to March 2002. He was the secretary to the board of directors and the head of the securities department of Anyang Iron & Steel Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600569) from April 2002 to April 2006. Mr. Yan served as the director of the financial department of Anyang Iron & Steel Group from May 2006 to August 2011 and a director of Anyang Iron & Steel Co., Ltd. from November 2009 to November 2012. Mr. Yan was the director of the financial department and the general accountant of Anyang Iron & Steel Group from August 2011 to December 2013. Mr. Yan has served as the general accountant of Anyang Iron & Steel Group since December 2013.

Mr. Yan graduated from Henan Industrial School (formerly known as Henan Metallurgy Industrial School (located in Zhengzhou city, the PRC) majoring in industrial accounting in July 1982. Mr. Yan graduated from Henan Provincial Party School (located in Zhengzhou city, the PRC) with a bachelor degree majoring in economic management in December 1996. Mr. Yan obtained senior accountant qualification and senior accountant of professor class qualification granted by the Henan Government in December 1997 and September 2012, respectively.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Ji Guangyuan, aged 41, has been a shareholder representative supervisor of the Company since June 2009. Mr. Ji served consecutively as a manager, general manager, the chairman of the board of directors and the party secretary of Anyang Economic Development from March 2009 to February 2013. Mr. Ji worked as an assistant to the general manager of Henan Post from February 2013 to February 2014. Mr. Ji has been deputy general manager in Henan Agric Synthesis Exploitation Co., Ltd. since February 2014.

Mr. Ji studied accounting in Shanxi University of Finance & Economics (located in Taiyuan city, the PRC) and obtained an on-job graduation certificate in July 2002.

Mr. Zhu Qiben, aged 50, has been an employee representative supervisor of the Company since April 2007. Mr. Zhu joined the Company since our incorporation in November 2002 and served as the vice general manager of our human resources management department from November 2002 to October 2007 and has been appointed as the general manager of our human resources management department from October 2007 to March 2013. He has also served as the assistant to the president and general manager of Human Resources Management Department of the Company from March 2013 to May 2014. Mr. Zhu has been the assistant to the president of the Company since May 2014. Before he joined the Company, Mr. Zhu was the project manager of the investment banking department and the assistant to director of general office of Henan Securities from July 1998 to November 2002.

Mr. Zhu obtained his bachelor degree of science majoring in mathematics from Henan University (located in Kaifeng city, the PRC) in July 1988 and obtained his master degree of economics majoring in industrial economics from Sichuan Academy of Science (located in Chengdu city, the PRC) in July 1998.

Mr. Li Feng, aged 43, has been an employee representative supervisor of the Company since February 2008. Mr. Li joined the Company since our incorporation in November 2002. He worked consecutively as the manager of our Xinxiang Renmin Road securities branch, the manager of our Shanghai West Dalian Road securities branch, the general manager of brokerage department and the general manager of our marketing department from November 2002 to February 2013. He has been the general manager of our innovation business department from February 2013 to January 2014. Mr. Li has been the assistant to president and the general manager of innovation business department from January 2014 to March 2015. He has been the assistant to the president of the Company since March 2015. Before he joined the Company, Mr. Li worked consecutively as the manager of Sanmenxia securities trading branch and the deputy manager and manager of Sanmenxia securities trading branch of Henan Securities from July 1996 to November 2002.

Mr. Li graduated from Xi'an University of Architecture and Technology (formerly known as Xi'an Metallurgy Architecture College) (located in Xi'an city, the PRC) with a bachelor degree of engineering in metallurgy of non-ferrous metal in July 1993. He also obtained a master degree of engineering in metallurgy physics and chemistry from Xi'an University of Architecture and Technology in April 1996.

### (III) Senior management

Mr. Zhou Xiaoquan, has been the Company's executive director and the president since August 2012. See "(I) Directors" for further details.

Mr. Lu Zhili, aged 48, has been the standing vice president of the Company since March 2013. Mr. Lu joined the Company since our incorporation in November 2002 and served as the vice president from November 2002 to March 2013. Mr. Lu has been the director of Central China Futures and Ashmore-CCSC Fund Management since March 2008 and January 2013 respectively. Before joining the Company, Mr. Lu worked consecutively as the manager of the securities issuance department, assistant to general manager and chairman of the research department of Henan Securities from September 1992 to November 2002.

Mr. Lu obtained a bachelor degree majoring in physics from Henan Normal University (located in Xinxiang city, the PRC) in July 1989. He obtained a master degree of economics majoring in national economics from Shanghai University of Finance and Economics (located in Shanghai city, the PRC) in February 2001. The Henan government granted the qualification of senior economist to Mr. Lu in March 2002.

Mr. Zhu Jianmin, aged 51, has been a vice president of the Company since August 2007. Mr. Zhu joined the Company since our incorporation in November 2002 and served consecutively as the director of president's office, general manager of the brokerage department, and assistant to the president from November 2002 to August 2007. Before that, Mr. Zhu served as the chief officer of the planning office of the Company from January 2001 to November 2002. Before joining the Company, Mr. Zhu worked in Henan Securities and served consecutively as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, and general manager of the operation department of Shangqiu branch from October 1993 to January 2001. Mr. Zhu is currently a member of the Professional Committee of Securities Brokerage of SAC and the executive vice president of the Securities and Futures Association of Henan Province.

Mr. Zhu obtained a bachelor degree in science majoring in thermal power from Xi'an Jiaotong University (located in Xi'an city, the PRC) in July 1984. In July 2010, Mr. Zhu obtained an Executive MBA degree from Fudan University (located in Shanghai city, the PRC). The Henan government granted the qualification of senior economist to Mr. Zhu in May 2003.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Zhu Junhong, aged 45, has been the vice president, chief financial officer and general accountant of the Company since August 2012. Ms. Zhu joined the Company since our incorporation in November 2002 and served consecutively as assistant to president, principal officer of finance department and general accountant and chief financial officer from November 2002 to August 2012. Before joining the Company, Ms. Zhu worked in Henan Finance and Securities Company as the chief accounting officer, deputy manager and manager of planning and finance department, the general accountant and the general manager of the planning and finance department from November 1993 to November 2002. Ms. Zhu is currently a member of the Financial Accounting and Risk Control Committee of the SAC.

Ms. Zhu obtained a bachelor degree of economics majoring in public finance from Henan University of Economics and Law (formerly known as Henan Institute of Finance) (located in Zhengzhou city, the PRC) in November 1991. Thereafter, she obtained an Executive MBA degree from Fudan University (located in Shanghai city, the PRC) in June 2011. The Henan government granted Ms. Zhu the qualification of senior accountant of professor class in March 2012.

Mr. An Xiaolang, aged 58, has been the chief audit officer since May 2003. Mr. An joined the Company in May 2003 and served as the chief audit officer and general manager of our internal audit department from May 2003 to February 2014. Before joining the Company, Mr. An used to work as the vice president of Anyang branch of the PBOC from December 1985 to November 1996. Mr. An worked as the director of securities repurchase and debt redemption office of Henan branch of the PBOC from November 1996 to February 1998, and the leader of the supervision group of national securities repurchase and debt redemption from February 1998 to November 1998. Mr. An was the chief of the enterprises supervision section and listed companies supervision section of the accredited representative office of Zhengzhou city under the CSRC from November 1998 to May 2003.

Mr. An graduated from a post-graduate course in economics from Henan University (located in Kaifeng city, the PRC) in July 1993. The PBOC granted the qualification of senior economist to Mr. An in April 2000.

Mr. Fang Jianmin, aged 42, has been the vice President of the Company since November 2009. Mr. Fang joined the Company in May 2008 and served as assistant to the President from May 2008 to November 2009. Mr. Fang is the chairman of the board of ZDKY Venture Capital since February 2012, and a director of ZZKY Venture Capital from December 2012 to July 2014. Before joining the Company, Mr. Fang worked in Minsheng Securities Company Limited (formerly known as Huanghe Securities Company Limited) and served consecutively as the project manager, senior manager and deputy general manager of its Zhengzhou investment bank department, the deputy general manager of its assets management department and risk management department, the director and general manager of its general investment bank department, and the general manager of its quality control department and business department III from April 1997 to May 2007. Mr. Fang then worked in Henan Construction and Investment as the director of securities department from May 2007 to August 2007, and worked in the investment banking department of Shanxi Securities Co., Ltd. from August 2007 to December 2007.

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Mr. Fang obtained a bachelor degree in economics majoring in industrial economics from Henan University of Economics and Law (formerly known as Henan University of Finance and Economics), (located in Zhengzhou city, the PRC) in June 1992, and a master degree in business administration from Henan University (located in Kaifeng city, the PRC) in December 2010. The Henan Government granted the qualification of senior economist to Mr. Fang in March 2003. He was also granted with the qualification of certified internal auditor by the Certified Internal Auditor Association in November 2005, and the qualification of sponsor representative by SAC in October 2012.

Mr. Zhao Jizeng, aged 50, has been the vice President of the Company and the general manager of the Company's Shanghai branch office since November 2009. Mr. Zhao joined the Company since its incorporation in November 2002, and served consecutively as the deputy general manager of the brokerage department, general manager of the asset management department, and assistant to President and general manager of the securities investment department from November 2002 to November 2009. Before joining the Company, Mr. Zhao worked in the research institution of Henan Securities as a researcher, the vice principal and principal consecutively from August 1993 to November 2002.

Mr. Zhao graduated from Anyang Normal University (located in Anyang city, the PRC) in July 1984, majoring in politics and history and obtained a master degree in economics from Henan University (located in Kaifeng city, the PRC) in July 1993, majoring in politics and economics.

Mr. Xu Haijun, aged 44, has been the chief compliance officer of the Company since December 2008 and has also served as the joint company secretary and secretary to the Board of the Company since July 2014. Mr. Xu joined the Company since its incorporation in November 2002, and served consecutively as the general manager of the business department of Shangqiu branch, general manager of the business department of Sanmenxia branch, general manager of the IT department the general manager of the legal and compliance department and the director of the office of the Board of the Directors. Before joining the Company, Mr. Xu worked in Henan Securities as the manager of the IT department of Shanghai branch, deputy manager of Zhengzhou Huayuan Road branch, manager of Zijingshan business department, assistant to general manager and general manager of the Shenzhen branch consecutively from July 1993 to December 2000.

Mr. Xu obtained a bachelor degree of engineering majoring in computer and applications from Zhengzhou University (located in Zhengzhou city, the PRC) in June 1993. The Ministry of Electronics Industry of the PRC granted the qualification of computer applications senior programmer to Mr. Xu in October 1996. He also passed the Exam on Compliance Management Capability of Securities Companies in October 2008.

## SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Xie Xuezhu, aged 44, has been the chief risk officer since July 2014 and served as the general manager of the legal and compliance department of the company from July 2014 to February 2015. Ms. Xie joined the Company since its incorporation in November 2002 and served consecutively as the director of the supervision office, deputy general manager of the brokerage department and general manager of the business department of Zhengzhou Shangcheng Road branch, the director of the office of the Company, Joint company secretary of the Company the secretary to the Board and director of general office, and director of the office of the Board from November 2002 to July 2014. Ms. Xie is a supervisor of Ashmore-CCSC Fund Management since January 2013, director of ZDKY Venture Capital since April 2013, and the chairman of the Supervisory Committee of ZZKY Venture Capital since November 2013. Before joining the Company, Ms. Xie worked in Henan Finance and Securities Company from July 1993 to November 2002, where she served consecutively as a trader and the secretary of the general manager.

Ms. Xie obtained a bachelor degree of economics majoring in public finance and specialized management of state-owned assets from Jiangxi University of Finance (formerly known as Jiangxi Finance College) (located in Nanchang city, the PRC) in July 1993, and a master degree of economics majoring in political economics from Renmin University of China (located in Beijing city, the PRC) in January 2007. The Office of Personnel of Henan Province granted the qualification of corporate legal consultant to Ms. Xie in October 2000.

Mr. Zhao Lifeng, aged 42, has been the vice President of the Company since August 2012. Mr. Zhao joined the Company in May 2004 and served consecutively as the deputy general manager and general manager of the investment banking department, employee representative Supervisor and assistant to the President and general manager of the investment banking department of the Company from May 2004 to August 2012. Before he joined the Company, from July 1997 to April 2004, Mr. Zhao used to work in the Citic Securities Company Limited and served consecutively as senior manager of investment banking department (Nanjing), assistant to general manager and project leader of investment banking department.

Mr. Zhao obtained a bachelor degree of economics majoring in investment economy management from Wuhan University (located in Wuhan city, the PRC) in July 1993, a master degree of economics majoring in finance from Peking University (located in Beijing city, the PRC) in January 2003, and a master degree of business administration (international) from the University of Hong Kong in December 2006. The SAC granted the professional qualification of sponsor representative to Mr. Zhao in April 2004.

### IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Changes of directors

On 18 January 2014, Ms. Zhu Yijiang (a former non-executive director) resigned as director for personal reasons; on 20 January 2014, Mr. Shi Lei (a former non-executive director) resigned as director for personal reasons; on 14 May 2014, Song Chang (a former independent non-executive director) resigned as director for personal reasons and according to the provision of Article 31 of *Rules for Governance of Securities Companies*, that is, "The term of office of independent non-executive directors shall be the same as that of other directors, and limited to a maximum of six years." On 24 September 2014, Mr. Wang Jinian (a former non-executive director) resigned as director because he hoped to spend more time dealing with personal affairs; on 6 January 2015, Ms. Shi Dan (a former independent non-executive director) resigned as director because she hoped to spend more time dealing with personal affairs.

On 4 June 2014, the 4th extraordinary general meeting 2014 of the Company considered and approved the *Proposal on Electing Yuen Chi Wai as Independent Non-executive Director of the 4th Board of Central China Securities Co., Ltd.* and approved to elect Yuen Chi Wai as independent non-executive director of the Company; on 22 September 2014, the 5th extraordinary general meeting 2014 of the Company considered and approved the *Proposal on Electing Zhu Jie as Director of the 4th Board of Central China Securities Co., Ltd.* and *Proposal on Electing Wang Lixin as Director of the 4th Board of Central China Securities Co., Ltd.* and approved to elect Zhu Jie and Wang Lixin as non-executive directors of the Company, which election came into effect on 25 September 2014; on 14 November 2014, the 6th extraordinary general meeting 2014 of the Company considered and approved the *Proposal on Electing Yu Zeyang as Director of the 4th Board of Central China Securities Co., Ltd.* and approved to elect Yu Zeyang as non-executive director of the Company, which election came into effect on 14 November 2014.

On 10 November 2014, the Organization Department of Henan Provincial Committee announced to appoint Mr. Jian Mingjun as party secretary of the Company.

#### (II) Changes of supervisors

None

#### (III) Changes of senior management

On 25 July 2014, the 29th meeting of the 4th Board of the Company considered and approved the *Proposal on Appointing Xie Xuezhong as Chief Risk Officer of Central China Securities Co., Ltd.*, *Proposal on Changing the Secretary to the Board of Central China Securities Co., Ltd.* and *Proposal on Changing the Joint Company Secretary of Central China Securities Co., Ltd.*, and approved Ms. Xie Xuezhong's resignation as joint company secretary and secretary to the Board and appointment as chief risk officer; and appointed Mr. Xu Haijun as joint company secretary and secretary to the Board.

### V. REMUNERATION MANAGEMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Remuneration system and decision-making procedures of directors, supervisors and senior management

The remunerations and evaluations of the Company's directors shall be proposed by the Board's Remuneration and Nomination Committee and considered and determined by the general meeting; the remunerations of the supervisors shall be considered and determined by the general meeting; and the remunerations and evaluations of the senior management shall be proposed by the Board's Remuneration and Nomination Committee and determined by the Board.

#### (II) Basis for determining the remunerations of directors, supervisors and senior management

The remunerations of the internal directors and supervisors of the Company shall be determined according to the resolutions of the general meetings on remunerations of the directors and supervisors and such factors as the Company's operating results, job responsibilities, work performance and market environment. The remunerations of the external directors and supervisors shall be proposed by the Board's Remuneration and Nomination Committee according to the industry and market conditions, which proposal shall be implemented after approval by the general meeting. The remunerations, rewards and punishments of the senior management of the Company shall be determined according to the resolutions of the Board and the evaluation and incentive & restriction mechanism of the Company. The remunerations of senior management shall be distributed in strict accordance with relevant state provisions on deferred payment of remunerations, and at least 40% of the annual performance rewards of the senior management of the Company shall be subject to deferred payment.

#### (III) Non-cash remuneration

The Company has not set up an equity incentive system so far, so there is no non-cash remuneration.

#### (IV) Remuneration payment of directors, supervisors and senior management

The extraordinary general meeting on 14 November 2014 approved that the allowance for independent non-executive directors would increase from RMB126,000/year (after tax) to RMB210,000/year (after tax).

For details about the remuneration payment of directors, supervisors and senior management, refer to the *Basic Information about Incumbent Directors, Supervisors and Senior management and Those Leaving Office during the Reporting Period* in this section. The total remunerations of directors, supervisors and senior management of the Company came to RMB23,201,000 in 2014.

See Note 11 of the consolidated financial statements in this report for the name list of the top 5 highest-paid employees of the Company and the remuneration division of the Senior Management.

## VI. EMPLOYEES AND REMUNERATIONS THEREOF

### (I) Number and structure of employees

At the end of the reporting period, the Group had 2,116 employees in total, including 1,888 employees of the Company, with the employee structure set out as follows:

Item	The Group		The Company		
	Number of persons	Percentage (%)	Number of persons	Percentage (%)	
<b>Specialty structure</b>	Brokerage	1,403	66.30	1,403	74.31
	Investment banking	116	5.48	116	6.14
	Investment management	18	0.85	0	0.00
	Asset management	26	1.23	26	1.38
	Proprietary trading	23	1.09	23	1.22
	New businesses and others	16	0.76	16	0.85
	Futures business	121	5.72	0	0.00
	Fund management	29	1.37	0	0.00
	Research	42	1.98	27	1.43
	Legal risk, compliance and audit	39	1.84	29	1.54
	IT	117	5.53	99	5.24
	Financial accounting	101	4.77	91	4.82
	Administration	65	3.07	58	3.07
	<b>Total number of employees:</b>	<b>2,116</b>	<b>100.00</b>	<b>1,888</b>	<b>100.00</b>
<b>Education level</b>	Doctor degree	21	0.99	16	0.85
	Master degree	268	12.67	231	12.24
	Bachelor degree	1,315	62.15	1,178	62.39
	Junior college degree and below	512	24.20	463	24.52
	<b>Total number of employees:</b>	<b>2,116</b>	<b>100.00</b>	<b>1,888</b>	<b>100</b>
<b>Age</b>	Under 30	1,043	49.29	943	49.95
	31-40	776	36.67	695	36.81
	41-50	277	13.09	236	12.50
	51-60	20	0.95	15	0.79
	<b>Total number of employees:</b>	<b>2,116</b>	<b>100.00</b>	<b>1,888</b>	<b>100.00</b>

### (II) Remunerations of employees

The remunerations of the Company's employees are composed of basic salaries, allowances, performance bonus and welfare. Basic salary is a relatively fixed part of remuneration and is the basic income of employees. As a supplement to basic salary, allowance includes allowance for special posts and allowance for professional and technical personnel. Performance bonus is withdrawn from annual profits and distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance.

The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, it offered employees enterprise annuity, accident insurance, etc.

The Company actively explored and worked out an employee equity incentive scheme and studied and designed a plan for employee equity incentive, and will initiate employee equity incentive at an appropriate time according to external laws, policies and environment.

### (III) Training plans

The Company made various training plans for employees at all levels in order to constantly improve the professional ability and quality of cadre employees.

The Company provided operation and management personnel with trainings centered on enhancing their understanding of the development of the securities industry, management theory and skills, strategic thinking ability, operation management ability, etc.; and offered trainings focused on improving business knowledge, product development and service abilities and marketing skills for employees of various business lines and departments. Moreover, it encouraged employees to study by themselves, take professional qualification exams, etc. in order to educate themselves and update their professional knowledge. Especially, it rewarded employees who have obtained qualifications for sponsor representative, CFA, CIIA, etc.

### VII. INFORMATION ABOUT CUSTOMER SOLICITATION AND CUSTOMER SERVICE OF COMMISSION BROKERS

Securities brokers are natural persons other than employees of the Company and authorized by the Company to engage in brokerage-related activities such as customer solicitation and customer service as an agent within the scope of authorization of the Company. The Company has signed an agency contract with securities brokers. The Company conducted centralized and unified management on brokers and established a perfect management system for securities brokers, covering qualification management of securities brokers, agency contract management, pre-job training and follow-up vocational training, certificate management and information inquiry, code of practice, risk control, performance evaluation and remuneration payment. The securities branches were responsible for the daily management of securities brokers.

In the reporting period, while maintaining effective operation of the basic management system of securities brokers, the Company further improved management of qualifications, evaluation, potential practice risks, etc. for securities brokers, issued notices and operation instructions such as *Rules for Implementation of Agency Contract and Practising Certificate Management of Securities Brokers of Central China Securities Co., Ltd.* (Zhong Zheng Ying Xiao [2014] No. 18), *Notice on Further Specifying Matters concerning Promotion of New Businesses and Products by Securities Brokers* (Ying Xiao Guan Li Zong Bu [2014] No. 053), *Measures for Management of Securities Brokers of Central China Securities Co., Ltd. (revised in 2014)* (Zhong Zheng [2014] No. 730), *Notice on Issuing Operation Instructions for the Management Process of Securities Broker Business and Relevant Appendix Template Summary Package* (Ying Xiao Guan Li Zong Bu [2014] No. 169), strengthened the activity of business departments in supporting and managing securities brokers, and continuously encouraged business departments to improve their ability of managing practice risks of securities brokers, so as to further guarantee steady and orderly development of the securities broker team of the Company. As at the end of 2014, a total of 75 branches of the Company were approved to implement securities broker system, with the number of securities brokers reaching 274.

# SECTION 10 CORPORATE GOVERNANCE REPORT

## I. OVERVIEW OF CORPORATE GOVERNANCE

Listed in Hong Kong and registered in the Chinese Mainland, the Company operated in strict compliance with laws, regulations and normative documents at the listing place and in the Chinese Mainland, and kept committed to maintaining and improving its good social image. According to the Company Law, Securities Law and other laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; management of investor relations is efficient and practical; and corporate governance is based on scientific, rigorous and normative procedures. From the listing date to the end of the reporting period, the Company strictly complied with all articles of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code.

## II. SHAREHOLDERS AND GENERAL MEETINGS

### (I) Rights of general meetings and shareholders

The general meeting is the supreme authority of the Company and exercises its power according to law, Articles of Association and Rules of Procedure for General Meetings. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as shareholders. In 2014, the Company convened 8 general meetings, including 1 domestic Share class meeting and 1 H Share class meeting, answered in detail the questions of shareholders, and carefully listened to the opinions and suggestions of the shareholders on the Company's development.

### (II) General meetings

In the reporting period, the Company convened 8 general meetings in total, including 1 Share class meeting and 1 H Share class meeting, with the information about the meetings and resolutions set out as follows:

1. Central China Securities Co., Ltd. convened the 1st extraordinary general meeting 2014 on 12 March 2014, and considered and approved the Proposal on Amending Articles of Association of Central China Securities Co., Ltd.;
2. Central China Securities Co., Ltd. convened the 2nd extraordinary general meeting 2014 on 2 April 2014, and considered and approved the Proposal on Profit Distribution Plan 2013 of Central China Securities Co., Ltd.;

## SECTION 10 CORPORATE GOVERNANCE REPORT

3. Central China Securities Co., Ltd. convened the 3rd extraordinary general meeting 2014 on 11 May 2014, and considered and approved the 2013 Annual Report of Central China Securities Co., Ltd. and Proposal on Disposal of Property “Guanghui International Trade Building” of Central China Securities Co., Ltd.;
4. Central China Securities Co., Ltd. convened the 4th extraordinary general meeting 2014 on 4 June 2014, and considered and approved the Proposal on Electing Yuen Chi Wai as Independent Non-executive Director of the 4th Board of Central China Securities Co., Ltd.;
5. Central China Securities Co., Ltd. convened the general meeting 2013 on 21 June 2014, and considered and approved the 2013 Annual Working Report of the Board of Central China Securities Co., Ltd., 2013 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd., 2013 Final Account Report of Central China Securities Co., Ltd., 2014 Financial Budget Report (Draft) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Song Chang) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Zhu Shanli) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Yuan Dejun) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Shi Dan) of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Directors in 2013 of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Supervisors in 2013 of Central China Securities Co., Ltd., Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd., and Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd.;
6. Central China Securities Co., Ltd. convened the 5th extraordinary general meeting 2014 on 22 September 2014, and considered and approved the Proposal of Central China Securities Co., Ltd. on Establishment of a Subsidiary in Hong Kong for Securities Business, Proposal on Amending Articles of Association of Central China Securities Co., Ltd., Proposal on Electing Zhu Jie as Director of the 4th Board of Central China Securities Co., Ltd., and Proposal on Electing Wang Lixin as Director of the 4th Board of Central China Securities Co., Ltd.;

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7. Central China Securities Co., Ltd. convened the 6th extraordinary general meeting 2014 on 14 November 2014, and considered and approved the Proposal on Applying for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Use of Proceeds from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Distribution Plan of Accumulated Profits before Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Plan of Dividend Returns from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd., and Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Authorizing the Board to Deal with and Fully Authorized Persons Dealing with Specific Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Consideration of "Articles of Association of Central China Securities Co., Ltd., Proposal on Reappointment of ShineWing Certified Public Accountants (Special General Partnership) as Domestic Auditing Firm in 2014, Proposal on Engaging PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as Overseas Auditing Firms in 2014, Proposal on Adjusting Allowance of Independent Non-executive Directors of Central China Securities Co., Ltd., Proposal on Incentives for the Chairman and President of Central China Securities Co., Ltd., Proposal on Electing Yu Zeyang as Director of the 4th Board of Central China Securities Co., Ltd., and Proposal on Amending Articles of Association of Central China Securities Co., Ltd.;
  
8. Central China Securities Co., Ltd. convened the 1st domestic Share class meeting 2014 on 14 November 2014, and considered and approved the Proposal on Applying for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Use of Proceeds from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Distribution Plan of Accumulated Profits before Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Plan of Dividend Returns from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd., Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Authorizing the Board to Deal with and Fully Authorized Persons Dealing with Specific Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., and Proposal on Consideration of "Articles of Association of Central China Securities Co., Ltd. (Revised Draft)";

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9. Central China Securities Co., Ltd. convened the 1st H Share class meeting 2014 on 14 November 2014, and considered and approved the Proposal on Applying for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Use of Proceeds from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Distribution Plan of Accumulated Profits before Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Plan of Dividend Returns from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd., Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Authorizing the Board to Deal with and Fully Authorized Persons Dealing with Specific Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., and Proposal on Consideration of "Articles of Association of Central China Securities Co., Ltd. (Revised Draft)";
10. Central China Securities Co., Ltd. convened the 7th extraordinary general meeting 2014 on 31 December 2014, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Company Issuing Short-term Financing Bonds and Relevant Authorization and Proposal of Central China Securities Co., Ltd. on the Company Issuing Domestic Debt Financing Instruments and Relevant Authorization.

### III. PERFORMANCE OF DUTIES OF BOARD

#### (I) Respective duties of the Board and the management

Powers and duties of the Board and the management have been specified in the Articles of Association of the Company to ensure adequate check and balance for sound corporate governance and internal control. The Board is responsible for: convening the general meeting; implementing the resolutions of the general meeting; resolving on the Company's business plans and investment plans; formulating the Company's profit distribution proposal and loss recovery proposal; formulating proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures; drawing up plans for any substantial acquisition, purchase of the Company's shares or the merger, division, dissolution and transformation of the Company; deciding on the setup of Company's internal management bodies and branches; appointing or removing the Company's president, secretary to the Board, chief compliance officer and auditor-in-charge according to the nomination by the chairman and determining their remunerations; appointing or removing the Company's senior management such as deputy president and chief financial officer according to the nomination by the president and determining their remunerations; drafting the basic management system of the Company; The management of the Company is responsible for exercising various resolutions of the Board, implementing the Company's annual business plans and investment plans, carrying out the Company's financial budgets, formulating the Company's specific rules, and determining the appointment and dismissal of employees.

### (II) Composition of the Board

The Board kept improving its rules of procedure for board meetings, gave full play to the strengths of its special committees and further improved its efficiency and quality in decision-making. During the reporting period, three non-executive Directors and one independent non-executive Director of the Company resigned. So the Company timely appointed three new non-executive directors and one new independent non-executive Director according to the Articles of Association and other relevant rules. Independent non-executive Directors of the Company fulfilled their duties honestly and focused on protecting the interests of the Company especially the interests of small and medium Shareholders, which ensured the independent and scientific decision-making of the Board.

Currently the Company's Board comprises 10 Directors, including 2 executive Directors (Mr. Jian Mingjun (the chairman) and Mr. Zhou Xiaoquan), 5 non-executive Directors (Mr. Li Xingjia, Mr. Zhang Qiang, Mr. Zhu Jie, Mr. Wang Lixin and Mr. Yu Zeyang) and 3 independent non-executive Directors (Mr. Zhu Shanli, Mr. Yuan Dejun and Mr. Yuen Chi Wai). On 6 January 2015 the Company's independent non-executive Director Ms. Shi Dan resigned from her job as an independent non-executive Director and a member of the Board's Audit Committee. Since currently the number of independent non-executive Directors fails to reach a third of that of the Company's directors, the Board has, according to the Listing Rules, Articles of Association and other relevant rules, proposed to appoint a suitable candidate to fill the said vacancy at the general meeting to be held on 31 March 2015. Mr. Jian Mingjun is the Chairman and executive Director of the Company and Mr. Zhou Xiaoquan is the executive Director and President of the Company. No Directors, Supervisors and senior management have any relations among one another (including financial, business, family or other material or related relations).

Directors shall be elected at general meetings. A Director shall serve a term of three years, and may seek re-election upon expiry of the said term. The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. The Company further confirmed respective non-executive Directors' independence from the Company.

To further facilitate Directors, Supervisors and senior management to fully and diligently fulfil their duties, the Company purchased liability insurance for Directors, Supervisors and senior management to control potential legal and regulatory risks in their performance of duties.

### (III) Board meeting

The Board convenes meetings on a regular basis and at least four board meetings will be held each year. All Directors will be given a notice at least 14 days prior to every regular board meeting or within an appropriate time period prior to any other special board meeting, and they can add matters to be discussed to the agenda. The agenda and enclosed documents relating to the board meeting will be sent to all Directors at least three days before the board meeting is planned to be held. Each Director shall have the right to have access to documents relating to the board meeting and other relevant documents and to receive services provided by the company secretary (such as listening to his/her advice). The Directors may also seek independent professional opinions. The minutes shall be kept by the company secretary. After conclusion of a board meeting, the initial and finalized minutes shall be sent to all the directors in due time, with the initial ones to be commented on by the Directors and the final ones to be recorded.

During the reporting period, the Board convened a total of 22 meetings as follows:

1. Central China Securities Co., Ltd. convened the 19th meeting of the 4th Board on 15 January 2014, and considered and approved Proposal on Approval of the Draft of A1 Prospectus of Central China Securities Co., Ltd., Proposal on Approval of A1 Form and Other Relevant Documents and Matters Related to Submission of A1 Form of Central China Securities Co., Ltd., Proposal on Consideration of the Financial Reports of 2011, 2012 and as of 30 September 2013 of Central China Securities Co., Ltd., Proposal on Appointment of the Joint Company Secretary of Central China Securities Co., Ltd. and Proposal on Amending "Risk Management System of Central China Securities Co., Ltd. (Provisional)";
2. Central China Securities Co., Ltd. convened the 20th meeting of the 4th Board on 25 February 2014, and considered and approved Proposal on Opening of Bank Account in Hong Kong and Confirmation of the Valid Signatory of the Account of Central China Securities Co., Ltd., Proposal on Withdrawal of Provision for Depreciation and Foreseeable Liabilities and Write-off of Some Receivables of Central China Securities Co., Ltd., Proposal on Amending Articles of Association of Central China Securities Co., Ltd. and Proposal on Convening of the 1st Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
3. Central China Securities Co., Ltd. convened the 21st meeting of the 4th Board on 8 March 2014, and considered and approved Proposal on Change of Bond Guarantee Institution of Central China Securities Co., Ltd.;

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4. Central China Securities Co., Ltd. convened the 22nd meeting of the 4th Board on 18 March 2014, and considered and approved Proposal on Approval of the Draft of A1 Prospectus of Central China Securities Co., Ltd., Proposal on Approval of A1 Form and Other Relevant Documents and Matters Related to Submission of A1 Form of Central China Securities Co., Ltd., Proposal on Consideration of the Financial Reports (for Declaration) of the Past Three Years for Application for Issuance and Listing of H Shares of Central China Securities Co., Ltd., Proposal on Consideration of 2013 Financial Reports of Central China Securities Co., Ltd., Proposal on Profit Distribution Plan 2013 of Central China Securities Co., Ltd. and Proposal on Convening of the 2nd Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
5. Central China Securities Co., Ltd. convened the 23rd meeting of the 4th Board on 26 April 2014, and considered and approved Proposal on Starting Individual Equity Options Business of Central China Securities Co., Ltd., Proposal on Setup of Derivative Brokerage Business Department of Central China Securities Co., Ltd., 2013 Compliance Report of Central China Securities Co., Ltd., 2012 Internal Control Self-assessment Report of Central China Securities Co., Ltd., 2013 Annual Report of Central China Securities Co., Ltd., Proposal on Disposal of Property “Guanghui International Trade Building” of Central China Securities Co., Ltd. and Proposal on Convening of the 3rd Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
6. Central China Securities Co., Ltd. convened the 24th meeting of the 4th Board on 20 May 2014, and considered and approved Proposal on Electing Yuen Chi Wai as Independent Non-executive Director of the 4th Board of Central China Securities Co., Ltd. and Proposal on Convening of the 4th Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
7. Central China Securities Co., Ltd. convened the 25th meeting of the 4th Board on 27 May 2014, and considered and approved 2013 Annual Working Report of the Board of Central China Securities Co., Ltd., 2013 Annual Working Report of the President Central China Securities Co., Ltd., 2013 Final Account Report of Central China Securities Co., Ltd., 2014 Financial Budget Report (Draft) of Central China Securities Co., Ltd., 2013 Annual Work Report of Employees Hired by the Board of Central China Securities Co., Ltd., 2013 Annual Working Report of the Board’s Development and Strategy Committee of Central China Securities Co., Ltd., 2013 Annual Working Report of the Board’s Risk Control Committee of Central China Securities Co., Ltd., 2013 Annual Working Report of the Board’s Audit Committee of Central China Securities Co., Ltd., 2013 Annual Working Report of the Board’s Remuneration and Nomination Committee of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Song Chang) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Zhu Shanli) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Yuan Dejun) of Central China Securities Co., Ltd., 2013 Annual Working Report of Independent Non-executive Director (Shi Dan) of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Directors in 2013 of Central China Securities Co., Ltd. and Proposal on Convening of the General Meeting 2013 of Central China Securities Co., Ltd.;

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8. Central China Securities Co., Ltd. convened the 26th meeting of the 4th Board on 4 June 2014, and considered and approved Proposal on Relevant Matters Concerning IPO and Listing of H Shares of Central China Securities Co., Ltd., Proposal on the Cooption of the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on the Cooption of the Board's Audit Committee Members for Central China Securities Co., Ltd. and Proposal on Electing Director of the Board's Remuneration and Nomination Committee for Central China Securities Co., Ltd.;
9. Central China Securities Co., Ltd. convened the 27th meeting of the 4th Board on 25 June 2014, and considered and approved Proposal on Consideration of the Financial Reports and Relevant Reports in China in the Past Three Years of Central China Securities Co., Ltd.;
10. Central China Securities Co., Ltd. convened the 28th meeting of the 4th Board on 7 July 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Increase of Capital in Zhongding Kaiyuan Venture Capital Management Co., Ltd.;
11. Central China Securities Co., Ltd. convened the 29th meeting of the 4th Board on 25 July 2014, and considered and approved Proposal on Appointing Xie Xuezhu as Chief Risk Officer of Central China Securities Co., Ltd., Proposal on Changing the Secretary to the Board of Central China Securities Co., Ltd., Proposal on Changing the Joint Company Secretary of Central China Securities Co., Ltd. and Proposal of Central China Securities Co., Ltd. on Starting of Market-Making Business of National Equities Exchange and Quotations;
12. Central China Securities Co., Ltd. convened the 30th meeting of the 4th Board on 7 August 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Establishment of a Subsidiary in Hong Kong for Securities Business and Proposal on Convening of the 5th Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
13. Central China Securities Co., Ltd. convened the 31st meeting of the 4th Board on 20 August 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Change of Dividend Distribution Scheme after Issuance of H Shares, Unaudited Interim Results Announcement for the Six Months Ended 30 June 2014 of Central China Securities Co., Ltd., Unaudited Interim Report 2014 of Central China Securities Co., Ltd. and Interim Compliance Report 2014 of Central China Securities Co., Ltd.;
14. Central China Securities Co., Ltd. convened the 32nd meeting of the 4th Board on 16 August 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Setup of Special Incentive Fund for the Chairman and President and Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Margin Financing and Securities Lending, Agreed Repurchase and Refinancing Businesses in 2014;

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15. Central China Securities Co., Ltd. convened the 33rd meeting of the 4th Board on 3 September 2014, and considered and approved Proposal on Amending Articles of Association of Central China Securities Co., Ltd., Proposal on Electing Zhu Jie as Director of the 4th Board of Central China Securities Co., Ltd. and Proposal on Electing Wang Lixin as Director of the 4th Board of Central China Securities Co., Ltd.;
16. Central China Securities Co., Ltd. convened the 34th meeting of the 4th Board on 9 September 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Stock Pledged Repurchase Transaction Business in 2014 and Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Margin Financing and Securities Lending, Agreed Repurchase and Refinancing Businesses in 2014;
17. Central China Securities Co., Ltd. convened the 35th meeting of the 4th Board on 29 September 2014, and considered and approved Proposal on Applying for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Use of Proceeds from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Distribution Plan of Accumulated Profits before Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Plan of Dividend Returns from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd., Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd., Proposal on Authorizing the Board to Deal with and Fully Authorized Persons Dealing with Specific Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd., Proposal on Consideration of "Articles of Association of Central China Securities Co., Ltd. (Revised Draft)", Proposal on Reappointment of ShineWing Certified Public Accountants (Special General Partnership) as Domestic Auditing Firm in 2014, Proposal on Engaging PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as Overseas Auditing Firms in 2014, Proposal on Adjusting Allowance of Independent Non-executive Directors of Central China Securities Co., Ltd., Proposal on Incentives for the Chairman and President of Central China Securities Co., Ltd., Proposal on Electing Yu Zeyang as Director of the 4th Board of Central China Securities Co., Ltd., Proposal on Amending Articles of Association of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Establishment of an Alternative Investment Subsidiary in Qingdao City, Proposal on External Donation of Central China Securities Co., Ltd. and Proposal of Central China Securities Co., Ltd. on Convening of the 6th Extraordinary General Meeting, the 1st Domestic Shares Class Meeting and the 1st H Shares Class Meeting in 2014;

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18. Central China Securities Co., Ltd. convened the 36th meeting of the 4th Board on 11 November 2014, and considered and approved Proposal on Consideration of Financial Reports for the Recent Three Years and the Current Period of Central China Securities Co., Ltd., Proposal on Confirmation of Connected Transactions in the Recent Three Years and the Current Period of Central China Securities Co., Ltd., Proposal on Amending “Administrative Rules on Connected Transactions of Central China Securities Co., Ltd.”, Proposal on Amending “System for Management of Information Disclosure Affairs of Central China Securities Co., Ltd.”, Proposal on External Donation of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Company Issuing Short-term Financing Bonds and Relevant Authorization, Proposal of Central China Securities Co., Ltd. on the Company Issuing Domestic Debt Financing Instruments and Relevant Authorization and Proposal on Convening of the 7th Extraordinary General Meeting 2014 of Central China Securities Co., Ltd.;
19. Central China Securities Co., Ltd. convened the 37th meeting of the 4th Board on 1 December 2014, and considered and approved Proposal on the Cooption of the Board’s Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on the Cooption of the Board’s Remuneration and Nomination Committee Members for Central China Securities Co., Ltd., Proposal on the Cooption of the Board’s Risk Control Committee for Central China Securities Co., Ltd., Proposal on Setup of Internet Finance Department of Central China Securities Co., Ltd., Proposal on Setup of Capital Operation Department of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Margin Financing and Securities Lending and Agreed Repurchase Businesses in 2014 and Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Stock Pledged Repurchase Transaction Business in 2014;
20. Central China Securities Co., Ltd. convened the 38th meeting of the 4th Board on 13 December 2014, and considered and approved Proposal on Commitment to Make Full Payments on Maturity to the Lender Shanghai Strokes Treasure Financial Information Service Co. Ltd. by Central China Securities Co., Ltd. for its Financing and Refinancing Businesses;
21. Central China Securities Co., Ltd. convened the 39th meeting of the 4th Board on 20 December 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Scale of Securities Business on Own Account and Risk Limits in 2015, Proposal of Central China Securities Co., Ltd. on Adjusting the Scale of Margin Financing and Securities Lending, Agreed Repurchase and Refinancing Businesses in 2015, Proposal of Central China Securities Co., Ltd. on Deciding the Scale of Stock Pledged Repurchase Transaction Business in 2015, Proposal of Central China Securities Co., Ltd. on the Size of Equity Fund Investment in Asset Management Business in 2015, Proposal on Starting Stock Option Business of Central China Securities Co., Ltd. and Capital Management Planning (2015-2017) of Central China Securities Co., Ltd.;
22. Central China Securities Co., Ltd. convened the 40th meeting of the 4th Board on 31 December 2014, and considered and approved Proposal of Central China Securities Co., Ltd. on Change of Name and Responsibility of Two Level-1 Departments;

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### (IV) Objections from independent non-executive Directors to issues of the Company

None.

### (V) Attendances of Directors at board meetings and general meetings

#### 1. Attendances and votings of Directors at board meetings

Name of Director	Number of attendances at board meetings	Number of actual attendances in person	Number of attendances by proxy	Number of absences	Number of proposals supposed to be voted on	Number of proposals actually voted on	Remarks
Jian Mingjun	22	22	0	0	103	103	–
Zhou Xiaoquan	22	22	0	0	103	103	–
Li Xingjia	22	22	0	0	103	103	–
Zhang Qiang	22	22	0	0	103	103	–
Zhu Jie	6	6	0	0	40	40	Newly elected on 22 September 2014
Wang Lixin	6	6	0	0	40	40	Newly elected on 22 September 2014
Yu Zeyang	4	4	0	0	15	15	Newly elected on 14 November 2014
Zhu Shanli	22	21	1	0	103	103	–
Yuan Dejun	22	22	0	0	103	103	–
Yuen Chi Wai	15	15	0	0	63	63	Newly elected on 4 June 2014
Shi Dan	22	21	0	1	103	102	Resigned on 6 January 2015
Wang Jinian	16	16	0	0	63	63	Resigned on 24 September 2014
Song Chang	5	5	0	0	23	23	Resigned on 14 May 2014
Shi Lei	1	0	0	1	5	0	Resigned on 20 January 2014
Zhu Yijiang	1	0	0	1	5	0	Resigned on 18 January 2014

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### 2. Attendances of Directors at general meetings

Name of Director	Number of required attendances at board meetings	Number of attendances	Number of absences	Remarks
Jian Mingjun	10	7	3	–
Zhou Xiaoquan	10	8	2	–
Li Xingjia	10	5	5	–
Zhang Qiang	10	2	8	–
Zhu Jie	4	3	1	Newly elected on 22 September 2014
Wang Lixin	4	0	4	Newly elected on 22 September 2014
Yu Zeyang	1	1	0	Newly elected on 14 November 2014
Zhu Shanli	10	3	7	–
Yuan Dejun	10	3	7	–
Yuen Chi Wai	5	3	2	Newly elected on 4 June 2014
Shi Dan	10	2	8	Resigned on 6 January 2015
Wang Jinian	6	3	3	Resigned on 24 September 2014
Song Chang	3	1	2	Resigned on 14 May 2014
Shi Lei	0	0	0	Resigned on 20 January 2014
Zhu Yijiang	0	0	0	Resigned on 18 January 2014

### (VI) Training for Directors

- On 9 June 2014, Jian Mingjun, Zhou Xiaoquan and Yuan Dejun received overseas roadshow training.
- On 20 November 2014, Jian Mingjun, Zhou Xiaoquan, Li Xingjia, Zhang Qiang, Zhu Jie, Wang Lixin, Yu Zeyang, Zhu Shanli, Yuan Dejun, Yuen Chi Wai, Shi Dan received compliance training of Hong Kong-listed companies.

### IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

The Board consists of Development and Strategy Committee, Risk Control Committee, Remuneration and Nomination Committee and Audit Committee. The committees shall, within their terms of reference specified in the rules of procedure, assist the Board in work and be accountable to the Board and report their work to the Board.

On 4 June 2014, the 26th meeting of the 4th Board of the Company considered and approved Proposal on the Election of the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on the Election of the Board's Audit Committee Members for Central China Securities Co., Ltd. and Proposal on Electing Director of the Board's Remuneration and Nomination Committee for Central China Securities Co., Ltd.; on 1 December 2014, the 37th meeting of the 4th Board of the Company considered and approved Proposal on the Election of the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on the Election of the Board's Remuneration and Nomination Committee Members for Central China Securities Co., Ltd. and Proposal on the Election of the Board's Risk Control Committee Members for Central China Securities Co., Ltd. The aforesaid resolutions took effect as from the date of approval. During the reporting period, members of the committees before and after change are set out in the following table:

<b>Committee name</b>	<b>Name list of committee members before change</b>	<b>Name list of committee members after change</b>
Development and Strategy Committee	Jian Mingjun (chairperson), Zhou Xiaoquan, Li Xingjia, Shi Lei, Zhang Qiang	Jian Mingjun (chairperson), Zhou Xiaoquan, Li Xingjia, Zhang Qiang, Wang Lixin
Risk Control Committee	Jian Mingjun (chairperson), Wang Jinian, Zhu Shanli	Jian Mingjun (chairperson), Yu Zeyang, Zhu Shanli
Remuneration and Nomination Committee	Song Chang (chairperson), Zhou Xiaoquan, Shi Lei, Zhu Shanli, Yuan Dejun	Yuan Dejun (chairperson), Zhou Xiaoquan, Zhu Jie, Zhu Shanli, Yuen Chi Wai
Audit Committee	Song Chang (chairperson), Zhu Yijiang, Shi Dan	Yuen Chi Wai (chairperson), Li Xingjia, Shi Dan (resigned on 6 January 2015)

### (I) Development and Strategy Committee

#### 1. Duties of the Committee

The main duties of the Development and Strategy Committee are: studying the Company's medium and long-term development strategy plans and proposing suggestion; studying major investment financing programs which requires to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying major capital operation and assets management projects which requires to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying other important matters affecting the Company's development and making recommendation; and performing other duties authorized by the Board. For details about duties of Development and Strategy Committee, please refer to Terms of Reference of the Board's Development and Strategy Committee of Central China Securities Co., Ltd., which have been published on the Company's website.

#### 2. Work highlights of the committee

During the reporting period, the Development and Strategy Committee conducted in-depth researches, discussions and argumentation concerning issue of H Shares, listing application of A Shares, business plans, foreign investment, profit distribution, issue of debt financing instruments and setting of organization structure, which effectively assisted the Board in work.

### (II) Risk Control Committee

#### 1. Duties of the committee

The main duties of the Risk Control Committee are: reviewing and opining on overall objectives and basic policies of compliance management and risk management; reviewing and opining on establishment of specific departments and duties of compliance management and risk management; evaluating and opining on the risk of major decisions approved by the Board and solution to eliminating such major risk; reviewing and opining on compliance reports and risk evaluation reports approved by the Board; formulating the Company's corporate governance policies, reviewing the implementation and making suggestion to the Board; reviewing and supervising Directors and senior management's training and their continuing professional development; reviewing and supervising whether Company's policies is in compliance with laws and supervisory regulations, and the implementation; reviewing the Company's compliance with the Appendix 14 of the Listing Rules, the Corporate Governance Codes and relevant disclosure in the Corporate Governance Report; other duties specified by the Articles of Association. The duties of the Risk Control Committee are specified in the Terms of Reference for Risk Control Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website.

#### 2. Work highlights of the committee

During the reporting period, the Risk Control Committee actively fulfilled its duties and focused on studying the Company's compliance management and risk management, which supported the Board in decision makings.

### (III) Remuneration and Nomination Committee

#### 1. Duties of the committee

The major duties of the Remuneration and Nomination Committee are: evaluating the remuneration structure and policies for the directors and senior management of the Company, and making recommendation to the Board as to the establishment of proper and transparent formulation procedures of the remuneration policy; examining and making recommendation to the Board as to the remuneration policies, structure and formulation procedures of the remuneration policy of the directors, supervisors and senior management of the Company (Formulation procedures of remuneration policy shall be proper and transparent); making recommendations to the Board on the remuneration of the non-executive directors; making recommendations to the Board on the remuneration of individual executive director and senior management, or making decision on remuneration with powers delegated by the Board; the abovementioned remuneration includes non-monetary benefit, retirement allowance and compensation; reviewing and approving compensation arrangement in relation to the dismissal or removal of the directors, supervisors and senior management; ensuring such compensation is consistent with the terms of the agreements; ensuring the compensation be fair and reasonable should such compensation fail to be consistent; reviewing and approving compensation arrangement in relation to dismissal or removal of the directors due to the misconduct; ensuring such arrangement is consistent with the terms of the agreements; ensuring the compensation be reasonable and proper should such compensation fail to be consistent; investigating and examining the appraisal and remuneration management system for the directors, supervisors, senior management, and supervising the implementation; conducting appraisal of the directors and senior management and giving suggestions; investigating and determining the selection criteria and procedures of the directors and senior management; conducting searches to select qualified candidates for the directors and senior management, and making recommendation to the Board in regards to selecting and nominating such candidates; when selecting candidates, the committee shall consider the merits of the candidates, review measurable targets, and give due consideration to the benefit of diversification of the Board and senior management; recommending candidates for independent non-executive director and principal management and operation officers; and examining the qualification of candidates for other directors and senior management and giving suggestions; examining the structure, number, composition and diversification of the Board at least annually; and giving suggestion on any proposed change of the Board to match with the Company's strategy; giving suggestion to the Board on appointment or reappointment and succession plan of the directors and senior management, thereamong, duly considering the Company's corporate strategy and personnel skills, knowledge, experience and personal diversification demand and other combined factors required in the future; reviewing the diversification policy of the Board and measurable target formulated by the Board to implement the diversification policy, and supervising the progress of reaching the standard; examining the independence of the independent non-executive directors; and other duties authorized by the Board. The duties of the Remuneration and Nomination Committee are specified in the Terms of Reference for Remuneration and Nomination Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website.

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### 2. Work highlights and meetings of the committee

Within the reporting period, the Remuneration and Nomination Committee held three meetings, focusing on the election of the Company's directors and chief risk officer, change of the secretary of the Board, adjustment of the allowance of independent non-executive Directors and the awards to the chairman and president and giving suggestions to the Board. The meetings of the Remuneration and Nomination Committee are as follows:

- (1) The committee convened the 1st meeting of 2014 on 25 July 2014, and considered and approved the Proposal on Recommending Xie Xuezhu as Chief Risk Officer of Central China Securities Co., Ltd. and Proposal on Changing the Secretary to the Board of Central China Securities Co., Ltd., which were submitted to the Board for consideration.
- (2) The committee convened the 2nd meeting of 2014 on 3 September 2014, and considered and approved Proposal on Electing Zhu Jie as Director of the 4th Board of Central China Securities Co., Ltd. and Proposal on Electing Wang Lixin as Director of the 4th Board of Central China Securities Co., Ltd., which were submitted to the Board for consideration.
- (3) The committee convened the 3rd meeting of 2014 on 29 September 2014, and considered and approved Proposal on Adjusting Allowance of Independent Non-executive Directors of Central China Securities Co., Ltd., Proposal on Incentives for the Chairman and President of Central China Securities Co., Ltd., and Proposal on Electing Yu Zeyang as Director of the 4th Board of Central China Securities Co., Ltd., all of which were submitted to the Board for consideration.

### 3. Attendance of committee members

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Yuan Dejun	3	3
Zhou Xiaoquan	3	3
Zhu Shanli	3	3
Zhu Jie	0	0
Yuen Chi Wai	0	0

### (IV) Audit Committee

#### 1. Duties of the committee

The major duties and authorities of the Audit Committee are: supervising and evaluating the Company's internal auditing; making recommendation to the appointment, re-appointment or replacement of the external accounting firm; examining and supervising the independence and objectiveness of the external accounting firm as well as the effectiveness of auditing process in accordance with the applicable standards; being responsible for the communication between internal and external auditing; conducting auditing of the Company's financial information and relevant disclosure; supervising and examining the Company's financial reporting system and internal control system; and other duties specified by the Articles of Association. The duties of the Audit Committee are specified in Terms of Reference for Audit Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website and <http://www.hkexnews.hk/>.

#### 2. Work highlights and meetings of the committee

During the reporting period, Audit Committee convened two meetings, focusing on discussing the announcement of unaudited interim results for the six months ended 30 June 2014, unaudited interim report of 2014 and appointment of domestic and overseas auditors, and giving suggestions to the Board. The Board's Audit Committee convened a meeting with overseas auditors in the absence of the management.

The meetings of the Audit Committee are as follows:

- (1) The Board's Audit Committee held the 1st meeting of 2014 on 20 August 2014, and considered and approved Unaudited Interim Results Announcement for the Six Months Ended 30 June 2014 of Central China Securities Co., Ltd. (Draft) and Unaudited Interim Report 2014 of Central China Securities Co., Ltd.(Draft), which were submitted to the Board for consideration.
- (2) The Board's Audit Committee held the 2nd meeting of 2014 on 29 September 2014, and considered and approved Proposal on Reappointment of ShineWing Certified Public Accountants (Special General Partnership) as Domestic Auditing Firm in 2014 and Proposal on Engaging PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as Overseas Auditing Firms in 2014, which were submitted to the Board for consideration.

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### 3. Attendance of committee members

Name of member	Number of required attendances	Number of actual attendances
Yuen Chi Wai	2	2
Li Xingjia	2	2
Shi Dan (Resigned on 6 January 2015)	2	2

## V. CHAIRMAN AND PRESIDENT

The positions of the chairman and president of the Company are taken by different persons, so as to guarantee the independence of their duties and balance of authorization. Mr. Jian Mingjun served as the chairman of the Board and Mr. Zhou Xiaoquan served as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

The chairman of the Board is the legal representative of the Company. The chairman Mr. Jian Mingjun leads the Board in determining the Company's development strategy to guarantee the effective operation and duties fulfilment of the Board, and fully discusses the issues within the scope of the Board's duties, so as to ensure that the Shareholders can acquire true, accurate and complete information for making decisions in time, the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the interest of the Company and its Shareholders. Mr. Zhou Xiaoquan, the president, manages the business operations of the Company, organises execution of the Board's resolutions, and reports relevant work to the Board.

During the reporting period, the chairman held a meeting with non-executive Directors (including independent non-executive Directors) in the absence of the executive Directors.

## VI. NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

In the reporting period, the Company had 5 non-executive Directors and 4 independent non-executive Directors (including one who has appropriate professional qualifications or majors in accounting or related financial management). The Company has signed a letter of appointment with each non-executive Director, specifying a term of three years. Their positions are specified in the "Basic Information about Incumbent Directors, Supervisors and Senior management and Those Leaving Office during the Reporting Period", of whom Ms. Shi Dan, the independent non-executive Director, resigned on 6 January 2015.

### VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

#### (I) Duties of the Supervisory Committee

The Supervisory Committee shall be accountable to the general meetings. Its main duties and authorities are to examine the Company's regular reports prepared by the Board and produce written opinions thereon; to examine financial operations of the Company; to supervise the Board's establishment and implementation of internal control; to supervise the work performance of the Directors and senior management, and propose dismissal of directors and senior management who have violated laws and regulations, the Articles of Association or the resolutions of general meetings; to initiate legal proceedings against directors and senior management in accordance with the laws; to formulate remuneration plan and distribution plan for Supervisors and submit specific reports on performance evaluation and remuneration of supervisors to the general meeting; and to exercise other functions and powers specified in the Articles of Association or authorized by the general meeting.

#### (II) Meetings of the Supervisory Committee and attendance of supervisors

The Supervisory Committee performs its duties according to relevant laws and regulations and the Articles of Association. The Supervisory Committee convened six meetings during the reporting period, namely,

1. On 18 March 2014, the 11th meeting of the 4th Supervisory Committee considered and approved Proposal on Consideration of the Financial Reports (for Declaration) of the Past Three Years for Application for Issuance and Listing of H Shares of Central China Securities Co., Ltd., Proposal on Consideration of 2013 Financial Reports of Central China Securities Co., Ltd. and Proposal on Profit Distribution Plan 2013 of Central China Securities Co., Ltd..
2. On 26 April 2014, the 12th meeting of the 4th Supervisory Committee considered and approved 2013 Internal Control Self-assessment Report of Central China Securities Co., Ltd. and 2013 Annual Report of Central China Securities Co., Ltd..
3. On 27 May 2014, the 13th meeting of the 4th Supervisory Committee considered and approved 2013 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd., 2013 Final Account Report of Central China Securities Co., Ltd., 2014 Financial Budget (Draft) of Central China Securities Co., Ltd. and Explanation of the Remuneration and Evaluation of Supervisors in 2013 of Central China Securities Co., Ltd..
4. On 20 August 2014, the 14th meeting of the 4th Supervisory Committee considered and approved Proposal of Central China Securities Co., Ltd. on Change of Dividend Distribution Scheme after Issuance of H Shares, Unaudited Interim Results Announcement for the Six Months Ended 30 June 2014 of Central China Securities Co., Ltd., Unaudited Interim Report 2014 of Central China Securities Co., Ltd. and Interim Compliance Report 2014 of Central China Securities Co., Ltd.

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5. On 29 September 2014, the 15th meeting of the 4th Supervisory Committee considered and approved Proposal on Applying for Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd.; Proposal on Use of Proceeds from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd.; Proposal on Distribution Plan of Accumulated Profits before Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd.; Proposal on Plan of Dividend Returns from Initial Public Offering of RMB Ordinary Shares (A Shares) of Central China Securities Co., Ltd.; Proposal on Initial Public Offering of RMB Ordinary Shares (A Shares) and Plan for Stabilizing Post-listing Share Price of Central China Securities Co., Ltd.; Proposal on Making Commitments for Matters concerning Initial Public Offering and Listing of RMB Ordinary Shares (A Shares) by Central China Securities Co., Ltd.; Proposal on Incentives for the Chairman and President of Central China Securities Co., Ltd.; and Proposal on External Donation of Central China Securities Co., Ltd..
6. On 11 November 2014, the 16th meeting of the 4th Supervisory Committee considered and approved Proposal on Consideration of Financial Reports for the Recent Three Years and the Current Period of Central China Securities Co., Ltd., Proposal on Confirmation of Connected Transactions in the Recent Three Years and the Current Period of Central China Securities Co., Ltd. and Proposal on External Donation of Central China Securities Co., Ltd.

Name of Supervisor	Number of required attendances	Number of actual attendances
Zhou Jianzhong	6	6
Wang Rui	6	6
Yan Changkuan	6	6
Ji Guangyuan	6	6
Zhu Qiben	6	6
Li Feng	6	6

## VIII. OTHER RELATED ISSUES

### (I) Shareholders' Right

The Company convened and held general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and medium ones. All of the Company's Directors, Supervisors and senior management attended the general meetings and answered the Shareholder's questions in accordance with Articles of Association.

### **Procedures of Shareholders' application for convening of general meetings and for making proposals at the general meeting**

Shareholders may convene extraordinary general meetings or class general meetings and put forward proposals at such meetings according to Article 75 of *Articles of Association* "Shareholder(s) severally holding 10% or more shares of the Company shall be entitled to request in writing the Board to convene an extraordinary general meeting or class general meeting of the Company. Two or more shareholders aggregately holding 10% or more shares of the Company shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The aforesaid number of shares shall be the shares held on the day on which the written requisition is made by the shareholders. The Board shall, pursuant to relevant laws, administrative regulations and Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting.", Article 103 "Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company." and Article 104 "Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and place the proposal on the agenda for the said meeting and submit the proposal for approval at a general meeting if the said proposal falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The *Articles of Association* has been disclosed on the Company's website and HKExnews website.

### **(II) Compliance with Model Code**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules concerning the securities transactions by directors and supervisors. The Company has made ad-hoc inquiries to all the Directors and Supervisors for the compliance with Model Code. It was confirmed that they completely observed the Model Code from the listing date to the end of the reporting period.

The Company has adopted the Model Code for supervising the unpublished price-sensitive information of the Company or its securities that is likely possessed by its employees. In the reporting period, the Company did not find any employee's violation of the Model Code.

### **(III) Responsibilities of Directors concerning financial statements**

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of CPAs in the Independent Auditor's Report of this report shall be read jointly but understood independently.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

### **(IV) Appointment and remuneration of auditors**

Refer to Section 7 "VIII. Engagement of accounting firms" of this report.

### **(V) Review of the Audit Committee**

The Audit Committee has reviewed the Company's consolidated statement of 2014.

### **(VI) Secretary of the Company**

Mr. Xu Haijun, secretary to the Board and the joint company secretary of the Company, is responsible for making proposals to the Board and Directors for the corporate governance and ensuring the policies and procedures of the Board, governing laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Kwong Yin Ping, Yvonne, vice president of SW Corporate Services Group Limited, as the joint company secretary of the Company to assist Mr. Xu Haijun in fulfilling the duties as the secretary to the Board and the secretary of the Company. The Company's main contact person is Mr. Xu Haijun, the secretary to the Board and the joint company secretary of the Company. As at 31 December 2014, Mr. Xu Haijun and Ms. Kwong Yin Ping, Yvonne accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

### (VII) Communications with shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company formulated corresponding systems to ensure the compliance of the convening and holding of the general meetings. The Company explicitly specified Shareholders' rights in the Articles of Association, to ensure the Shareholders' right to know, especially the minority Shareholders. The Company treated all Shareholders impartially. The Articles of Association was amended twice from the listing date of the Company to the end of the reporting period. The Company's fifth extraordinary general meeting in 2014 approved the amendment of the article about the number of members of the Board in the Articles of Association. The Company's sixth extraordinary general meeting in 2014 approved amendment of the subsidiaries article in the Articles of Association concerning investment in financial products besides those set forth in the List of Securities Investment Products for the Proprietary Trading of Securities Companies in the Articles of Association. Such amendments have been approved by Henan Branch of the China Securities Regulatory Commission on 25 September 2014 and 28 November 2014, respectively. For details about the abovementioned amendments of the Articles of Association, please refer to the Company's supplementary circular dated 5 September 2014 and the circular dated 29 October 2014.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to their opinions and suggestions and tries to meet their reasonable requests in time.

The Company set "Investor Relations" column on its website [www.ccnew.com](http://www.ccnew.com) for publishing such information as announcements and financial data of the Company. Shareholders can also directly call the Company to inquire about relevant informant, and the Company will deal with such inquiry in a timely and proper manner. For contact details, please refer to Section 3 "I. Basic Information about the Company" of this report.

The Company welcomed all Shareholders attending general meetings and facilitated their attendance in a permitted range. The Company's Directors, Supervisors and senior management will attend general meetings. According to Provision E.1.2 of Corporate Governance Code, chairman and chairperson of the Audit Committee, Nomination and Remuneration Committee, and other special committees of the Board shall attend the annual general meeting and answer questions at the meeting. The management of the Company shall ensure that the external auditors can attend the annual general meeting and answer relevant questions put forward by Shareholders.

### **(VIII) Investor relation activities**

Dedicated to becoming a quality listed company in the Hong Kong capital markets, the Company has always given priority to continuous enhancement of Shareholder value, paid high attention to investor relations management, gradually established clear two-way communication channels with investors and kept improving the corporate governance structure. During the reporting period, the Company communicated with investors through ways like conducting non-deal roadshows, making phone calls, sending emails, receiving visitors and attending investor summits, and treated all investors equally to ensure that all shareholders can fully exercise their rights. The Company organized interim results non-deal roadshow, and relevant non-deal roadshow in Hong Kong and Shanghai, and visited investors in America, Hong Kong, Singapore, Taiwan and Malaysia, which effectively promoted investors' understanding and recognition of the Company.

During the reporting period, the Company disclosed information in a truthful, accurate, complete and timely manner in strict accordance with laws, regulations and regulatory provisions, to ensure that investors can know the Company's material matters in time and thereby protecting their interests to the greatest extent.

### **(IX) Board diversity policy**

The Company has adopted the board diversity policy according to Provision A.5.6 of the Corporate Governance Code.

The Company's board diversity policy can be summed up as follows: The Company knows and believes that the board diversity will help it a lot, and views it as an important element in maintaining its competitive edge. In designing the Board's composition, the Company considers board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. All Board appointments will be based on meritocracy, and candidates will be considered with due regard for the capacity, skill and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board.

The Remuneration and Nomination Committee of the Company will review and assess the composition of the Board, and provide suggestions to the Board for the appointment of new directors. The Remuneration and Nomination Committee of the Company will discuss annually all the agreed measurable objectives for implementing the board diversity, and provide relevant suggestions on the objectives to the Board.

### **(X) Internal control**

#### **1. Building of internal control system**

Since its establishment, the Company has always focused on the building of internal rules and regulations and management system. The continuous formation, effective implementation and improvement of various internal systems have laid a solid foundation for the regulated development of the Company.

The Company has further improved its internal control according to the Basic Standard for Enterprise Internal Control and Guidelines for the Internal Control of Securities Companies, and has always supported the building of internal control as central to its business development.

As at the end of the reporting period, the Company has built an internal control system suiting its business nature, scale and complexity, guaranteed the legitimacy and compliance of operation management, the safety of assets and authenticity and integrity of financial reports and relevant information, and improved operating efficiency and performance. During the reporting period, the Company has built significant information-related internal control system, handled and published procedures for price-sensitive information and internal control measures.

The Company has, according to the regulatory requirements, established and improved systems concerning Chinese Wall and insider registration management, which prevented the misuse and spread of sensitive information. Meanwhile, the Company has disclosed information in a truthful, accurate, complete and timely manner according to laws, regulations, Listing Rules, Articles of Association and administrative measures for the disclosure of information, so that all shareholders have equal chance of timely access to relevant information of the Company.

#### **2. Evaluation of internal control**

On 20 March 2015, the audit institution of the Company ShineWing Certified Public Accountants produced Assurance Report on Internal Control of Central China Securities Co., Ltd. (XYZH/2014A1024-2) regarding the Company's internal control, believing that the Company has maintained effective internal control over financial reporting in all material respects on 31 December 2014 according to the Basic Standard for Enterprise Internal Control and relevant regulations.

Establishing a sound internal control system and effectively implementing and improving it are the responsibilities of the Board and the management of the Company. The objectives of the Company's internal control are to: Ensure the legitimacy and compliance of operation and implementation of internal rules and regulations; prevent operational risks and ethics risks; guarantee the safety and integrity of the assets of the customers and the Company; ensure the reliability, integrity and timeliness of the Company's business records, financial information and other information; and improve the Company's operating efficiency and performance.

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Internal control has inherent limitations, so it can only provide rational guarantee for achieving the above objectives; and, the effectiveness of internal control may change with the Company's internal and external situations and operation conditions. The Company's internal control sets up check and supervision mechanism. Once any defect of the internal control is identified, the Company will take responsive correction measures.

The Board of the Company has evaluated the internal control according to the Basic Standard for Enterprise Internal Control. Based on the identification for significant defects in internal control over the Company's financial reporting, as at the benchmark date of the internal control evaluation report (31 December 2014), the Company did not have any significant defect in internal control over financial reporting. The Board thought that the Company has maintained effective internal control over financial reporting in significant aspects according to basic standard for enterprise internal control and relevant regulations; based on identification of significant defects in internal control over the Company's non-financial reporting, as at the benchmark date of the internal control evaluation report, the Company did not find any significant defect in internal control over non-financial reporting.

### 3. Report of other matters

#### (1) Building of compliance system

During the reporting period, under the continuous supervision and positive guidance of regulatory authorities, the Company, in strict accordance with relevant laws, regulations and rules, carefully organized and implemented various supervision and self-regulatory requirements, carried out various compliance works in a deep-going way, kept improving the Company's compliance management mechanism and focused on improving the Company's control over compliance risks.

- ① Build and improve compliance management organizational structure. The Company built a four-tier compliance management organization system covering the Board, chief compliance officer, Compliance Department and compliance officers of various branches of all departments. The Compliance Department carried out specific compliance management works under the leadership of the chief compliance officer. The Company allocated qualified officers in time in setting up new departments and branches. In respect of compliance management, the officers were guided by and reported to the Compliance Department. The responsibilities of persons at all levels were clarified and the communication and reporting channels were clear.
- ② Keep improving the Company's compliance management system. In 2014, the Compliance Department formulated and amended Compliance Inspection Measures for the Company's Provision of Intermediary Introduction Business to Futures Companies (amended in 2014), Measures for the Assessment of Money Laundering and Terrorism Financing Risks and Categorized Management of Customers (amended in 2014), Administrative Measures for the Freezing of Assets Relating to Terrorist Activities, Compliance Management Measures for Southbound Trading, and Administrative Measures for Information Isolation of Market-Making Business of National Equities Exchange and Quotations. Based on the regulatory requirements and business management needs, the Compliance Department also reminded and directed in various forms relevant departments to sort out and improve procedures of relevant systems.

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- ③ Carry out compliance audit and consultation with discretion, guard against and reduce compliance risks, and exert efforts to improve the normative and supportive effect of compliance management in business development. The Company organized reviews over 1,282 contracts, and more than 80 reviews over the Company's systems, important decisions and operational programs, and conducted compliance consultation in various forms, which provided strong support for the Company's continuous and steady business development.
  - ④ Actively carry out compliance monitoring and anti-money laundering. By monthly compliance report, the Company regularly monitored and evaluated the compliance condition and followed key regulatory issues, so as to have timely information on the overall compliance situation of the Company and guide the compliance risk prevention. As a comprehensive pilot unit for large-sum and suspicious transactions organized by PBoC, the Company, according to the independently set up unusual transaction monitoring indexes, built new monitoring system for anti-money laundering to further optimize process and fulfill anti-money laundering obligations efficiently.
  - ⑤ Further improve the information isolation work. Firstly, study the interest conflict control mechanism of innovative businesses like stock option, Shanghai-Hong Kong Stock Connect program, and market maker trading; secondly, supervise business department to maintain, isolate and detect sensitive information well, accept relevant departments' matters for examination and approval and give survey feedback in time; thirdly, keep strengthening management of inter-departmental movements of employees and fulfil obligations for cross-wall examination and approval and prompt; fourthly, keep optimizing and improving the isolation logic and formation mechanism of watch list and restricted list, to sort out and improve weak links of systemic function.
  - ⑥ Compliance training and building of compliance culture. Organize employees to study annual key rules and regulations concerning supervision over Hong Kong listed companies, asset management, stock option, pledge of stock right, new third board, OTC market, margin financing and securities lending, investment banking and anti-money laundering; appoint persons to participate in the trainings organized by organizations like SAC and stock exchanges; edit cases and distribute documents according to the focus of regulatory works and recurrent compliance risks in the industry, to supervise relevant departments to strengthen management and take preventive measures.
- (2) Inspections completed by the Compliance Department

During the reporting period, according to the requirements of regulatory authorities and self-regulatory organizations, and in view of the Company's compliance management guidelines in phases, major risk events in the market and prominent risks reflected in the daily management, the Company mainly conducted compliance inspections like: special inspection over the compliance of intermediary introduction business to futures companies, special inspection over the compliance of asset management business, special inspection over the compliance of proxy sale of financial products, and self-inspection and compliance inspection entrusted over the opening and usage of microblogs or websites.

## SECTION 10 CORPORATE GOVERNANCE REPORT

### (3) Inspection and audit completed by the Compliance Department

During the reporting period, kept being oriented by the risks, and putting the internal control as the core and increment as the audit objective, the Company audited risky businesses noted by the Head Office, branches and regulatory agencies. During the reporting period, the Company completed 73 audits in total, including 3 audits to internal control of the Head Office; 17 audits to Shanghai Branch, Marketing Management Department, Assets Management Department, Innovative Business Department, Operation Management Department, and Planning and Finance Department; 5 audits to economic responsibility of department heads of the Head Office; audits to internal control of 37 branches and audits to economic responsibility of officers-in-charge of 11 branches.

### (4) Monitoring of risk control index and building of replenishment mechanism

The Company set up a dynamic monitoring and management model of risk control index system centering on net capital according to a series of relevant regulations including Measures for the Risk Control Indexes of Securities Companies of CSRC, and monitored, conducted warning for and reported various indexes in strict accordance with CSRC's regulations. The Company built the complete stress test mechanism as required by the Guidelines on Securities Companies' Stress Test (Trial) issued by SAC and conducted regular and irregular stress tests. In 2014, based on the monitoring and measurement of various net capital indexes, the Company regularly analyzed and evaluated the support of net capital for the Company's business development, studied and tested rational and efficient allocation of net capital, reserved sufficient net capital support for carrying out major business and built the dynamic linkage mechanism between business scale and net capital. In 2014, the Company, based on the aforesaid risk management activities, regularly prepared Monthly Report on Management of Net Capital Risk to provide a comprehensive analysis and evaluation on the risk profile of the Company's financials and net capital, realizing effective control on risks of financials and net capital. Risk control indexes of the Company including net capital all reached the standard in 2014.

In accordance with Circular on Encouraging Securities Companies to Further Replenish Capital (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1352) issued by Institution Department of CSRC and relevant requirements of Guidelines on Capital Replenishment by Securities Companies and Circular on the Submission of Capital Replenishment Plans by Securities Companies issued by SAC, the Company, in view of its operating strategies and business development plan, defined the capital management goal of the Company and set up the dynamic capital replenishment mechanism by formulating Capital Management Planning (2015-2017) of Central China Securities Co., Ltd., further making clear the trigger condition of capital replenishment and other relevant contents. The Company further intensified capital management capability to enhance capital quality, actively promoted transformation toward intensive capital management to further improve capital's role in guiding and restricting the development of various businesses, continuously improved capital efficiency and guaranteed sustainable, healthy and rapid development of business lines with sufficient capital, thus maximizing the shareholder value.

## SECTION 10 CORPORATE GOVERNANCE REPORT

### (5) Standardization of accounts

Taking standardized management of accounts as an important foundation, the Company focused on the normalization, standardization and systematism of account management and kept perfecting the long-effective mechanism of standardized management of accounts. During the reporting period, according to the arrangement of account integration by the clearing house in China, the Company further perfected account management system and procedure, effectively implemented various measures for standardized management of accounts, continued basic work like standardization of stock account information and completion of customer information, to ensure that the account information is true, accurate, complete and valid.

During the reporting period, various branches logged no risk disposal accounts and work like standardization of unqualified accounts and activation of dormant accounts has been progressing in an orderly way. Specifically, the Company standardized 25 unqualified capital accounts and 26 unqualified securities accounts (as of the end of the period, there were 1,300 unqualified capital accounts and 1,378 unqualified securities accounts); and activated 4,262 dormant capital accounts and 7,969 dormant securities accounts (as of the end of the period, there were 410,994 dormant capital accounts (including 23,178 pure capital accounts under management as dormant accounts) and 674,882 dormant securities accounts). Besides, as of the end of the period, the Company had 3 capital accounts and 5 securities accounts frozen by the court, with no changes in between.

See the following table for details:

Type of account		Number of account at the end of 2013 (RMB account)	Decrease	Number of account at the end of 2014 (RMB account)
Dormant account	Capital account	415,256 (including 23,178 dormant pure capital accounts)	4,262	410,994
	Securities account	682,851	7,969	674,882
Unqualified accounts	Capital account	1,325	25	1,300
	Securities account	1,404	26	1,378
Judicially frozen accounts	Capital account	3	0	3
	Securities account	5	0	5
Risk disposal accounts	Capital account	0	0	0
	Securities account	0	0	0

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the shareholders of Central China Securities Co., Ltd.**

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

We have audited the consolidated financial statements of Central China Securities Co., Ltd. ("the Company") and its subsidiaries (together, the "Group") set out on pages 159 to 292, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## OTHER MATTER

This report, including the opinion, has been prepared for and only for 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.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 20 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014  
(All amounts in RMB'000 unless otherwise stated)

	Notes	Year ended 31 December	
		2014	2013
<b>Revenue</b>			
– Commission and fee income	5	1,243,529	953,332
– Interest income	6	613,229	286,656
– Net investment gains	7	449,687	158,627
		<b>2,306,445</b>	1,398,615
Other income and gains	8	39,724	35,984
<b>Total revenue and other income</b>		<b>2,346,169</b>	1,434,599
Commission and fee expenses	9	(170,874)	(113,090)
Interest expenses	10	(338,243)	(127,433)
Staff costs	11	(670,303)	(516,725)
Depreciation and amortisation	12	(67,744)	(67,116)
Other operating expenses	13	(316,518)	(264,062)
Impairment losses	14	(27,716)	(7,938)
<b>Total expenses</b>		<b>(1,591,398)</b>	(1,096,364)
<b>Profit before income tax</b>		<b>754,771</b>	338,235
Income tax expense	15	(204,788)	(99,808)
<b>Profit for the year</b>		<b>549,983</b>	238,427

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

(All amounts in RMB'000 unless otherwise stated)

		Year ended 31 December	
	Notes	2014	2013
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	40	27,440	(3,157)
– Income tax effect on changes in fair value	40	(6,860)	788
– Reclassification adjustments for gains included in the consolidated income statement, net	40	9,746	15,274
<b>Other comprehensive income for the year, net of tax</b>		<b>30,326</b>	12,905
<b>Total comprehensive income</b>		<b>580,309</b>	251,332
Profit attributable to:			
– Shareholders of the Company		562,290	252,937
– Non-controlling interests	16	(12,307)	(14,510)
		<b>549,983</b>	238,427
Total comprehensive income attributable to:			
– Shareholders of the Company		592,616	265,842
– Non-controlling interests	16	(12,307)	(14,510)
		<b>580,309</b>	251,332
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
<b>Basic/Diluted</b>	17	<b>0.24</b>	0.12
<b>Dividends</b>	18	–	–

The notes on pages 169 to 292 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014  
(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Notes	2014	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	19	217,146	225,808
Investment properties	20	23,066	30,819
Goodwill	21	7,269	7,269
Intangible assets	22	153,743	46,805
Investment in associate	23	49,685	–
Other non-current assets	26	25,630	37,881
Available-for-sale financial assets	27	650,089	40,096
Deferred income tax assets	28	104,469	71,237
Refundable deposits	29	727,404	412,988
<b>Total non-current assets</b>		<b>1,958,501</b>	872,903
<b>Current assets</b>			
Other current assets	30	306,912	256,074
Entrusted loans	31	277,487	–
Margin accounts receivable	32	7,331,517	2,259,463
Available-for-sale financial assets	27	102,546	391,074
Financial assets held under resale agreements	33	2,889,715	793,086
Derivative financial assets	34	–	–
Financial assets held for trading	35	4,099,282	3,438,994
Clearing settlement funds	36	2,620,867	1,104,844
Cash held for brokerage clients	37	7,225,908	3,962,749
Cash and bank balances	38	1,456,507	570,418
<b>Total current assets</b>		<b>26,310,741</b>	12,776,702
<b>Total assets</b>		<b>28,269,242</b>	13,649,605
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	39	2,631,616	2,033,516
Reserves	40	1,677,832	938,708
Retained earnings		1,477,259	1,119,118
<b>Total equity attributable to shareholders of the Company</b>		<b>5,786,707</b>	4,091,342
Non-controlling interests		70,089	83,940
<b>Total equity</b>		<b>5,856,796</b>	4,175,282

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Notes	2014	2013
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bonds payable	41	1,490,027	–
Deferred income tax liabilities	28	27,837	252
<b>Total non-current liabilities</b>		<b>1,517,864</b>	252
<b>Current liabilities</b>			
Other current liabilities	43	802,491	388,322
Financial liabilities designated at fair value through profit or loss	44	791,074	707,437
Tax payable	45	239,670	87,953
Due to other financial institutions	46	2,373,000	400,000
Financial assets sold under repurchase agreements	47	5,587,234	2,096,288
Short-term notes payable	48	1,441,280	800,000
Derivative financial liabilities	34	–	–
Accounts payable to brokerage clients	49	9,659,833	4,994,071
<b>Total current liabilities</b>		<b>20,894,582</b>	9,474,071
<b>Total liabilities</b>		<b>22,412,446</b>	9,474,323
<b>Total equity and liabilities</b>		<b>28,269,242</b>	13,649,605
<b>Net current assets</b>		<b>5,416,159</b>	3,302,631
<b>Total assets less current liabilities</b>		<b>7,374,660</b>	4,175,534

The notes on pages 169 to 292 form an integral part of these financial statements.

Approved and authorised for issue by the Board on 20 March 2015.

**JIAN Mingjun**

*Chairman of the Board and Executive Director*

**ZHOU Xiaoquan**

*Executive Director and President*

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014  
(All amounts in RMB'000 unless otherwise stated)

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2014</b>	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	19	<b>206,289</b>	213,672
Investment properties	20	<b>30,506</b>	38,459
Intangible assets	22	<b>145,347</b>	35,884
Investments in subsidiaries	24	<b>611,562</b>	411,562
Investments in consolidated structured entities	25	<b>13,751</b>	66,066
Other non-current assets	26	<b>24,766</b>	36,434
Available-for-sale financial assets	27	<b>618,666</b>	318
Deferred income tax assets	28	<b>100,845</b>	70,381
Refundable deposits	29	<b>507,135</b>	198,672
<b>Total non-current assets</b>		<b>2,258,867</b>	1,071,448
<b>Current assets</b>			
Other current assets	30	<b>303,400</b>	246,593
Investments in consolidated structured entities	25	<b>159,972</b>	50,700
Margin accounts receivable	32	<b>7,331,517</b>	2,259,463
Available-for-sale financial assets	27	<b>102,486</b>	57,721
Financial assets held under resale agreements	33	<b>2,869,315</b>	625,986
Derivative financial assets	34	–	–
Financial assets held for trading	35	<b>2,841,019</b>	3,025,422
Clearing settlement funds	36	<b>2,354,883</b>	994,425
Cash held for brokerage clients	37	<b>7,006,584</b>	3,715,944
Cash and bank balances	38	<b>983,642</b>	296,295
<b>Total current assets</b>		<b>23,952,818</b>	11,272,549
<b>Total assets</b>		<b>26,211,685</b>	12,343,997
<b>Equity and liabilities</b>			
Share capital	39	<b>2,631,616</b>	2,033,516
Reserves	40	<b>1,673,497</b>	930,983
Retained earnings		<b>1,518,441</b>	1,158,171
<b>Total equity</b>		<b>5,823,554</b>	4,122,670

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Notes	2014	2013
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bonds payable	41	1,490,027	–
Deferred income tax liabilities	28	22,155	252
Other non-current liabilities	42	–	25,300
<b>Total non-current liabilities</b>		<b>1,512,182</b>	25,552
<b>Current liabilities</b>			
Other current liabilities	43	599,410	355,245
Tax payable	45	235,723	84,854
Due to other financial institutions	46	2,373,000	400,000
Financial assets sold under repurchase agreements	47	5,189,434	2,096,288
Short-term notes payable	48	1,441,280	800,000
Derivative financial liabilities	34	–	–
Accounts payable to brokerage clients	49	9,037,102	4,459,388
<b>Total current liabilities</b>		<b>18,875,949</b>	8,195,775
<b>Total liabilities</b>		<b>20,388,131</b>	8,221,327
<b>Total equity and liabilities</b>		<b>26,211,685</b>	12,343,997
<b>Net current assets</b>		<b>5,076,869</b>	3,076,774
<b>Total assets less current liabilities</b>		<b>7,335,736</b>	4,148,222

The notes on pages 169 to 292 form an integral part of these financial statements.

Approved and authorised for issue by the Board on 20 March 2015.

**JIAN Mingjun**

*Chairman of the Board and Executive Director*

**ZHOU Xiaoquan**

*Executive Director and President*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014  
(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company								
	Share capital (Note 39)	Capital reserve (Note 40)	Surplus reserve (Note 40)	General reserve (Note 40)	Transaction risk reserve (Note 40)	Available -for-sale financial assets revaluation reserve (Note 40)	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2014</b>	2,033,516	-	314,845	317,353	310,091	(3,581)	1,119,118	83,940	4,175,282
Profit/(Loss) for the year	-	-	-	-	-	-	562,290	(12,307)	549,983
Other comprehensive income for the year (Note 40)	-	-	-	-	-	30,326	-	-	30,326
<b>Total comprehensive income for the year</b>	-	-	-	-	-	30,326	562,290	(12,307)	580,309
Issuance of shares, net	598,100	504,649	-	-	-	-	-	-	1,102,749
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,544)	(1,544)
Appropriation to surplus reserve	-	-	84,438	-	-	-	(84,438)	-	-
Appropriation to general reserve	-	-	-	63,419	-	-	(63,419)	-	-
Appropriation to transaction risk reserve	-	-	-	-	56,292	-	(56,292)	-	-
<b>Balance at 31 December 2014</b>	<b>2,631,616</b>	<b>504,649</b>	<b>399,283</b>	<b>380,772</b>	<b>366,383</b>	<b>26,745</b>	<b>1,477,259</b>	<b>70,089</b>	<b>5,856,796</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital (Note 39)	Surplus reserve (Note 40)	General reserve (Note 40)	Transaction risk reserve (Note 40)	Available -for-sale financial assets revaluation reserve (Note 40)	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2013</b>	2,033,516	288,019	289,549	283,265	(16,486)	947,637	13,157	3,838,657
Profit/(Loss) for the year	-	-	-	-	-	252,937	(14,510)	238,427
Other comprehensive income for the year (Note 40)	-	-	-	-	12,905	-	-	12,905
<b>Total comprehensive income for the year</b>	-	-	-	-	12,905	252,937	(14,510)	251,332
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	(167)	(167)
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	85,460	85,460
Appropriation to surplus reserve	-	26,826	-	-	-	(26,826)	-	-
Appropriation to general reserve	-	-	27,804	-	-	(27,804)	-	-
Appropriation to transaction risk reserve	-	-	-	26,826	-	(26,826)	-	-
<b>Balance at 31 December 2013</b>	2,033,516	314,845	317,353	310,091	(3,581)	1,119,118	83,940	4,175,282

The notes on pages 169 to 292 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014  
(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2014	2013
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>754,771</b>	338,235
Adjustments for:		
Depreciation and amortisation	67,744	67,116
Impairment losses	27,716	7,938
Net losses/(gains) on disposal of property and equipment and other intangible assets	178	(506)
Foreign exchange (gains)/losses	(3,529)	1,529
Net gain on disposal of available-for-sale financial assets	(22,817)	(8,071)
Dividends and interest income from available-for-sale financial assets	(51,031)	(7,629)
Investment income from the associate	315	–
Interest expenses of bonds payable	57,571	–
Changes in fair value of financial instruments at fair value through profit or loss	(2,530)	37,291
	<b>828,388</b>	435,903
<b>Net (increase)/decrease in operating assets:</b>		
Net increase in margin accounts receivable	(5,082,572)	(2,048,646)
Net increase in financial assets held for trading	(580,258)	(50,425)
Net increase in financial assets held under resale agreements	(2,102,978)	(294,736)
Net increase in refundable deposits	(314,416)	(140,245)
Net (increase)/decrease in cash held for brokerage clients	(3,263,159)	407,016
Net increase in clearing settlement funds	(1,561,511)	(298,177)
Net (increase)/decrease in other assets	(444,258)	97,138
<b>Net increase/(decrease) in operating liabilities:</b>		
Net increase/(decrease) in accounts payable to brokerage clients	4,665,762	(214,497)
Net increase in financial liabilities designated at fair value through profit or loss	13,043	754,839
Net increase in financial assets sold under repurchase agreements	3,490,946	337,383
Net increase in due to other financial institutions	1,973,000	400,000
Net increase/(decrease) in other liabilities	320,877	(243,999)
Income tax paid	(122,164)	(113,396)
<b>Net cash outflow from operating activities</b>	<b>(2,179,300)</b>	(971,842)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2014	2013
<b>Cash flows from investing activities</b>		
Dividends and interest received from available-for-sale financial assets	51,031	7,629
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	501	946
Purchase of property and equipment, intangible assets and other long-term assets	(51,704)	(165,864)
Cash paid for purchase of available-for-sale financial assets	(1,770,904)	(1,424,976)
Cash received from disposal of available-for-sale financial assets	1,505,807	1,355,378
Capital injection to an associate	(50,000)	–
<b>Net cash outflow from investing activities</b>	<b>(315,269)</b>	<b>(226,887)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,544)	–
Net proceeds from issuance of H shares	1,102,749	–
Capital injection of subsidiaries from non-controlling shareholders	156,700	122,500
Cash received from issuance of short-term notes	4,841,280	800,000
Cash paid for redemption of short-term notes	(4,259,543)	–
Cash received from issuance of bonds	1,492,000	–
<b>Net cash inflow from financing activities</b>	<b>3,331,642</b>	<b>922,500</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>837,073</b>	<b>(276,229)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>755,452</b>	<b>1,033,210</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,529</b>	<b>(1,529)</b>
<b>Cash and cash equivalents at the end of the year (Note 50)</b>	<b>1,596,054</b>	<b>755,452</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the "Company") is a joint-stock financial institution incorporated in Henan Province, the People's Republic of China (the "PRC"). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the "CSRC") and the People's Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the "HAIC") on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business licence No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province. As at 31 December 2014, the registered capital of the Company is RMB2,631.62 million.

The Company and its subsidiaries (the "Group") principal businesses include securities and futures brokerages, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary trading, asset management, fund management and direct investment, agency sale of funds, introducing broker for futures companies, margin financing and securities lending and agency sale of financial products.

The Company completed its initial public offering of overseas-listed foreign shares ("H shares") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 25 June 2014. Under this offering, the Company issued a total of 598.10 million shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,631.62 million.

These consolidated financial statements were authorised for issue by the Board on 20 March 2015.

## 2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS"), disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.1 Standards, amendments and interpretations that are adopted in 2014

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group's consolidated financial statements.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments did not have a significant effect on the Group's consolidated financial statements.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's consolidated financial statements as a result.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subject to significant levies so the impact on the Group is not significant.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.2 Standards, amendments and interpretations that are not yet effective and have not been adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is yet to assess IFRS 15's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 3.1 Summary of significant accounting policies

#### 3.1.1 Accounting year

The Group's accounting year starts on 1 January and ends on 31 December.

#### 3.1.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and the Group's presentation currency.

#### 3.1.3 Consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Management applies its judgment to determine whether the Group is acting as agent or principal in relation to the structured entities ("SEs") in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.3 Consolidation (continued)

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Group are recognised as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

#### 3.1.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments in associates' in the statement of comprehensive income.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.5 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries and consolidated structured entities are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The results of subsidiaries and consolidated structured entities are accounted for by the Company on the basis of dividend received and receivable. The Company assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries or consolidated structured entities is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' or consolidated structured entities' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' or consolidated structured entities' fair value less costs to sell and value in use.

#### 3.1.6 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as at the reporting date and translation differences are recognised in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

#### 3.1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments

##### (1) Recognition and de-recognition of financial instruments

A financial asset or financial liability is recognised on trade-date, the date when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when one of the following conditions is met: (1) the contractual rights to receive cash flows from the investments have expired; (2) when the Group has transferred substantially all risks and rewards of ownership; (3) when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been directly recognised in equity is recognised in profit or loss.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in profit or loss.

##### (2) Classification and measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Management determines the classification of its financial assets at initial recognition.

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (2) Classification and measurement (continued)

###### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. Equity securities, funds and debt securities purchased for the purpose of selling in the near term are classified as financial assets held for trading. Equity securities, funds and debt securities are classified as financial assets designated as at fair value through profit or loss if the financial assets are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the Group's management.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of acquisition are expensed in the profit or loss. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised through net investment gains in the period in which they arise. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in the statement of comprehensive income.

###### (b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including entrusted loans, margin accounts receivable, accounts receivable, other receivables, financial assets held under resale agreements, refundable deposits, and clearing settlement funds. Loans and receivables are recognised initially at fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Loans and receivables are subsequently measured at amortised cost using effective interest rate method.

###### (c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories mentioned above. Such financial assets are recognised at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value. Except for impairment losses and foreign exchange gains or losses arising from foreign currency monetary financial assets, gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, and ultimately in the equity, until the financial assets are de-recognised at which time the cumulative gains or losses previously recognised in equity should be reclassified from equity to the statement of comprehensive income. Interest income of available-for-sale debt instruments calculated using effective interest method and dividend income declared are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (2) Classification and measurement (continued)

##### (d) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss have two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

Financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of incurrence are expensed in the statement of comprehensive income. Gains or losses arising from changes in the fair value of financial liabilities at fair value through profit or loss are recognised in profit or loss through net investment gains/losses.

The interests of both subordinated interest holders of classified collective asset management schemes and holders of non-classified collective asset management schemes within the Group's consolidation scope were designated at fair value through profit or loss, as the interests are managed, evaluated and reported internally on a fair value basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (2) Classification and measurement (continued)

##### (e) *Other financial liabilities*

Other financial liabilities are initially recognised at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest method. Transaction costs and fees of other financial liabilities are included in calculating amortised cost using the effective interest method.

The Group's other financial liabilities mainly comprise "Bonds payable", "Due to other financial institutions", "Accounts payable to brokerage clients", "Financial assets sold under repurchase agreements" and "Other current liabilities" in the statement of financial position. Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### (3) Determination of fair value

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Group utilises the latest market price for both financial assets and financial liabilities where the latest price falls within the bid-ask spread. In circumstances where the latest market price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If the market for a financial instrument is not active, valuation techniques are used to establish fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that substantially the same, and discounted cash flow analysis, among others. In applying valuation techniques to measure fair value, the Group maximises the use of observable market inputs and minimizes the use of inputs that are specific to the Group.

If the quoted market price is not available and the fair value cannot be reliably measured, a financial asset is measured at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (4) Derivative financial instruments

The Group's derivatives are stock index futures contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

##### (5) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral. Margin financing and securities lending services are classified as margin financing and securities lending, respectively.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using the effective interest rate method.

##### (6) Resale and repurchase agreements

Assets purchased under agreements to resell at a specified future date are not recognised on the statement of financial position at time of acquisition. The corresponding cash paid is recognised on the statement of financial position as "financial assets held under resale agreements". Conversely, assets sold under agreements to repurchase at a specified future date with a specific price are not derecognised. The corresponding cash received is recognised on the statement of financial position as "financial assets sold under repurchase agreements".

The differences between the purchase and resale prices and sale and repurchase prices are recognised as interest income and interest expense respectively and are accrued over the term of the agreement using the effective interest rate method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (7) Impairment of financial assets

Except for financial assets held for trading and financial assets at fair value through profit or loss, other categories of financial assets are tested for impairment at the end of each reporting period.

##### (a) *Financial assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties;
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group; and
- (vii) other objective evidence indicating there is an impairment of the financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (7) Impairment of financial assets (continued)

###### (a) *Financial assets carried at amortised cost* (continued)

###### Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and recognised in the consolidated income statement.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

###### Collective assessment

Homogeneous groups of loans and receivables to customers not considered individually significant and individually assessed and loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in the consolidated income statement.

For homogeneous groups of entrusted loans that are not considered individually significant, the Group assess impairment on a collective basis.

For margin financing which are individually significant and therefore have been individually assessed but for which no impairment can be identified, the Group accrues impairment according to the business type and clients' margin ratio.

###### Impairment reversal

If, in a subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the consolidated income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (7) Impairment of financial assets (continued)

##### (b) *Financial assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is also evidence that the assets are impaired. The Group assesses the fair value of available-for-sale equity instruments individually at statement of financial position date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost. When the fair value of an available-for-sale financial asset has declined for more than one year, and the Group concludes this decline is prolonged based on professional judgment of the management, the Group recognises impairment losses in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the consolidated income statement; increases in their fair value subsequent to impairment are recognised as other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.8 Financial instruments (continued)

##### (8) Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the statement of financial position without any offsetting, except when:

- (i) the Group has a legally enforceable right to offset the recognised amounts; and
- (ii) the Group has intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 3.1.9 Asset management business

The Group's asset management business comprises targeted asset management, specified asset management and collective 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.

When the Group is considered as an agent for targeted asset management business and specified asset management business, the related assets are not recognised. The fees received are recognised as commission and fee income.

For collective asset management schemes where the Group manages with power and/or holds direct investments, the Group further assesses whether its exposure to the variable returns from the activities of the collective asset management schemes is of such magnitude and variability that indicates the Group is a principal. The collective asset management schemes shall be consolidated when the Group is concluded as acting in the role of principal. When the Group acts in the role of an agent of other investors, it recognises the related commission and fee income from the collective asset management schemes in its statement of comprehensive income, and its direct investments as available-for-sale financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.10 Property and equipment

The Group's property and equipment include buildings, motor vehicles, electronic and other equipment that are used for operation purpose and have useful lives of more than one year.

Property and equipment shall be recognised 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. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, 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. The carrying amount of the replaced part is de-recognised. All other subsequent expenditures are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For the assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of property and equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	20~40 years	5%	2.38%~4.75%
Motor vehicles	8 years	5%	11.88%
Electronics and other equipment	5-15 years	5%	6.33%~19%

The estimated useful life, the estimated residual value and the depreciation method applied to an asset are reviewed, and adjusted as appropriate by the Group at the end of each reporting period.

Property and equipment are de-recognised on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognised in the statement of comprehensive income. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.15).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.11 Investment properties

Property held for rental purpose that is not occupied by the Group is classified as investment property. Investment properties comprises of land and buildings.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	30~40 years	5%	2.38%~3.17%

Investment properties are reviewed for impairment at the statement of financial position date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

#### 3.1.12 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

#### 3.1.13 Intangible assets

Intangible assets mainly include computer software and trading rights, which are measured at cost and amortised on a straight-line basis over their estimated useful lives. For an intangible asset with a definite useful life, review of its useful life and amortisation method is performed at each year end, with adjustment made as appropriate.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.15).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.14 Long-term deferred expenses

Long-term deferred expenses include leasehold improvements and expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortised on the straight-line basis over the expected useful economic lives and are presented at actual expenditure net of accumulated amortisation.

#### 3.1.15 Impairment of long-term non-financial assets

Property and equipment, intangible assets with definite useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognised in accordance with the difference. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets that have an indefinite useful life – for example, goodwill or intangible assets with indefinite useful life that are not subject to amortisation are tested at least annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.16 Employee benefits

Employee benefits mainly include salaries, bonus, allowances and subsidies, staff welfare benefits, social security contributions and housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees. Salary and welfare are expensed in operating expenses in the accounting period of services rendered.

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social security schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes, which are all defined contribution plans. Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labor and Social Security Bureau, and insurance companies, etc. The contribution ratios are defined by stipulating regulations or commercial contracts, which should be no higher than statutory upper ceilings. The Group has no further payment obligations once the contributions have been paid. Contributions are recognised in the statement of comprehensive income for the current period.

The Group operates various post-employment schemes, including both defined contribution pension plans and defined benefit. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. During the current and prior periods, the Group's post-employment scheme mainly includes basic pension insurance, which belongs to the defined contribution pension plans.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.17 Revenue recognition

The Group's revenue mainly includes commission and fee income and interest income.

##### (1) Commission and fee income

- (a) Revenue from the securities and futures brokerage services is recognised on the date of the transaction;
- (b) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (c) Consultancy and advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (d) Fee revenue from asset management services is recognised according to the provisions of the asset management contract.

##### (2) Interest income is recognised by using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

#### 3.1.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.19 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets is charged or credited directly to equity and is subsequently transferred to profit or loss when the financial assets are de-recognised.

Deferred income tax assets and liabilities are offset when:

- (a) the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority;
- (b) there is a legally enforceable right to offset current tax assets against current tax liabilities.

#### 3.1.20 Leases

Leases of assets where the Group has transferred substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are charged as an expense for the current period.

#### 3.1.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.1 Summary of significant accounting policies (continued)

#### 3.1.22 Provisions

Provisions for matters such as legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 3.1.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

#### 3.1.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision maker in resource allocation and performance assessment of each segment. The same accounting policies as adopted in preparation of the Group's consolidated financial statements are used for segment reporting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.2 Summary of significant accounting estimates

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

#### 3.2.1 Impairment of loans and receivables

The Group reviews the portfolios of loans and advances to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and receivable. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan and receivable that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Entrusted loans are collectively assessed for impairment at the statement of financial position date. Margin financings are collectively assessed for impairment, which the estimate is based on the business type and clients' margin ratio. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

#### 3.2.2 Impairment of available-for-sale financial assets

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

#### 3.2.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3.2 Summary of significant accounting estimates (continued)

#### 3.2.4 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model etc. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### 3.2.5 Income taxes

The Group is mainly subject to income taxes in China. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

#### 3.2.6 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management schemes shall be consolidated if the Group acts in the role of principal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 4 TAXATION

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable business income	5%
City construction and maintenance tax	Business tax paid	7%
Educational surcharges	Business tax paid	3%

### 4.1 Corporate income tax

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Policies relating to the Pre-tax Deduction of Contributions to Reserves of Securities Companies (《財政部、國家稅務總局關於證券行業準備金支出企業所得稅稅前扣除有關政策問題的通知》) (Caishui [2012] No. 11), the contributions securities companies pay to the securities investors protection fund are deductible from their taxable profit to the extent allowable as specified in the administrative rules depending on the balance of the fund.

### 4.2 Business tax

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax of the Securities Investor Protection Fund (《財政部、國家稅務總局關於證券投資者保護基金有關營業稅問題的通知》) (Caishui [2006] No. 172), securities companies are allowed to deduct their investor protection fund contributions from their taxable business income.

## 5 COMMISSION AND FEE INCOME

	Year ended 31 December	
	2014	2013
Securities brokerage	949,894	661,114
Investment advisory	130,642	62,564
Underwriting and sponsorship	67,490	152,966
Financial advisory	47,155	11,990
Futures brokerage	36,884	52,892
Asset management and fund management	11,464	11,806
Total	1,243,529	953,332

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 6 INTEREST INCOME

	Year ended 31 December	
	2014	2013
Margin financing and securities lending	312,811	115,728
Bank deposits	175,072	140,326
Financial assets held under resale agreements	109,887	26,308
Entrusted loans	14,636	–
Others	823	4,294
<b>Total</b>	<b>613,229</b>	<b>286,656</b>

## 7 NET INVESTMENT GAINS

	Year ended 31 December	
	2014	2013
Realised gain from disposal of available-for-sale financial assets	22,817	8,071
Dividends and interest income from available-for-sale financial assets	51,031	7,629
Recycling of available-for-sale financial assets reserve upon consolidation of structured entities	–	(7,412)
Realised gain from disposal from financial assets held for trading	205,961	19,152
Dividends and interest income from financial assets held for trading	227,152	180,173
Net realised losses from derivative financial instruments	(59,489)	(11,695)
Investment income from associate	(315)	–
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets held for trading	80,031	(21,842)
– Derivative financial instruments	(6,907)	10,872
– Financial liabilities designated at fair value through profit or loss	(70,594)	(26,321)
<b>Total</b>	<b>449,687</b>	<b>158,627</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 8 OTHER INCOME AND GAINS

	Year ended 31 December	
	2014	2013
Government grants <sup>(1)</sup>	32,322	28,256
Rental income	2,775	3,449
Others	4,627	4,279
<b>Total</b>	<b>39,724</b>	<b>35,984</b>

(1) This item consists of tax incentive and other grants from local governments.

## 9 COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2014	2013
Securities brokerage	155,033	93,427
Underwriting and sponsorship	7,473	13,536
Financial advisory	6,414	2,807
Asset management and fund management	1,954	3,320
<b>Total</b>	<b>170,874</b>	<b>113,090</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

### 10 INTEREST EXPENSES

	Year ended 31 December	
	2014	2013
Financial assets sold under repurchase agreements	145,813	71,987
Corporate bond	70,916	–
Due to other financial institutions	51,732	25,847
Short-term notes	46,247	10,020
Accounts payable to brokerage clients	23,253	19,579
Securities lending	282	–
<b>Total</b>	<b>338,243</b>	<b>127,433</b>

### 11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December	
	2014	2013
Salaries and bonus	521,729	382,432
Pension	66,485	59,241
Other social security benefits	43,744	45,092
Labor union funds and employee education funds	22,611	16,173
Other welfare	15,734	13,787
<b>Total</b>	<b>670,303</b>	<b>516,725</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

### 11.1 Emoluments of the directors and supervisors

Emoluments of the directors and supervisors of the Company paid by the Group for the years ended 31 December 2014 and 2013 are set out below:

Name	Year ended 31 December 2014				Total
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus	
<b>Executive Directors</b>					
Jian Mingjun (Chairman)	–	537	90	1,843	2,470
Zhou Xiaoquan (President)	–	463	85	2,239	2,787
<b>Non-executive Directors</b>					
Song Chang <sup>(1)</sup>	53	–	–	–	53
Zhu Shanli	126	–	–	–	126
Zhu Jie <sup>(2)</sup>	8	–	–	–	8
Wang Lixin <sup>(3)</sup>	8	–	–	–	8
Yu Zeyang <sup>(4)</sup>	3	–	–	–	3
Yuan Zhiwei <sup>(5)</sup>	74	–	–	–	74
Yuan Dejun	126	–	–	–	126
Shi Dan	126	–	–	–	126
Wang Jinian <sup>(6)</sup>	23	–	–	–	23
Li Xingjia	31	–	–	–	31
Zhu Yijiang <sup>(7)</sup>	3	–	–	–	3
Shi Lei <sup>(8)</sup>	3	–	–	–	3
Zhang Qiang	31	–	–	–	31
<b>Supervisors</b>					
Zhou Jianzhong	–	348	73	1,417	1,838
Zhu Qiben	–	246	36	911	1,193
Li Feng	–	219	29	825	1,073
Yan Changkuan	21	–	–	–	21
Ji Guangyuan	21	–	–	–	21
Wang Rui <sup>(9)</sup>	21	–	–	–	21
<b>Total</b>	<b>678</b>	<b>1,813</b>	<b>313</b>	<b>7,235</b>	<b>10,039</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

### 11.1 Emoluments of the directors and supervisors (continued)

Name	Year ended 31 December 2013				
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus	Total
<b>Executive Directors</b>					
Jian Mingjun (Chairman)	–	498	51	1,047	1,596
Zhou Xiaoquan (President)	–	487	44	1,150	1,681
<b>Non-executive Directors</b>					
Song Chang	126	–	–	–	126
Zhu Shanli	126	–	–	–	126
Yuan Dejun	126	–	–	–	126
Shi Dan	126	–	–	–	126
Wang Jinian	31	–	–	–	31
Li Xingjia	31	–	–	–	31
Zhu Yijiang	31	–	–	–	31
Shi Lei	31	–	–	–	31
Zhang Qiang	31	–	–	–	31
<b>Supervisors</b>					
Zhou Jianzhong	–	367	33	834	1,234
Zhu Qiben	–	265	17	398	680
Li Feng	–	223	17	288	528
Yan Changkuan	21	–	–	–	21
Ji Guangyuan	21	–	–	–	21
Zhang Hu <sup>(10)</sup>	19	–	–	–	19
Wang Rui	2	–	–	–	2
<b>Total</b>	<b>722</b>	<b>1,840</b>	<b>162</b>	<b>3,717</b>	<b>6,441</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

### 11.1 Emoluments of the directors and supervisors (continued)

- (1) Song Chang ceased to be non-executive director effective from May 2014.
- (2) Zhu Jie was elected to be non-executive director effective from September 2014.
- (3) Wang Lixin was elected to be non-executive director effective from September 2014.
- (4) Yu Zeyang was elected to be non-executive director effective from November 2014.
- (5) Yuan Zhiwei was elected to be non-executive director effective from June 2014.
- (6) Wang Jinian ceased to be non-executive director effective from September 2014.
- (7) Zhu Yijiang ceased to be non-executive director effective from January 2014.
- (8) Shi Lei ceased to be non-executive director effective from January 2014.
- (9) Wang Rui was elected to be supervisor effective from November 2013.
- (10) Zhang Hu ceased to be supervisor effective from November 2013.

### 11.2 The five highest paid individuals

For the year ended 31 December 2014, the five highest paid individuals include one director (for the year ended 31 December 2013: Nil).

Details of the remuneration for the rest of the five highest paid individuals for the relevant years are as follows:

	Year ended 31 December	
	2014	2013
Salaries, allowances and other welfares	2,451	3,994
Pension plan contributions	293	68
Discretionary bonus	10,559	10,225
Total	13,303	14,287

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

### 11.2 The five highest paid individuals (continued)

The remuneration of the senior management and individuals by range:

	Year ended 31 December	
	2014	2013
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	3	1
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$6,000,001 to HK\$6,500,000	–	1
<b>Total</b>	<b>4</b>	<b>5</b>

The Group has not provided any compensation to any of these directors, supervisors and the five highest paid individuals as incentive for them to join the Group, reward for joining the Group or for leaving the Group.

## 12 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2014	2013
Depreciation of property and equipment	32,453	31,303
Depreciation of investment properties	875	1,123
Amortisation of intangible assets	17,837	13,964
Amortisation of leasehold improvement and long-term deferred expenses	16,579	20,726
<b>Total</b>	<b>67,744</b>	<b>67,116</b>



















































































































































































# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 58 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds.

Except for the consolidated structured entities as detailed in Note 3.2.6, in the opinion of the directors of the Company, the variable returns of the other structured entities of the Group are not significant. The Group did not consider itself being the principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB2,204 million as at 31 December 2014 (31 December 2013: RMB1,276 million). For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no publicly available information on the size of those structured entities which are issued and managed by third parties.

The interests in unconsolidated structured entities held by the Group included fund investment classified as available-for-sale financial assets, and financial assets held for trading, and management fee, commission fee receivables recorded as other current assets. The related carrying amount and the maximum exposure were as follows:

	<b>31 December 2014</b>	31 December 2013
Available-for-sale financial assets	<b>701,946</b>	341,537
Financial assets held for trading	<b>159,637</b>	326,888
Other current assets	<b>26,768</b>	1,362
<b>Total</b>	<b>888,351</b>	669,787



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

## 59 SUBSEQUENT EVENTS (CONTINUED)

### 59.4 Proposed profit distribution

In the Board' meeting of the Company held on 20 March 2015, the Board proposed to make the following appropriations for 2014: 10% and 5% of its after-tax profit for the year to the statutory surplus reserve and discretionary surplus reserve respectively with a total amount of RMB84.44 million; 11% of its after-tax profit for the year to the general risk reserve with an amount of RMB61.92 million; 10% of its after-tax profit for the year to the transaction risk reserve with an amount of RMB56.29 million; and cash dividends for the year at RMB1.20 yuan for every 10 shares (pre-tax), amounting to approximately RMB315.79 million in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 59.5 Capital injection to ZDKY Venture Capital

The Company injected additional RMB100 million to ZDKY Venture Capital in February 2015 (Note 24.1).

## 60 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the changes in the presentation and disclosures in the current period.