(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券"(in Chinese) and "HENGTOU SECURITIES"(in English))

Stock code : 1476

恒投證券
HENGTOU SECURITIES

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Lead Managers

交銀國際 BOCOM International

海通國際 HAITONG

Joint Bookrunners

交銀國際 BOCOM International

海通國際 HAITONG

BOC INTERNATIONAL

建银国际 CCB International

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

恒投證券
HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

Number of Offer Shares under the Global Offering	:	**392,040,000 H Shares (comprising 356,400,000 H Shares to be issued by our Company and 35,640,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**39,204,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**352,836,000 H Shares (comprising 317,196,000 H Shares to be issued by our Company and 35,640,000 Sale Shares to be offered by the Selling Shareholders, subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$4.30 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1476**

Joint Sponsors, Joint Global Coordinators and Joint Lead Managers

交銀國際 BOCOM International   海通國際 HAITONG

Joint Bookrunners

交銀國際 BOCOM International   海通國際 HAITONG   BOC INTERNATIONAL   建银国际 CCB International

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, October 7, 2015 (Hong Kong time) and, in any event, not later than Thursday, October 8, 2015 (Hong Kong time). The Offer Price will be not more than HK$4.30 per Offer Share and is currently expected to be not less than HK$3.92 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, October 8, 2015 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$4.30 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$4.30 per Offer Share.

The Joint Global Coordinators, on behalf of the Underwriters, and with our consent (for ourselves and on behalf of the Selling Shareholders) may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$3.92 per Offer Share to HK$4.30 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at http://www.cnht.com.cn and on the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States, and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, and sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

September 30, 2015

	Date[1]
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, October 7, 2015
Application lists open[3]	11:45 a.m. on Wednesday, October 7, 2015
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, October 7, 2015
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, October 7, 2015
Latest time to complete payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, October 7, 2015
Application lists close	12:00 noon on Wednesday, October 7, 2015
Expected Price Determination Date[5]	Wednesday, October 7, 2015
Announcement of: • the Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares will be published (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and; (b) on our website at **http://www.cnht.com.cn**[6] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[7] on or before	Wednesday, October 14, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — Publication of Results" in this prospectus from	Wednesday, October 14, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID" function	Wednesday, October 14, 2015

H Share certificates in respect of wholly or partially successful applications will be dispatched or deposited into CCASS on or before(8) .... Wednesday, October 14, 2015

Refund cheques (if applicable) will be dispatched on or before(8) and (10) .... Wednesday, October 14, 2015

White Form e-Refund Payment Instructions will be dispatched on or before(8) (9) and (10) .... Wednesday, October 14, 2015

Dealings in H Shares on the Hong Kong Stock Exchange to commence on .... Thursday, October 15, 2015

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(1) All dates and times refer to Hong Kong dates and local time unless otherwise stated.

(2) If you have already submitted your application through the designated website at www.eipo.com.hk and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 7, 2015, the application lists will not open on that day. See "How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" of this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should see "How to Apply for the Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, October 7, 2015 (Hong Kong time) and, in any event, not later than Thursday, October 8, 2015 (Hong Kong time). The Offer Price will be not more than HK$4.30 per Offer Share and is currently expected to be not less than HK$3.92 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, October 8, 2015 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 14, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and H

Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus.

(9) Applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account, may have e-Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, may have refund cheques sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider by ordinary post and at their own risk.

(10) e-Refund Payment Instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Thursday, October 15, 2015. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at http://www.cnht.com.cn, does not form part of this prospectus.

We are a joint stock company incorporated in the PRC with limited liability under the Chinese corporate name "恒泰证券股份有限公司". Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance and we carry on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) as approved by and registered with the Registrar of Companies in Hong Kong. We are not in any way connected with or related to 恒泰証券有限公司 (Hang Tai Securities Limited), a company incorporated in Hong Kong, or any of its associates.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment in the Offer Shares. We set out some of the particular risks in investing in the Offer Shares in the section headed "Risk Factors" beginning on page 48 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a full-service securities firm incorporated in Inner Mongolia with strategic presence in major cities in economically developed areas in China. We provide a wide range of financial products and services to corporations, financial institutions, government entities and individuals, through our brokerage and wealth management, investment management, proprietary trading and investment banking businesses. As of the Latest Practicable Date, we had a total of 79 securities branches, including 28 securities branches in Inner Mongolia and 36 securities branches in Beijing and Shanghai as well as major cities in the affluent Guangdong, Shandong, Zhejiang and Jiangsu provinces. From 2012 to 2014, our total revenue and net profit grew at a CAGR of 61.1% and 142.1%, respectively.

OUR BUSINESS MODEL

Our business model classifies our products and services into the following four categories:

- ***Brokerage and wealth management***: We engage in the trading of stocks, bonds, funds, options and warrants, as well as futures, on behalf of our customers. We also engage in capital-based intermediary business, such as margin financing and securities lending services and securities-backed lending. During the Track Record Period, the sources of funding for our capital-based intermediary business primarily included cash generated from our operating activities, placements from other financial institutions, proceeds from issuances of commercial paper and subordinated bonds, and financial assets sold under repurchase agreements. In addition, we provide wealth management services to individual and institutional clients, including sales of financial products and investment advisory services.
- ***Investment Management***: Our investment management business includes asset management, fund management, private equity investment and alternative investment.
- ***Proprietary Trading***: We engage in the trading of stocks, bonds, funds, derivatives and other financial products for our own account. We also conduct NEEQ market-making.
- ***Investment Banking***: We provide corporate finance services, including equity underwriting, debt underwriting and financial advisory services to our institutional clients. We also provide financial services as chief agency broker to help companies enter into NEEQ for share quotation and transfer.

We earn (i) fees and commissions for providing services and selling financial products; (ii) investment gains and interest income from our private equity and alternative investments as well as proprietary trading; and (iii) interest income from our capital-based intermediary business.

The following table sets forth our revenue and other income by segment, operating profit and net profit for the periods indicated:

	Year ended December 31,									Three months ended March 31,					
	2012			2013			2014			2014			2015		
	Revenue	*%*	*Segment margin*	*Revenue*	*%*	*Segment margin*	*Revenue*	*%*	*Segment margin*	*Revenue*	*%*	*Segment margin*	*Revenue*	*%*	*Segment margin*
										(unaudited)					
	(RMB in millions, except percentages)														
Brokerage and wealth management	524.9	60.1%	12.2%	768.6	54.0%	29.9%	1,159.5	51.1%	32.4%	202.8	52.6%	36.9%	610.2	55.1%	53.1%
Investment management	40.1	4.6%	27.9%	116.2	8.2%	37.6%	357.6	15.8%	60.7%	15.6	4.0%	61.5%	154.6	14.0%	67.7%
Proprietary trading	223.6	25.6%	69.0%	433.9	30.5%	80.1%	579.8	25.5%	71.5%	145.2	37.7%	86.8%	268.2	24.2%	86.5%
Investment banking	79.7	9.1%	(17.4%)	86.3	6.1%	(3.6%)	149.8	6.6%	31.5%	20.0	5.2%	15.5%	70.7	6.4%	57.4%
Others	5.8	0.7%	(1,098.3%)	17.2	1.2%	(551.5%)	22.7	1.0%	(574.9%)	1.7	0.4%	(2,967.7%)	3.3	0.3%	(847.2%)
Total	874.0	100.0%		1,422.2	100.0%		2,269.5	100.0%		385.4	100.0%		1,106.9	100.0%	
		margin (%)			*margin (%)*			*margin (%)*			*margin (%)*			*margin (%)*	
Operating profit	151.6	17.3%		524.5	36.9%		822.2	36.2%		120.3	31.2%		602.8	54.5%	
Net Profit	111.6	12.8%		399.1	28.1%		654.1	28.8%		90.2	23.4%		473.4	42.8%	

Note:

(1) Segment margin = Profit (loss) before income tax / (segment revenue and other income + share of the results of associates and joint ventures, where applicable).

The following table sets forth the breakdowns of revenue from our proprietary trading business by nature for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	Amounts	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**	**Amounts**	**%**
							(unaudited)			
	(RMB in millions, except percentages)									
Interest income[(1)]	7.5	3.4%	9.7	2.2%	13.5	2.3%	0.4	0.3%	0.3	0.1%
Net investment gains	216.1	96.6%	424.2	97.8%	566.3	97.7%	144.8	99.7%	267.9	99.9%
Total revenue and other income generated from the proprietary trading segment	223.6	100.0%	433.9	100.0%	579.8	100.0%	145.2	100.0%	268.2	100.0%

Note:

(1) Interest income from proprietary trading business mainly included interest income generated from our own funds and financial assets held under resale agreements.

The significant growth in our revenue and other income and profit during the Track Record Period was primarily due to significant growth in our brokerage and wealth management, investment management and proprietary trading segments:

- In our brokerage and wealth management business segment, the growth in segment revenue and other income and profit during the Track Record Period was primarily attributable to (i) the growth of our margin financing and securities lending business due to increased client demand; and (ii) the increased brokerage trading volume by our clients as a result of improved market conditions;

- In our investment management business segment, the growth in segment revenue and other income and profit during the Track Record Period was primarily attributable to the growth of our asset management business. Our asset management business (i) grew significantly from 2012 to 2013 primarily as a result of the increase in our AUM between these periods; (ii) grew significantly from 2013 to 2014 primarily because we enhanced our product mix to include more active asset management products which command higher fees and because we consolidated certain collective asset management schemes; and (iii) grew significantly from the three months ended March 31, 2014 to the three months ended March 31, 2015 primarily because we consolidated certain collective asset management schemes; and

- In our proprietary trading business segment, the growth in segment revenue and other income and profit was primarily attributable to the growth of return on our proprietary trading, which resulted from the significantly improved market conditions.

For a detailed discussion of our segment results, see "Financial Information — Segment Operating Results".

Since 2007, we have undergone strategic transitions in our securities brokerage platform as well as business and service models. In 2011, we initiated a full-service business strategy that is led by securities brokerage and investment management and supported by proprietary trading and investment banking. During the Track Record Period, we established an electronic platform to provide standardized services to our customers effectively and cost-efficiently and achieved streamlined and centralized operation of our securities branch network. We have upgraded the functionality of our securities branch network to focus on providing customized value-added services to our affluent, high net-worth, institutional and corporate clients. We also endeavored to redirect the focus of our substantial brokerage clients from commission-based brokerage businesses to capital-based intermediary, wealth management and sale of financial products. We have been able to focus on increasing synergies among our brokerage and wealth management, investment banking and asset management business lines. To achieve a more balanced revenue and business mix, we will continue to implement our full-service business strategy which is led by securities brokerage and investment management to expand our corporate and institutional client base. We also consider that our investment management and securities brokerage businesses will be the two main driving factors for innovation and growth, which we expect will continue to bring us new business opportunities while growing our revenue and profit. On the basis of reasonable control of our risk exposure and within the investment cap determined by our Board, we engaged in investments in equity securities and fixed-income securities to pursue high investment gains. We had not changed our business model for proprietary trading during the Track Record Period.

As a result of our strategic transitions and the favorable market conditions, we achieved rapid growth in revenue and profit during the Track Record Period. We believe we are able to continue to capitalize on the transformation and development of the PRC securities industry to achieve sustainable and stable growth.

The following table sets forth the key operating data of our principal business segments as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the three months ended March 31,
	2012	2013	2014	2015
	(RMB in billions, except percentages)			
Trading turnover of stocks, funds and bonds	423.9	658.6	949.3	444.7
Average securities brokerage commission rate	0.129%	0.138%	0.129%	0.112%
Balance of margin loans and securities loans	0.1	1.3	5.1	6.4
AUM of asset management business	14.7	23.5	12.8	15.8
Average rate of return from proprietary trading	9.34%	16.63%	10.33%	3.94%
Amount of equity securities underwritten	1.7	1.2	—	—
Amount of debt securities underwritten	2.0	1.7	4.9	2.5

Our securities brokerage business achieved steady growth during the Track Record Period. Our trading turnover of stock, funds and bonds increased from RMB423.9 billion for 2012 to RMB658.6 billion for 2013, and further increased to RMB949.3 billion for 2014 primarily due to our brokerage clients' increased securities trading volume as a result of the improved market conditions. Our average securities brokerage commission rate in 2013 was higher than 2012, 2014 and the three months ended March 31, 2015 primarily due to the significant growth of our margin financing and securities handling business and the increased trading activities of our securities brokerage business. As of December 31, 2012, 2013 and 2014 and March 31, 2015, 58.1%, 58.9%, 58.6% and 51.1% of our securities brokerage clients opened their accounts in our securities in Inner Mongolia, respectively, and 52.0%, 49.0%, 51.0% and 51.0% of the revenue and other income from our securities brokerage business originated in Inner Mongolia, respectively.

The AUM of our asset management business as of December 31, 2013 was significantly higher compared with December 31, 2012 and 2014 and March 31, 2015, primarily due to (i) we launched four equity-linked schemes and two fixed-income schemes with relatively large AUM in 2013; (ii) the CSRC issued new regulations in June 2013 requesting to limit the number of investors under a single collective asset management scheme to 200, which in turn restricted the scale of asset management schemes established in 2014 and the first three months of 2015 and contributed to causing the AUM of our asset management business as of December 31, 2014 and March 31, 2015 to be lower compared with December 31, 2013; and

(iii) we started to transform our business model from channel-based asset management to active asset management to increase our profit margin and the termination of some collective asset management schemes according to their terms in 2014. The average rate of return for our proprietary trading for 2013 was higher than that for 2012, 2014 and the three months ended March 31, 2015 primarily because we sold more available-for-sale financial assets in 2013 that had realized high investment gains. We achieved higher return on our investment in 2013 while our average cost of investment and trading for 2013 were at the same level as 2012 and lower than 2014.

Our innovation capabilities have helped us to develop a diverse portfolio of services and we believe will continue to allow us to leverage business platforms provided by leading Internet services companies to further expand our business. We have developed online securities platform and mobile applications to extend our client reach beyond the physical boundaries. We are also in the process of developing Internet finance channels in collaboration with leading Internet companies. We launched Beizhuanbao (倍賺寶) on August 8, 2015, which was developed in collaboration with Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), or Tencent (騰訊), to provide online margin financing, securities lending and securities-backed lending services. The margin financing and securities lending services through Beizhuanbao (倍賺寶) currently is not available as we require our clients to have at least six-month continual trading history as of the time of their applications for margin financing and securities lending accounts. We have established an online private equity financing platform for companies quoted or to be quoted on the NEEQ. In addition, we collaborate with other financial and technology companies to provide online financial services. See "Business — Competitive Strengths — Our innovation capabilities distinguish us from our competitors and we believe will continue to drive our growth" and "Business — Our Business Model — Brokerage and Wealth Management — Internet Finance" for further information.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and distinguish us from our competitors:

- as a full-service securities firm with strategic presence in China's economically developed areas, we are well-positioned to benefit from the significant growth potential of the PRC securities industry;
- we have a fast-growing investment management business with significant synergies with our other business lines;
- our innovation capabilities distinguish us from our competitors and we believe will continue to drive our growth;
- we have maintained effective risk management and internal control systems;
- our highly cost-effective business operations enable us to generate an industry-leading return on equity for our Shareholders; and
- we have an experienced management team and a well-qualified professional workforce.

BUSINESS STRATEGIES

We intend to pursue the following business strategies:

- continue to expand our securities branch network coverage and transform the revenue model of our brokerage and wealth management business;
- capture opportunities presented by the securities industry reform in China and further strengthen the regional advantages and innovative capabilities of our asset management business;
- continue to grow our proprietary trading business by relying on our strong research and investment capabilities;
- seek to enhance return on equity by strategically increasing leverage;
- further enhance our capital management, risk management, internal controls and information technology capabilities to improve our overall operational efficiency; and
- continue to enhance our human resources management to attract, incentivize and retain talented professionals.

OUR MARKET POSITIONS

We have won a number of awards and recognitions as set forth below:

- *Asset Management*: leading industry publications awarded us "Best Securities Firm for Asset Management Service" (中國最佳資產管理券商獎) and "Golden Bull Award for Securities Firm for Collective Asset Management Service" (金牛券商集合資管計劃).
- *Asset-backed securities*: we ranked first as of the Latest Practicable Date in terms of the number of deals filed with and approved by the AMAC.
- *Fund Management*: leading industry publications awarded us "Golden Bull Progress Award" (金牛進取獎) in 2014 and "Three-year open-ended Hybrid Golden Funds" (三年期開放式混合型持續優勝金牛基金) in 2013 and 2015.
- *Proprietary Trading*: we ranked third in 2013 in terms of investment capabilities and average investment return among all PRC securities firms that engage in proprietary trading.

In 2014, we ranked 44th and 30th among all PRC securities firms in terms of total revenue and other income and revenue generated from asset under management, respectively, and accounted for 0.6% and 1.0% of total revenue and other income and revenue generated from asset under management of all PRC securities firms, respectively.

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015. We have derived this summary from our audited consolidated financial information set forth in the Accountants' Report of our Group in Appendix IA to this prospectus. You should read this summary in conjunction with those financial information and accompanying notes, and the information set forth in the "Financial Information" section in this prospectus.

Summary consolidated statements of profit or loss information

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Revenue					
Fee and commission income	538.7	797.6	1,106.6	177.6	536.5
Interest income	110.3	172.1	341.0	60.9	183.1
Net investment gains	218.7	430.8	800.5	144.5	385.6
Total revenue	867.7	1,400.5	2,248.1	383.0	1,105.2
Other income and gains	6.3	21.7	21.3	2.3	1.7
Total revenue and other income	874.0	1,422.2	2,269.5	385.4	1,106.9
Total operating expenses	(722.4)	(897.7)	(1,447.3)	(265.0)	(504.2)
Operating Profit	151.6	524.5	822.2	120.3	602.8
Income tax expense	(40.1)	(125.0)	(183.2)	(31.5)	(136.8)
Profit for the year/period	111.6	399.1	654.1	90.2	473.4
(Loss)/Profit for the year/period excluding profit contribution from net investment gains[1]	(52.4)	76.0	53.7	(18.2)	184.2

Note:

(1) Profit/loss for the year/period excluding profit contribution from net investment gains = Profit for the year/period - Net investment gains * (1-25% profit tax rate).

The following table sets forth the breakdown of our net investment gains by segment for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	Net investment gains	%	Net investment gains	%	Net investment gains	%	Net investment gains	%	Net investment gains	%
							(unaudited)			
					(RMB in millions, except percentages)					
Investment management[1]	—	0.0%	6.3	1.5%	223.2	27.9%	(1.90)	(1.3%)	116.5	30.2%
Proprietary trading	216.1	98.8%	424.2	98.5%	566.3	70.7%	144.8	100.2%	267.9	69.5%
Others	2.6	1.2%	0.3	0.1%	11.0	1.4%	1.6	1.1%	1.2	0.3%
Net investment gains	218.7	100.0%	430.8	100.0%	800.5	100.0%	144.5	100.0%	385.6	100.0%

Note:

(1) Net investment gains generated from investment management segment mainly included investment gains generated from financial assets at fair value through profit or loss of asset management schemes that have been consolidated as structured entities.

Summary consolidated statements of financial position information

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Non-current assets	624.1	900.9	1,385.1	1,726.9
Current assets	9,009.2	8,979.2	20,432.4	25,756.2
Total assets	9,633.3	9,880.1	21,817.5	27,483.1
Non-current liabilites	37.8	14.5	1,406.1	1,626.0
Current liabilities	5,228.4	5,208.8	15,136.4	20,134.8
Total equity attributable to shareholders of the Company	4,367.2	4,656.9	5,275.0	5,722.3

Summary consolidated statements of cash flows information

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Net cash generated from/(used in) operating activities	715.6	(578.4)	(1,371.8)	(146.0)	258.9
Net cash (used in)/generated from investing activities	(279.9)	445.0	33.6	277.1	(138.9)
Net cash (used in)/generated from financing activities	(43.9)	(43.9)	2,463.5	—	(17.7)
Effect of foreign exchange rate changes	(0.04)	(0.6)	0.1	0.2	0.1
Net increase/(decrease) in cash and cash equivalents	391.8	(178.0)	1,125.4	131.3	102.3
Cash and cash equivalents at beginning of year/period	509.0	900.8	722.8	722.8	1,848.1
Cash and cash equivalents at end of year/period	900.8	722.8	1,848.1	854.0	1,950.5

Negative operating cash flows for the years ended December 31, 2013 and 2014

We had negative net cash flows from operating activities of RMB578.4 million and RMB1,371.8 million, respectively, for the years ended December 31, 2013 and 2014, primarily as a result of negative movements in working capital including significant increases in margin accounts receivable in 2013 and 2014 in line with our fast-growing margin financing business and cash held on behalf of brokerage clients in 2014 as a result of the significant growth of our securities brokerage business. We had positive cash flows from operating activities before movements in working capital of RMB165.4 million, RMB378.9 million and RMB611.5 million and RMB529.9 million for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

We intend to fund our future working capital requirements primarily with cash generated from operating activities, net proceeds from the Global Offering, and proceeds from placements from financial institutions and proceeds from debt issuances.

Key Financial Data and Operating Indicators

The following table sets forth the key measurement of our profitability:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Operating profit	151.6	524.5	822.2	120.3	602.8
Operating margin	17.3%	36.9%	36.2%	31.2%	54.5%
Adjusted operating margin[1]	20.8%	40.8%	41.7%	35.0%	65.6%
Profit for the year/period	111.6	399.1	654.1	90.2	473.4
Net margin	12.8%	28.1%	28.8%	23.4%	42.8%
Adjusted net margin[2]	15.3%	31.0%	33.2%	26.2%	51.5%
Return on average equity	2.6%	8.8%	13.2%	1.9%	8.6%
Return on average total assets	1.1%	4.1%	4.1%	0.9%	1.9%

Notes:

(1) Adjusted operating margin = (operating profit) / (total revenue and other income - fee and commission expenses - interest expenses)

(2) Adjusted net margin = (profit for the year) / (total revenue and other income - fee and commission expenses - interest expenses)

See "Financial Information — Results of Operations — Profit for the Year/Period and Net Margin" for further details.

Summary of financial information of New China Fund

As of March 31, 2015, we held a 43.75% equity interest in New China Fund, a PRC-incorporated fund management company. We entered into a capital increase agreement on February 26, 2015 to acquire additional equity interest in New China Fund to a total holding of 58.62%. Our acquisition of such additional equity interest in New China Fund was completed on July 29, 2015. As of March 31, 2015, New China Fund managed 25 publicly-raised funds with an AUM of RMB26.1 billion, which included nine equity funds, eight hybrid funds, six bond funds and two money market funds. As of the same date, New China Fund managed 117 private equity funds with an AUM of RMB39.5 billion. For details of the background of the New China Fund acquisition, see "History and Corporate Structure — Our Major Subsidiaries — New China Fund". The audited financial information of New China Fund as of December 31, 2012, 2013 and 2014 and March 31, 2015 is included in the Accountants' Report of New China Fund in Appendix 1B to this prospectus. Following the completion of our acquisition of a majority interest and obtaining control in New China Fund, New China Fund's results of operations will be included in our consolidated financial statements. See Appendix II.B to this prospectus for an unaudited pro forma consolidated statement of financial position of the enlarged group including our Group and New China Fund and its subsidiary as of March 31, 2015.

The following table sets forth summary results of operations of New China Fund for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Revenue					
Fee and commission income	115.2	170.8	248.6	50.9	110.7
Interest income	4.3	2.6	4.0	0.3	1.2
Net investment gains	—	4.9	3.0	—	—
Total revenue	119.5	178.3	255.6	51.3	111.9
Other income and gains	2.5	(0.05)	1.9	—	0.002
Total revenue and other income	122.0	178.2	257.5	51.3	111.9
Total operating expenses	(129.7)	(175.4)	(211.8)	(44.5)	(91.4)
(Losses)/profit before income tax	(7.8)	2.8	45.7	6.8	20.4
(Losses)/profit for the year	(7.8)	1.6	34.6	3.3	17.0

RISK MANAGEMENT AND CAPITAL ADEQUACY

We have established comprehensive risk management and internal control processes for monitoring, evaluating and managing our exposure to market, credit, operational and legal and compliance risks in our business activities. The CSRC assigned us a "BBB" regulatory rating from 2012 to 2014 and an "A" regulatory rating for 2015. As of March 31, 2015, we had net capital of RMB4,170.4 million. As of December 31, 2012, 2013 and 2014 and March 31, 2015, all of our capital adequacy and risk indicators complied with applicable regulatory requirements. See "Financial Information — Capital Adequacy and Risk Control Indicators" for details on our net capital and key regulatory risk indicators.

RECENT DEVELOPMENTS

Market Conditions

The PRC securities markets have experienced significant volatility since June 2015. The Shanghai Stock Exchange Composite Index, or SSE Composite Index (上證指數), fluctuated between 5,178.19 recorded on June 12, 2015 and 2,850.71 recorded on August 26, 2015. The PRC regulators have adopted and implemented a series of intervention measures to stabilize the market as detailed below.

We have seen less trading activities and increased de-leveraging by customers, which have had a negative impact on fee and income from our securities brokerage business as well as interest income from our margin financing and securities lending business. However, as a result of the significant increase in our brokerage accounts opened through Internet applications, we have experienced an overall growth in our fee and commission income from our securities brokerage business and interest income from our margin financing and securities lending business for the three months ended June 30, 2015 compared with the three months ended March 31, 2015. As the securities market remained highly volatile in July 2015 and August 2015, our fee and commission income from our securities brokerage business as well as interest income from our margin financing and securities lending business has been adversely affected.

In addition, the recent decline in PRC stock market indices from their peak levels recorded in May 2015 has had a negative impact on the financial performance of our proprietary trading and investment management segments.

The PRC securities market remained highly volatile in September 2015. If the recent market volatility continues for the remainder of 2015, we would expect that our business, financial condition, results of operations and prospects may be materially and adversely affected and, as a result, we may experience declines in the revenue and profit in one or more of our business segments for the second half of 2015 compared with the first half of 2015.

Certain Interim Financial Data

On August 29, 2015, our Shareholder, Baotou Huazi, published its interim report on the website of the Shanghai Stock Exchange, which included our Group's total revenue, net profit and total assets for the six months ended and as of June 30, 2015 under PRC GAAP.

Our reporting accountants have performed a review in accordance with Hong Kong Standards on Review Engagements 2410 on the unaudited condensed consolidated financial statements of our Group for the six months ended June 30, 2015 prepared in accordance with International Accounting Standard 34 (the "IAS34"). For the six months ended June 30, 2015, the unaudited consolidated total revenue and other income and net profit attribute to the shareholders of our Company were RMB 2,931.8 million and RMB1,180.4 million, respectively. As of June 30, 2015, the unaudited consolidated total assets of our Company was RMB40,671.3 million. These selected unaudited consolidated financial data were extracted from the unaudited condensed consolidated financial statements of our Group for the six months ended June 30, 2015 prepared under IAS34 and reviewed by our reporting accountants.

We have not provided a reconciliation of our consolidated unaudited financial data to PRC GAAP because there is no material difference in accounting treatment between PRC GAAP and IFRS except for the financial data set forth below:

	Amounts
	RMB in million
Total revenue under PRC GAAP	2,466.4
Total revenue and other income under IFRS	2,931.8
Difference	(465.4)

The total revenue under PRC GAAP has been netted off with fee and commission expenses amounting to RMB153.4 million and interest expenses amounting to RMB344.7 million and included some other income amounting to RMB32.7 million, while these items are not included in the total revenue and other income under IFRS but under other account captions.

Brokerage and Wealth Management

	As of			
	March 31, 2015	**June 30, 2015**	**July 31, 2015**	**August 31, 2015**
	(in thousands except percentages)			
Number of securities brokerage clients	894.2	1,272.8	1,395.7	1,475.3
— number of active clients	449.1	833.3	956.4	1,034.0
— percentage of active clients	50.2%	65.5%	68.5%	70.1%

	For the three months ended		For the month ended			For the five months ended	
	March 31, 2015	**June 30, 2015**	**June 30, 2015**	**July 31, 2015**	**August 31, 2015**	**August 31, 2014**	**August 31, 2015**
	(RMB in billions)						
Brokerage trading turnover	1,493.7	3,035.2	1,241.7	1,126.1	1,158.1	1,324.1	5,319.5

Our brokerage trading turnover increased from RMB1,493.7 billion for the three months ended March 31, 2015 to RMB3,035.2 billion for the three months ended June 30, 2015, primarily because of increased trading activities of our brokerage clients. Our brokerage trading turnover decreased from RMB1,241.7 billion for June 2015 to RMB1,126.1 billion for July 2015 primarily because a number of our clients reduced their trading activities as a result of the market volatility since mid-June 2015, and increased from RMB1,126.1 billion for July 2015 to RMB 1,158.1 billion for August 2015 primarily due to the increased trading activities of our futures brokerage clients. Our brokerage trading turnover increased from RMB1,324.1 billion for the five months ended August 31, 2014 to RMB5,319.5 billion for the five months ended August 31, 2015, primarily because of increased trading activities of our brokerage clients, the growth of our margin financing and securities lending business and the significant increase in the number of our brokerage clients. We had an average brokerage trading turnover of RMB754.8 billion for the six months ended June 30, 2015 compared with RMB1,126.1 billion for July 2015 and RMB1,158.1 billion for August 2015.

	For the three months ended		For the month ended	
	March 31, 2015	**June 30, 2015**	**July 31, 2015**	**August 31, 2015**
Average securities brokerage commission rate	0.112%	0.100%	0.087%	0.085%

Our average securities brokerage commission rate decreased from 0.112% for the three months ended March 31, 2015 to 0.100% for the three months ended June 30, 2015, and further decreased to 0.087% for July 2015 and 0.085% for August 2015, primarily due to increased market competition and the significant increase in the number of clients who opened brokerage accounts online that enjoy a lower commission rate compared to clients who opened brokerage accounts physically at our brokerage branches. We had an average securities brokerage commission rate of 0.103% for the six months ended June 30, 2015 compared with 0.087% for July 2015 and 0.085% for August 2015. Our average securities brokerage commission rate decreased further for July 2015 also because large clients that typically enjoy relatively low average commission rates contributed a higher percentage of our brokerage trading turnover for July 2015 as they adjusted their securities investment portfolios during the market turmoil. Our average securities brokerage commission rate decreased further for August 2015 also because small clients that typically have relatively high average commission rates significantly reduced their trading activities during the market turmoil.

We monitor the funds and securities in our securities brokerage clients' account on a real-time basis for risk warning. Our monitor staff analyze the risk data and send warning alerts to our securities brokerage department when there are any unusual or irregular trading activities, such as overdraft. Our securities brokerage department then verifies relevant data and provides feedback to our risk management department within the stipulated timeframe. See "Business — Internal Control Measures — Securities Brokerage Business" for further information.

	For the three months ended		For the month ended		
	March 31, 2015	June 30, 2015	June 30, 2015	July 31, 2015	August 31, 2015
			(RMB in millions)		
Margin trading volume of margin financing and securities lending	56,583.6	58,514.1	15,577.7	25,015.6	17,783.0

The margin trading volume of margin financing and securities lending increased from RMB56,583.6 million for the three months ended March 31, 2015 to RMB58,514.1 million for the three months ended June 30, 2015, primarily because our margin financing and securities lending business continued to grow due to increased client demand. The margin trading volume of margin financing and securities lending increased from RMB15,577.7 million for June 2015, which was lower than the monthly average of RMB19,183.0 million for the first six months of 2015, to RMB25,015.6 million for July 2015, which was higher than the monthly average for the first six months of 2015, primarily because we did not have sufficient funds in June 2015 to meet our clients' financing needs and we were able to meet clients' financing needs in July 2015 after we received the proceeds from our issuance of subordinated perpetual bonds on June 29, 2015 and clients increased settlements of margin trading positions to de-leverage in July 2015. The margin trading volume of margin financing and securities lending decreased from RMB25,015.6 million for July 2015 to RMB17,783.0 million for August 2015 primarily because the decreased trading activities and the reduced clients' financing needs in August 2015 due to the market turmoil. The total value of the balance of margin financing and securities lending decreased from RMB8.6 billion as of June 30, 2015 to RMB5.1 billion as of August 31, 2015.

We monitor certain key indicators relating to our margin financing and securities lending business. Our monitor staff send warning alerts to our credit department when a client's collateral ratio reaches the alert level. Our credit department then requests the client to increase the collateral ratio, and provides feedback to our risk management department within the stipulated timeframe. If the client fails to increase the collateral ratio as requested, we may conduct mandatory liquidation of the client's trading position. See "Business — Internal Control Measures — Capital-based Intermediary Business — Margin Financing and Securities Lending Business" for further information.

Asset Management

	As of			
	March 31, 2015	**June 30, 2015**	**July 31, 2015**	**August 31, 2015**
	(RMB in millions)			
AUM of asset management schemes(1)	15,758.3	21,366.0	23,225.4	21,902.4

Note:

(1) The total AUM of asset management schemes under our management included collective, targeted and specialized asset management schemes launched and managed by our asset management department as well as futures asset management products launched and managed by Shanghai Yingwo, which do not belong to any of the foregoing three asset management schemes.

The total AUM of asset management schemes under our management increased from RMB15,758.3 million as of March 31, 2015 to RMB21,366.0 million as of June 30, 2015 and further increased to RMB23,225.4 million as of July 31, 2015, primarily as a result of an increase in AUM of our specialized asset management schemes from RMB2,346.4 million as of March 31, 2015 to RMB6,663.7 million as of June 30, 2015 and to RMB8,086.3 million as of July 31, 2015. The total AUM of asset management schemes under our management decreased from RMB23,225.4 million as of July 31, 2015 to RMB21,902.4 million as of August 31, 2015, primarily as a result of the maturity of several collective asset management schemes and targeted asset management schemes with a total AUM of RMB1,594.1 million in August 2015. Our equity-linked fund management business was also negatively affected by the market volatility with a redemption of 15%, which is expected to affect the performance of our asset management business.

We monitor key indicators relating to our asset management business, such as the net value of asset management schemes and the percentage a single security represents in an asset management scheme. Our monitor staff analyze the risk warning data, and send warning alerts to our asset management department if the percentage a single security represents in an asset management scheme exceeds the agreed level under the asset management contract. Our asset management department then provides feedback regarding the remedial measures to our risk management department within the stipulated timeframe. See "Business — Internal Control Measures — Investment Management Business — Asset management Business" for further information.

Proprietary Trading

	For the three months ended		For the month ended			For the five months ended	
	March 31, 2015	June 30, 2015	June 30, 2015	July 31, 2015	August 31, 2015	August 31, 2014	August 31, 2015
	(RMB in millions)						
Proprietary trading volume	42,284.8	45,871.8	13,701.9	24,936.9	26,530.3	72,550.4	97,316.1

The following table sets of the investment balance for each type of our proprietary trading investment for the periods indicated:

	As of			
	March 31, 2015	June 30, 2015	July 31, 2015	August 31, 2015
	(RMB in millions)			
Type of investment				
- Equity securities	978.1	922.3	867.2	621.1
- Debt securities	2,758.6	2,764.3	4,429.3	4,656.3
- Derivatives and other investment	65.7	93.2	78.0	65.3
Total	3,802.4	3,779.8	5,374.5	5,342.7

Our proprietary trading volume increased from RMB42,284.8 million for the three months ended March 31, 2015 to RMB45,871.8 million for the three months ended June 30, 2015, primarily reflecting our increased proprietary trading activities. We had an average proprietary trading volume of RMB14,692.8 million for the six months ended June 30, 2015 compared to RMB24,936.9 million for July 2015 and further increased to RMB26,530.3 million for August 2015 primarily as a result of our efforts to enhance our investment portfolio to focus on quality investments with relatively low risk exposure, for example, we purchased more undervalued stocks and debt securities and sold more overvalued stocks.

Our proprietary trading volume increased from RMB72,550.4 million for the five months ended August 31, 2014 to RMB97,316.1 million for the five months ended August 31, 2015, primarily reflectingour increased proprietary trading activities. Our investment balance for equity securities decreased from RMB922.3 million for June 2015 to RMB867.2 million for July 2015 and further decreased to RMB621.1 million for August 2015, and our investment balance for debt securities increased from RMB2,764.3 million for June 2015 to RMB4,429.3 million for July 2015 and further increased to RMB4,656.3 million for August 2015 primarily as a result of our efforts to enhance our investment portfolio to increase debt investments with relatively low risk exposure.

We had a monthly average rate of return of 13.14% for our proprietary equity trading for the six months ended June 30, 2015 compared with a negative rate of return of 12.1% for June 2015, a negative rate of return of 2.2% for July 2015 and a negative rate of return of 2.5% for August 2015 as a result of the market volatility since mid-June 2015 and the general decline in the A share market while the CSI 300 Index declined by 14.7% during July 2015. The rate of return for our proprietary equity trading increased from 31.9% for the three months ended March 31, 2015 to 42.9% for the three months ended June 30, 2015 due to the significantly improved market condition up to mid-June of 2015.

At the same time, we continued to expand our NEEQ market-making business in July 2015 and August 2015 and had entered into market-marking agreements with 29 companies as of September 11, 2015, and plan to steadily grow this business to diversify revenue sources of our proprietary trading business.

We monitor key indicators relating to our proprietary trading business, such as trading position and unrealized gains and losses. Our monitor staff send warning alerts to our asset management department if our investment loss reaches the pre-determined points to stop loss. Our proprietary trading department takes measures according to our stop-loss mechanism and provides feedback to our risk management department within the stipulated timeframe. See "Business — Internal Control Measures — Proprietary Trading" for further information.

Investment Banking

	For the three months ended			For the month ended	
	March 31, 2015	June 30, 2015	June 30, 2014	July 31, 2015	August 31, 2015
			(RMB in millions)		
Amount of equity securities underwritten by us	—	489.0	—	—	—
Amount of debt securities underwritten by us	2,535.0	1,200.0	1,590.0	—	900.0

We did not underwrite any equity securities offering for the three months ended June 30, 2014 and for the three months ended March 31, 2015. The amount of equity securities lead-underwritten by us increased to RMB489.0 million for the three months ended June 30, 2015 primarily because the CSRC approved two offering applications underwritten by us. The amount of debt securities lead-underwritten by us decreased from RMB1,590.0 million for the three months ended June 30, 2014 to RMB1,200.0 million for the three months ended June 30, 2015. The amount of debt securities lead-underwritten by us decreased from RMB2,535.0 million for the three months ended March 31, 2015 to RMB1,200.0 million for the three months ended June 30, 2015, primarily because the number of debt securities offerings underwritten by us decreased from six for the three months ended March 31, 2015 to two for the three months ended June 30, 2015. We did not underwrite any equity securities offering in July 2015 and August 2015 as the CSRC intended to reduce the number of IPOs on Chinese stock exchanges or debt securities offering in July 2015. We underwrote a debt securities offering in August 2015 with an amount of RMB900.0 million. In addition, we had entered into contracts with more than 160 companies to act as the chief agency broker to assist these companies in entering NEEQ for share quotation and transfer.

Stabilization Measures

In response to the recent market decline and with a view to stabilizing the market and restoring investors' confidence, the PRC government has adopted a series of intervention measures since late June 2015, including interest rate cuts by the PBOC and handling fee and subscription fee reduction by the Shanghai Stock Exchange and Shenzhen Stock Exchange.

In practice, we generally require our clients to provide 60.0% of security deposit for their margin trading. On June 15, 2015, we increased the security deposit amount required for margin financing from 60% to 70% of the loan amount, which reduced the leverage undertaken by our customers and lowered our risk exposure.

On July 1, 2015, the CSRC promulgated amendments to the Management Measures (《證券公司融資融券業務管理辦法》) on Margin Financing and Securities Lending of the Securities Companies with immediate effect. The amendments provide, among others, that:

- securities companies may extend the term of margin financing and securities lending contracts beyond six months; and

- securities companies and their customers may determine their collateral arrangements for margin financing and securities lending, and mandatory liquidation of trading position is no longer required when a customer fails to satisfy collateral requirements.

In response to Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange (《上海證券交易所融資融券交易實施細則》) and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange (《深圳證券交易所融資融券交易實施細則》) which took effect on July 1, 2015 or together, the Detailed Rules, we have started to draft amendments to our internal rules and procedures for our margin financing and securities business in July 2015, and submitted them for internal review and approval which is expected to be obtained in early October 2015. These amendments include, among others:

- permitting client to extend the term of the margin financing and securities lending contract for another six months upon the expiration of first six months;

- amending provisions on the concentration and discount rate for collateral to reduce risk exposure of certain securities and determination of acceptable collateral based on the collateral's fluctuation range and turnover rate within a month period; and

- revising the alert level of collateral ratio from 150.0% to 140.0%. The existing internal rules are more strict with regard to the term of the margin financing and securities lending contract and liquidation level of collateral ratio.

The Shanghai Stock Exchange and the Shenzhen Stock Exchanges amended the Detailed Rules on August 3, 2015 with immediate effect. The amendments provide that an investor may repay any securities borrowed with securities to be purchased by such investor

(買券還券) or through return of the same securities the investor currently holds (直接還券) no earlier than the next trading day after selling the securities borrowed from a securities company. In compliance with such amendments, we require that our clients may only repay any securities borrowed from us from the next trading day after selling the securities borrowed from us, and we further amended our internal control rules relating to securities lending to reflect such changes. The amendments to our internal control rules are expected to take effect in early October 2015 upon approval by our senior management or our Board.

Further, the CSRC has stated on July 3, 2015 that the CSRC intended to reduce the number of IPOs on Chinese stock exchanges and the amount of capital to be raised through such IPOs in view of the recent market volatility, and further stated on July 31, 2015 that it was necessary to take measures to reduce or suspend IPOs with the purpose of maintaining market stability. The CSRC encourages substantial shareholders, directors, supervisors and senior management of listed companies to increase shareholding in their companies to help stabilize share prices and safeguard investors' interests. See "Regulatory Environment—Regulation on Operations of Securities Companies—Margin Financing and Securities Lending" for details. As the CSRC has suspended IPOs on China's stock exchanges for an indefinite term, we intend to focus on our debt financing business in the near future. As part of the PRC government's intervention measures in response to recent market volatility, securities companies in China are permitted to increase but not to reduce their trading positions since July 9, 2015. We have not been requested by any governmental or regulatory authorities to increase our investment in China's equity market. We continue to review our investment and hedging strategies regularly and will make necessary adjustments in light of latest market developments.

On July 18, 2015, the PBOC, the CSRC and eight other PRC regulatory authorities jointly issued the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), which establish the regulatory framework for the emerging Internet finance business sector while encouraging the further development and innovation of Internet finance-related platforms, products and services. See "Regulatory Environment — Other Regulations and Measures — Internet Finance" for further details.

Due to the recent market volatility, we have seen less trading activities and increased de-leveraging by our securities brokerage customers which have had a negative impact on fee and income from our securities brokerage business and interest income from our margin financing and securities lending business. The recent decline has had a negative impact on the financial performance of our proprietary trading business due to the reduction in the value of our trading and investment positions, and on our investment management segments due to the reduced value of our asset management portfolio and increased client redemptions. If the recent market volatility continues for the remainder of 2015, we would expect that our business, financial condition, results of operations and prospects may be materially and adversely affected.

Indebtedness

In April 2015, we issued another tranche of short-term commercial paper with an aggregate face value of RMB700.0 million and an interest rate of 4.65% per year. Between

April 1 and June 29, 2015, we issued beneficiary certificates with an aggregate principal amount of RMB1,795.3 million with interest rates ranging from 6.0% to 7.1%, which are repayable within a period between 90 days to two years. On July 20, 2015, we repaid beneficiary certificates in an aggregate principal amount of RMB200.0 million with an interest rate of 7.1% and a maturity period of 90 days. On June 29, 2015, we issued subordinated perpetual bonds in the principal amount of RMB1.5 billion with an interest rate of 6.80% per year. We used the net proceeds from the issuance of subordinated bonds primarily to fund our working capital. We also intend to issue corporate bonds up to an aggregate principal amount of RMB1.5 billion later in 2015. See "Financial Information—Indebtedness" in this prospectus for further details.

Except as disclosed above, our Directors confirm that there has been no other material adverse change in our financial or trading position or prospects since March 31, 2015, being the date of our latest audited financial statements, and up to the date of this prospectus. As of August 31, 2015, we were in compliance with all of our capital adequacy and risk control index requirements. Please see "Financial Information — Capital Adequacy and Risk Control Indicators" for further information.

LISTING EXPENSES

We expect to incur RMB75.3 million of listing expenses (assuming an offer price of HK$4.11 per Offer Share, which is the mid-point of the stated range of the Offer Price) until the completion of the Global Offering, of which RMB5.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB69.6 million is expected to be accounted for as a deduction from our equity. We do not expect these listing expenses to have a material impact on our results of operations in 2015.

SUBSTANTIAL SHAREHOLDERS

Upon Listing, SASAC Xicheng District will, through Finance Street Group, be interested in approximately 21.03% (assuming the Over-allotment Option is not exercised) or 20.42% (assuming the Over-allotment Option is exercised in full) of our issued share capital, and therefore will be the single largest ultimate shareholder of our Company. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of our Company, entered into an acting in concert agreement. As of the Latest Practicable Date, approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding. Upon Listing, Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida together will be interested in approximately 17.40% (assuming the Over-allotment Option is not exercised) or 17.04% (assuming the Over-allotment Option is exercised in full) of our issued share capital, and therefore will be substantial shareholders of our Company. Please see the section headed "History and Corporate Structure — Information on Existing Shareholders" for further details. As of the Latest Practicable Date and immediately following completion of the Global Offering, our Company did not and will not have a controlling shareholder as defined under the Hong Kong Listing Rules. We are not aware of any arrangement currently in place which may at a subsequent date result in a change of control of our Company.

Restriction on Shareholding by Foreign Investors in PRC Securities Companies

Under relevant rules and regulations of the PRC, foreign investors are not permitted to hold, directly or indirectly, more than 5% of the total equity interests in a securities company incorporated in the PRC without prior approval by the CSRC. Corporate and institutional investors in our H Shares should ensure that each of their minority shareholders' interest in us, taking into account both direct shareholding and indirect shareholding through their interests in such corporate and institutional investors and any other entities, does not exceed 5% of our total outstanding Shares.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,373.05 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses in connection with the Global Offering and assuming the initial public Offer Price of HK$4.11 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus and the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 50%, or HK$686.53 million, is expected to be used for our capital-based intermediary business, including providing funding for our margin financing and securities lending and securities-backed lending businesses and developing online margin financing and securities lending and securities-backed lending services, such as Beizhuanbao (倍賺寶). We expect client demand for margin financing and securities lending and securities-backed lending to continue to increase as result of the significant increase in the number of our brokerage clients in the first six months of 2015, which, in turn, was primarily due to the significant increase in the number of clients who opened brokerage accounts online. Following our launch of Beizhuanbao (倍賺寶) in August 2015, we expect our brokerage client base to further expand at a fast pace, which we believe will drive the demand for margin financing and securities lending and securities-backed lending to increase. We intend to use this portion of the net proceeds from the Global Offering to meet the expected increase in client demand for margin financing and securities lending and securities-backed lending. During the Track Record Period, the sources of funding for our capital-based intermediary business primarily included cash generated from our operating activities, placements from other financial institutions, proceeds from issuance of commercial paper and subordinated bonds, and financial assets sold under repurchase agreements. Going forward, we plan to reduce our borrowings from other financial institutions and increase the proportion of our own funds for the funding of our capital-based intermediary business. Even though the total value of balance of our margin financing and securities lending decreased from RMB8.6 billion as of June 30, 2015 to RMB5.1 billion as of August 31, 2015 as a result of the recent market turmoil, the existing clients' demand for margin financing and securities lending is still at a relatively high level. We believe that the capital-based intermediary business is expected to grow in long term after the market stabilizes. As the demand for margin financing and securities lending and securities-backed lending is expected to further increase as a result of the significant increase in the number of brokerage clients and the launch of Beizhuanbao (倍賺寶), we believe we can apply this portion of net proceeds from the Global Offering, which is lower than the existing demand, to sustain the development of our capital-based intermediary business;

- Approximately 30%, or HK$411.91 million, is expected to be used to grow our NEEQ market-making business, and plan to use proceeds from the Global Offering to acquire treasury shares of NEEQ-quoted companies with growth potential and market interest; and
- Approximately 20%, or HK$274.61 million, is expected to be used to continue to grow and enhance our Internet finance business. We are developing Internet finance channels with independent third-parties, and we are obligated to pay certain fees for clients originated from such Internet platform and mobile applications. In addition, we are also developing our Internet platforms, such as our private equity financing platform for companies quoted or to be quoted on the NEEQ and P-to-P financing platform, which require capital commitment. Further, we are expanding our securities branch coverage in economically developed areas in order to provide local support to our clients originated from Internet channels.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range or the Over-allotment Option is exercised, our intended use of proceeds will be increased or decreased on a pro-rata basis.

OFFER STATISTICS

All statistic in this table are based on the assumption that no Over-allotment Option will be granted.

	Based on an Offer Price of HK$3.92	**Based on an Offer Price of HK$4.30**
Market capitalization of the H Shares(1)	HK$1,536.8 million	HK$1,685.8 million
Total market capitalization(2)	HK$10,000.3 million	HK$10,969.8 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	HK$3.22	HK$3.27

(1) The calculation of market capitalization of the H Shares is based on 392,040,000 H Shares (including 356,400,000 H Shares to be issued in the Global Offering and 35,640,000 Sale Shares to be offered by the Selling Shareholders), which are expected to be in issue immediately following the completion of the Global Offering.

(2) The calculation of market capitalization is based on 2,551,107,412 Shares expected to be issued and in issue following the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to Shareholders of the Company is arrived at after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND POLICY

We declared and paid cash dividends in the amount of RMB43.9 million, RMB43.9 million and RMB219.5 million, respectively, for the years ended December 31, 2012, 2013 and 2014. Our share dividend payout ratio (calculated by dividing dividend declared for the year by profit for the year attributable to owners of the Company) was 39.3%, 11.0% and 33.0%, respectively, for the years ended Devember 31, 2012, 2013 and 2014. Our historical dividends may not be indicative of future dividend payments.

Under relevant PRC laws, we may only pay dividends out of our distributable profits. Under CSRC rules, as a securities firm, we are not allowed to distribute as cash dividends the gains from fair value changes of financial assets that are included in distributable profits. For details, see "Financial Information—Dividend Policy" in this prospectus.

We issued subordinated perpetual bonds in June 2015 and our Board has approved our plan to issue corporate bonds later in 2015, both of which contain terms that restrict our ability to pay dividends to Shareholders under certain specific circumstances. For details, see "Financial Information—Indebtedness—Subordinated Bonds." If we trigger those restrictive clauses, we will not be permitted to pay dividends to our Shareholders.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering. They can be categorized into (i) risks relating to our business; (ii) risks relaing to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering. We believe our principal risks include the following:

- Unfavorable changes in economic and market conditions in China or relevant PRC government policies could materially and adversely affect our business.
- If we are unable to compete effectively against competitors in our business lines, our business, financial condition, results of operations and prospects may be materially and adversely affected.
- If the trading volume or commission rate for our brokerage business declines, our business, financial condition and results of operations would be materially and adversely affected.

For further information relating to these and other risks relating to an investment in our Shares, see "Risk Factors" in this prospectus.

APPROVED NAME FOR CARRYING ON BUSINESS IN HONG KONG

Our company was established in Inner Mongolia in 1998. We changed our name to "恒泰证券有限責任公司" (Hengtai Securities Limited Liability Company) in 2002 and then to "恒泰证券股份有限公司" (Hengtai Securities Co., Ltd) in 2008, and have since been carrying on business under the names of "恒泰证券"/"Hengtai Securities" and/or its variations in the PRC. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong

Kong company under Part 16 of the Companies Ordinance and we carry on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) as approved by and registered with the Registrar of Companies on April 27, 2015. We are not in any way connected with or related to 恒泰証券有限公司 (Hang Tai Securities Limited), a company incorporated in Hong Kong, or any of its associates. To minimize the potential risks of legal proceedings, we carry on business as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) in Hong Kong and have taken additional measures for this purpose. For more details, see "History and Corporate Structure — History of Our Company", "Business — Intellectual Property Rights", and "Appendix VI — Statutory and General Information — 1. Further Information — A. Incorporation" of this prospectus.

REGULATORY NON-COMPLIANCE AND INSPECTIONS

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC, including but not limited to the CSRC, the Shanghai Stock Exchange and Shenzhen Stock Exchange. We have, from time to time, detected incidents of regulatory non-compliance. For example, the CSRC conducted an onsite inspection of our asset management business from June 3 to June 7 in 2013 and issued a regulatory letter identified certain regulatory violations. In addition, we are subject to inspections and examinations by the CSRC and other regulatory agencies, which may reveal certain deficiencies with respect to our business operations, risk management and internal controls. Please see the section headed "Business — Legal and Regulatory — Regulatory Inspections" for further information.

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

"AMAC"	the Asset Management Association of China (中國證券投資基金業協會)
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context requires, any of them relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Baotou Huazi"	Baotou Huazi Industry Co., Ltd (包頭華資實業股份有限公司), a joint stock limited company established in the PRC on November 30, 1998, listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of our Company
"Beijing Taihai"	Beijing Taihai Jinjie Properties Co., Ltd. (北京泰海金階置業有限責任公司), a limited liability company established in the PRC on May 9, 2006 and a shareholder of our Company
"Board" or "Board of Directors"	the Board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFA"	the China Futures Association (中國期貨業協會)
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Financial Futures Exchange" or "CFFEX"	the China Financial Futures Exchange (中國金融期貨交易所)
"CMDMC"	the China Securities Capital Market Development Monitoring Center Co., Ltd. (中証資本市場發展監測中心有限責任公司)
"China Securities Finance" or "CSFC"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock company established under the direction of the State Council to provide, among other functions, margin and securities refinancing services to support the margin financing and securities lending businesses of PRC securities firms
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"Co-lead Managers"	RHB OSK Securities Hong Kong Limited, Convoy Investment Services Limited and Sun Hung Kai Investment Services Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	a company established as a limited liability company in the PRC on December 28, 1998 and converted into a joint stock company with limited liability under the PRC laws on November 3, 2008 under the corporate name "恒泰证券股份有限公司" (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) as approved by and registered with the Registrar of Companies in Hong Kong on April 27, 2015, and except where the context otherwise requires including its predecessors
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context requires otherwise
"CSDCC"	the China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Dalian Commodity Exchange"	the Dalian Commodity Exchange (大連商品交易所)
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

"E&Y Advisory" or "Industry Consultant"	Ernst & Young (China) Advisory Limited Beijing Branch Office, the independent industry consultant
"Finance Street Group"	collectively, Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, all being subsidiaries of SASAC Xicheng District, which is the single largest ultimate shareholder of our Company
"Finance Street Investment"	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a limited liability company established in the PRC on May 29, 1996, a subsidiary of SASAC Xicheng District and a shareholder of our Company
"Finance Street Xihuan Properties"	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a limited liability company established in the PRC on December 14, 1992, a subsidiary of SASAC Xicheng District and a shareholder of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	ordinary share(s) issued by us with a nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange

"Hengtai Capital"	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), a limited liability company established in the PRC on June 3, 2013 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Capital Equity"	Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司), a limited liability company established in the PRC on September 9, 2013, which was wholly-owned by Hengtai Capital and an indirect wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Changcai"	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), a limited liability company established in the PRC on January 10, 2002 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Futures"	a company established in the PRC as a limited liability company on December 20, 1992 and converted into a joint stock company with limited liability under the PRC laws on September 16, 2015 with its name changed from "恒泰期货有限公司" (Hengtai Futures Co., Ltd.) to "恒泰期货股份有限公司" (Hengtai Futures Co., Ltd.) , which was held by our Company and Hengtai Capital as to 80% and 20%, respectively, and a wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information

"Hengtai Hengfu"	Beijing Hengtai Hengfu Information Service Co., Ltd. (北京恒泰恒富信息服務有限公司), a limited liability company established in the PRC on April 17, 2015, which was wholly-owned by Hengtai Pioneer and an indirect wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Hengzhong"	Beijing Hengtai Hengzhong Information Service Co., Ltd. (北京恒泰恒眾信息服務有限公司), a limited liability company established in the PRC on July 16, 2015, which was wholly-owned by Hengtai Pioneer and an indirect wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Hongze"	Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司), a limited liability company established in the PRC on April 8, 2015, which was wholly-owned by Hengtai Pioneer and an indirect wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Hengtai Pioneer"	HengTai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), a limited liability company established in the PRC on January 25, 2013 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC, which is a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Share(s)"	the H Share(s) offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the initial offering by our Company of 39,204,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) for cash at the Offer Price (plus brokerage, SFC transaction levies and the Hong Kong Stock Exchange trading fees), subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering — Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters" in this prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 29 2015, relating to the Hong Kong Public Offering and entered into by, the Hong Kong Underwriters and our Company, as further described in "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Hongzhi Huitong"	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a limited liability company established in the PRC on December 7, 1998 and a shareholder of our Company
"Huarong Infrastructure"	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a limited liability company established in the PRC on May 23, 2006, a subsidiary of SASAC Xicheng District and a shareholder of our Company

"Huifa Investment"	Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), a limited liability company established in the PRC on May 21, 1999 and a shareholder of our Company
"Huijin Jiaye"	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a limited liability company established in the PRC on May 19, 2000 and a shareholder of our Company
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"IMSFA"	Inner Mongolia Securities & Futures Association (內蒙古證券期貨業協會)
"IMSRB"	the Inner Mongolia Securities Regulatory Bureau (內蒙古證監局) under CSRC
"Independent Third Party(ies)"	party(ies), who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
"Inner Mongolia"	the Inner Mongolia Autonomous Region of the PRC
"Inner Mongolia AIC"	Inner Mongolia Autonomous Region Administration for Industry and Commerce (內蒙古自治區工商行政管理局)
"Inner Mongolia Kaide Luntai"	Inner Mongolia Kaide Luntai Investment Co., Ltd. (內蒙古凱德倫泰投資有限公司), a limited liability company established in the PRC on March 21, 2006 and a shareholder of our Company
"International Offer Share(s)"	the H Share(s) offered pursuant to the International Offering
"International Offering"	the offer for subscription and sale of initially 352,836,000 H Shares by our Company and 35,640,000 Sale Shares by the Selling Shareholders to institutional, professional, corporate and other investors, subject to adjustment and the Over-allotment Option, as further described in "Structure of the Global Offering" in this prospectus

"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date, by, among others, the International Underwriters, our Company and the Selling Shareholders, as further described in the paragraph headed "Underwriting — the International Offering" in this prospectus
"Joint Bookrunners"	BOCOM International Securities Limited, Haitong International Securities Company Limited, BOCI Asia Limited and CCB International Capital Limited
"Joint Global Coordinators"	BOCOM International Securities Limited and Haitong International Securities Company Limited
"Joint Lead Managers"	BOCOM International Securities Limited and Haitong International Securities Company Limited
"Joint Sponsors"	BOCOM International (Asia) Limited and Haitong International Capital Limited
"Latest Practicable Date"	September 20, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, October 15, 2015, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the People's Republic of China

"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NBSC"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"New China Fund"	New China Fund Management Co., Ltd. (新華基金管理有限公司), a limited liability company established in the PRC on December 9, 2004, and was owned by New China Trust Co., Ltd. (新華信託股份有限公司), our Company and Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司) as to approximately 35.31%, 58.62% and 6.07%, respectively, and a non-wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"New China Fushi"	Shenzhen New China Fushi Asset Management Co., Ltd. (深圳新華富時資產管理有限公司), a limited liability company established in the PRC on April 10, 2013, and owned by New China Fund, Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合伙)) and Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司) as to 60%, 20% and 20%, respectively, and a non-wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information

"New Times Securities"	a company established as a limited liability company in the PRC on June 26, 2003 under the name of 新時代証券有限責任公司 (New Times Securities Co., Ltd.) and converted into a joint stock company with limited liability under the PRC laws on August 18, 2015 under the name of 新時代証券股份有限公司 (New Times Securities Co., Ltd.), which was held indirectly by Tomorrow Holdings as to approximately 54.97% and a connected person of our Company
"New Times Trust"	New Times Trust Co., Ltd (新時代信託股份有限公司), a joint stock company with limited liability established in the PRC on February 27, 2004 and an Independent Third Party
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"Offer Price"	the final offer price per H Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, as described in "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus
"Offer Shares"	collectively, the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be offered pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company and the Selling Shareholders to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to 53,460,000 additional H Shares and the Selling Shareholders may be required to sell up to 5,346,000 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed " Structure of Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta"	the region comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen, Zhaoqing and Shantou, all of which are located in Guangdong province
"Pioneer Movie"	Beijing Pioneer Movie Venture Investment Management Centre (Limited Partnership) (北京先鋒創影投資管理中心(有限合夥)), a limited partnership established in the PRC on September 25, 2013 by Hengtai Pioneer (as general partner) and New China Fushi (as limited partner, acting on behalf of a specialised asset management scheme named "New China Fushi — Xianfeng No.1" established by New China Fushi). Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"PRC GAAP"	generally accepted accounting principles of PRC
"Price Determination Date"	the date, expected to be on or around Wednesday, October 7, 2015 (Hong Kong time), on which the Offer Price is determined, or such later time as our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than Thursday, October 8, 2015
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

"Qingyun Intercontinental"	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), a limited liability company established in the PRC on July 16, 2002 and a substantial shareholder of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"Sale Shares"	the 35,640,000 H Shares, equivalent to 10% of the total amount of H Shares offered in the Global Offering, and, where relevant, any additional H Shares which may be sold pursuant to the exercise of the Over-allotment Option. For further details, please see "Share Capital - Transfer and Sale of State-owned Shares" of this prospectus. The Selling Shareholders will convert an equal number of Domestic Shares held by them to be offered for sale as the Sale Shares, subject to any adjustments as provided in "Information about this Prospectus and the Global Offering — Selling Shareholders" in this prospectus. References to "Sale Shares" shall include, where the context requires, the Domestic Shares from which the Sale Shares are converted
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SASAC Inner Mongolia"	the State-owned Assets Supervision and Administration Commission of People's Government of Inner Mongolia Autonomous Region (內蒙古自治區人民政府國有資產監督管理委員會)

"SASAC Xicheng District"	the State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which indirectly controlled an aggregate of approximately 25.79% of issued share capital of our Company through Finance Street Investment, Finance Street Xihuan Properties and Huarong Infrastructure and was the single largest ultimate shareholder of our Company as of the Latest Practicable Date
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"Selling Shareholders"	the state-owned Shareholders, who, collectively, are required to convert the Domestic Shares they held to H Shares and sold for the benefit of the NSSF pursuant to the relevant PRC laws relating to the conversion/reduction of state-owned shares, as further described in "Information about this Prospectus and the Global Offering - Selling Shareholders" of this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Hongdian"	Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司), a limited liability company established in the PRC on May 4, 2015, which was wholly-owned by Hengtai Capital and an indirectly wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information

"Shanghai-Hong Kong Stock Connect"	a pilot program that links the stock markets in Shanghai and Hong Kong under which investors in Hong Kong and the PRC can trade and settle shares listed on the other market via exchange and clearing house in their home market
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Yida"	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a limited liability company established in the PRC on March 20, 2001 and a substantial shareholder of our Company
"Shanghai Yingwo"	Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司), a limited liability company established in the PRC on July 2, 2013, which was wholly-owned by Hengtai Pioneer and an indirect wholly-owned subsidiary of our Company as of the Latest Practicable Date. Please see the section headed "History and Corporate Structure — Our Major Subsidiaries" for further information
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and H Share(s)
"Shareholders(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SIPF"	the China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies《(國務院關於股份有限公司境外募集股份及上市的特別規定)》, promulgated by the State Council on August 4, 1994
"sq.m."	square meters
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stabilizing Manager"	BOCOM International Securities Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules

"substantial shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
"Tomorrow Holding"	Tomorrow Holding Limited Company (明天控股有限公司), a limited liability company established in the PRC on September 20, 1999 and was owned by seven PRC individuals who were Independent Third Parties as of the Latest Practicable Date. Tomorrow Holding controlled approximately 54% of equity interest in one of the substantial shareholders of our Company, namely, Baotou Huazi
"Track Record Period"	the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO, www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

"Wind Info"	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company with limited liability established in the PRC on April 4, 2005 and a service provider of financial data, information and software, being an Independent Third Party
"Yangtze River Delta"	the region comprising Jiangsu and Zhajiang provinces and Shanghai
"Zhengzhou Commodity Exchange"	the Zhengzhou Commodity Exchange (鄭州商品交易所)
"Zhongchang Hengyuan"	Zhongchang Hengyuan Holding Co., Ltd. (中昌恒遠控股有限公司), a limited liability company established in the PRC on February 26, 2001 and a substantial shareholder of our Company
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language and the Chinese translation of company names in English is for identification purposes only.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"active clients"	clients who are not "inactive clients"; a client is an "inactive client" if the securities in the client's account with us have a market value of zero, the fund in the client's account is below RMB100, and the client has not conducted any trade in the past one-year period
"affluent individual(s)"	individual(s) with personal assets of at least RMB500,000
"A share(s)"	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
"AUM"	the amount of assets under management
"average securities brokerage commission rate"	equals the commission income from our trading of stocks and funds on behalf of clients as divided by our brokerage trading turnover for stocks and funds
"Beta-coefficient"	a measure of sensitivity of a share price to movement in the market price. A Beta-coefficient of less than one means that the security's price is less volatile than the market
"CAGR"	compound annual growth rate
"capital-based intermediary business"	services that securities firms provide to clients in their securities and derivatives trading, investment and financing by leveraging their capital position and integrated trading platform, primarily including margin financing and securities lending, repurchase agreements, collateralized stock repurchase agreements, dealer-quoted bond repurchase agreements, total return swaps, OTC market-making and provision of liquidity
"ChiNext Board"	the growth enterprise board launched by the Shenzhen Stock Exchange (深圳證券交易所創業板)
"client account balance"	cash balance held on behalf of our brokerage clients

"collective asset management scheme"	an asset management contract entered into with multiple clients by a securities firm in China, pursuant to which the clients' assets are placed in the custody of commercial banks qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the securities firm provides asset management services to the clients through designated accounts
"CSI 300 Index"	a capitalization-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which is compiled by the China Securities Index Co., Ltd. (中證指數有限公司)
"CSI 300 Index Futures"	CSI 300 index futures contracts
"ETF(s)"	exchange-traded fund(s)
"FICC"	fixed-income, currencies and commodities
"FOF"	fund of funds
"futures IB business"	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
"GDP"	gorss domestic product
"H shares"	overseas-listed shares of PRC companies that are traded on the Hong Kong Stock Exchange
"high-end clients"	Clients who generate at least RMB10,000 of net commission for us within a 12-month period, or the average daily assets in whose account have a market value of at least RMB500,000 in a six-month period; this is an internal threshold and is not an industry standard in the PRC
"high-net-worth customer(s)"	retail customer(s) whose accounts have at least RMB10.0 million of investment assets
"IPO"	initial public offering
"IT"	information technology

"LOF"	listed open-ended fund
"M&A"	mergers and acquisitions
"margin and securities refinancing"	a business in which securities firms can act as intermediaries to borrow funds from the CSFC and other authorized financial institutions, and lend such funds to their customers
"MOF bonds"	debt instruments issued by the Ministry of Finance on behalf of the PRC Government
"NEEQ" or "New OTC Board"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as NEEQ or New OTC Board
"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/ minus capital from other adjustments recognized or approved by the CSRC
"net revenue from securities brokerage business"	brokerage fee and commission income received less commission paid to account executives and fee and commission expenses primarily paid to the exchanges
"New Regional OTC Boards"	regional equity depositary trading centers which have been established in recent years to facilitate financing to SMEs
"non-tradable shares"	shares of PRC-listed companies that are not allowed to be sold and transferred within a lock-up period
"One Belt and One Road Initiatives"	the "One Belt and One Road" Initiatives (一帶一路) launched by the PRC government to promote the economic cooperation between China and its neighboring countries
"OTC"	over-the-counter
"O2O"	Online-to-offline, a marketing strategy that connects online sites and offline shops
"PBOC benchmark interest rate"	the benchmark demand deposit rate set by the PBOC on financial institutions' Renminbi deposits
"perpetual bonds"	bonds with no maturity date

"P-to-P financing"	peer-to-peer financing, a method of debt financing that enables the borrowers and lenders to borrow and lend money without the use of an official institution as an intermediary
"QDII"	Qualified Domestic Institutional Investor (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"quantitative trading"	a new application of Internet Finance to realize automatic transactions or asset transactions for our customers through establishing data model, analyze trading opportunities and generate trading decisions
"RQFII"	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
"securities ratio"	total market capitalization of domestically-listed companies divided by nominal GDP
"securities repurchase"	a transaction pursuant to the securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on a future date
"securities-backed lending"	a transaction in which a securities firm provides financing to qualified customers who pledge their securities as collateral
"securitization"	financing through issuance of tradable securities backed by specific asset portfolio cash flows
"SME"	the small and medium Enterprises
"SME Board"	the Small and Medium Enterprises Board of the Shenzhen Stock Exchange (深圳證券交易所中小企業板)
"SME private bonds"	corporate bonds issued by private small and medium enterprises in China through private placements

"specialized asset management scheme"	a specific asset management contract entered into by a securities firm in China with a single client who commits over certain amount of funds as internally designated by such securities firm, pursuant to which the securities firm provides asset management services to the client through accounts under the client's name
"sponsor representative"	a professional representative qualified in China to sponsor and execute the offering and listing of securities pursuant to the Measures for the Administrative of the Sponsorship of the Offering and Listing of Securities of the PRC (《證券發行上市保薦業務管理辦法》)
"stock index futures"	cash-settled standardized futures contracts with a particular stock market index as the underlying asset
"targeted asset management scheme"	a targeted asset management contract entered into by a securities firm in China with a single client pursuant to which the securities firm provides asset management services to the client through accounts under the client's name
"third-party depository services"	depository services provided by qualified commercial banks to securities companies, whereby securities companies deposit customers' transaction settlement funds with qualified commercial banks to ensure that the customers retain full discretion with respect to the deposits and withdrawals of such funds in accordance with their own trading requirements
"VaR"	value at risk

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- general political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations;
- various business opportunities that we may pursue;

- macro-economic measures adopted by the PRC government to manage economic growth; and

- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information contained in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and substantially all of our operations are conducted in the PRC, which is governed by a legal and regulatory regime which in some respects may differ significantly from that of other jurisdictions. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, please see the section headed "Regulatory Environment," "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS

Unfavorable changes in economic and market conditions in China or relevant PRC government policies could materially and adversely affect our business.

Our business is highly dependent on economic and market conditions in China. China's capital market conditions may change suddenly and dramatically, which could materially and adversely affect our business, financial condition and results of operations.

Adverse changes in general economic or financial conditions and securities market volatility could discourage investor confidence and reduce securities trading and corporate finance activities, which, in turn, may negatively affect the fee and commission income from our brokerage business, underwriting and sponsors fees from our investment banking business, and the management fees we earn from our asset management business due to reduced value of our asset management portfolio and increased client redemptions. Unfavorable financial or economic conditions and market volatility could also increase the risk of default in the margin financing and securities lending that we provide to our clients, negatively affect our proprietary trading business due to the reduction in the value of our trading and investment positions, limit the available funds and profitability for our proprietary trading business, and consequently adversely impact our overall financial performance. For example, China's stock markets have experienced significant volatility since June 2015, resulting in reduced trading activities and increased de-leveraging by customers, which have negatively affected our securities brokerage business. In addition, the recent decline in stock market indices in the PRC has had an adverse impact on our proprietary trading and investment management segments.

Further, our business is also subject to changes in relevant PRC government policies, such as monetary policies, fiscal policies, foreign exchange policies, interest rate fluctuation, cost of funding, taxation policies, availability of short-term and long-term market funding sources, and legislation and regulations affecting the financial and securities industries.

In response to the recent market decline and with a view to stabilizing the market and restoring investors' confidence, the PRC government has adopted a series of intervention measures since June 2015, including interest rate cuts, relaxing of requirements for margin financing and securities lending, provision of more liquidity to the market, reducing the number and fund-raising scale of IPOs and encouraging of substantial shareholders, directors, supervisors and senior management of listed companies to increase shareholding in their companies. If the PRC securities markets continue to experience volatility, the government may promulgate additional laws, rules and regulations or adopt further intervention measures to stabilize the market, which may cause us to change our business plan or otherwise have a material and adverse impact on our business, financial condition and results of operations.

If we are unable to compete effectively against competitors in our business lines, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In the PRC securities industry, we face intense competition against a large and diverse group of competitors across our business lines. We primarily compete with PRC securities firms and other financial institutions, such as commercial banks, insurance companies and trust companies in the PRC, which are expanding their services into the traditional businesses of securities firms. Commercial banks, in particular, present a greater challenge to securities firms in terms of debt financing, financial advisory and sales of financial products, by leveraging their branch network, client base and capital base. We face intense price competition in our business lines. Intense competition has caused brokerage commission rate to decrease in recent years. The increasing popularity of electronic execution of trades through the Internet and other alternative trading systems may further increase the downward pressure on brokerage commission rate. Our underwriting fees, financial advisory fees and asset management fees have also experienced pricing pressure due to intense industry competition. We believe that we will continue to face pricing pressure if some of our competitors further lower their prices in order to increase market shares. In addition, our wealth management business continues to face increasing competition from innovative wealth management products, such as Yu'e Bao (餘額寶) developed by Alibaba (阿里巴巴), which has attracted a large investor base as well as total asset amount.

The recent overall PRC government policy trends towards deregulation of the securities industry may create opportunities for new competitors to enter into our industry or for our current competitors to expand their business scope into new business lines. The deregulation of the PRC securities industry could also lead large and experienced foreign financial institutions to enter into the PRC market, which are currently subject to PRC regulatory limitations and restrictions on their business activities.

Our competitors may have wider geographic coverage, broader range of product and service offerings, greater financial resources, stronger brand recognition and more advanced IT systems. If we fail to compete effectively against our competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If the trading volume or commission rate for our brokerage business declines, our business, financial condition and results of operations would be materially and adversely affected.

Revenue and other income from our securities brokerage business was the largest component of our total revenue and other income for the Track Record Period. Revenue from our brokerage business consists primarily of fee and commission income that we charge our clients for their trading of securities, and therefore depends on the trading volume to a large extent. Trading volume is affected by various factors, including general economic conditions, monetary policies, market conditions, fluctuations in interest rates and investor behavior, all of which are beyond our control.

In recent years, brokerage commission rate in China has generally declined primarily due to increased competition. Traditional brokerage business faces competition from online trading and other innovative services and products. We may continue to experience pricing pressure as some of our competitors seek to gain market share by reducing their pricing. Further innovation in trading technology may also materially and adversely affect the traditional brokerage business. Effective from April 13, 2015, the CSDCC abolished the "one person one account" limit and allows one person to open up to a total of 20 securities accounts with different securities brokerage firms in China. This policy change is also expected to create downward pressure on brokerage fee and commission rates due to increased competition.

The PRC securities markets have experienced significant volatility since June 2015. We have seen less trading activities and increased de-leveraging by our clients, which have had a negative impact on our fee and commission income from our securities brokerage business.

We cannot assure you that we will be able to sustain our current level of trading volume or brokerage commission rate. If the trading volume or commission rate for our brokerage business declines, our business, financial condition and results of operations would be materially and adversely affected.

Our asset management fees may decline if assets under our management perform below our clients' expectations, which in turn may materially and adversely affect our business, financial condition and results of operations.

We receive asset management fees primarily based on the asset size under our management. Performance of the assets we manage affects our AUM and is important in retaining our clients and competing for new asset management business. Market volatility as well as limitation in investment options and hedging strategies in China could negatively affect our ability to provide stable returns for our clients and cause us to lose clients. If our investment performance is below the expectations of our clients, our existing clients might withdraw funds from our asset management business, or they may request that we lower our management fees. Our performance fees, which are calculated as a percentage of investment returns, would decline as well. As a result, our business, financial condition and results of operations would be materially and adversely affected.

Adverse changes in market conditions, like the market turmoil since June 2015, may negatively affect the management fees we earn from our asset management business due to the reduced value of our asset management portfolio (especially equity-linked asset management schemes), and increased client redemptions.

We invest in some of our collective asset management schemes to attract customers. As of March 31, 2015, the total carrying value of our interest in these collective asset management that had been consolidated as structured entities was RMB561.8 million, all of which was invested in the subordinated tranche of these schemes. We set forth in our agreement with clients that, if the expected rate of return, the unit net value falls to a pre-agreed liquidation level, the asset management scheme will be liquidated, and the resulting funds will first be used to pay our clients' principal and expected rate of return. We are paid after our clients if there are remaining fund. We may continue to develop and offer more asset management schemes with similar features to attract customer interest, and as a result we face the risk of losing part of all of our capital contributions to those asset management schemes.

We may incur losses or fail to realize the anticipated returns from our private equity investment business as a result of unfavorable market conditions or failure to identify investment risks.

Our private equity investment business is subject to various risks, including:

- Our portfolio companies may take longer than expected to mature to a stage suitable for IPOs.

- We may be forced to sell investments at undesirable prices or defer sales for a considerable period of time, or may not be able to sell our investments at all.

- If the target company does not reach the profitability we anticipate, our ability to exit from, or receive dividends on, such investments could be severely restricted. The target company could suffer from business difficulties, have poor financial performance or even become insolvent before we exit.

- If the target company in which we made a debt investment defaults on the payment of interest or repayment of principal due to poor financial performance, bankruptcy or otherwise, we may not be able to recover our investment or may suffer significant losses.

The performance of our private equity investment business depends on our investment decisions and judgment, which are subject to management discretion and assumptions. If our due diligence on target companies fails to identify relevant risks or our decision-making process fails to effectively prevent or minimize losses, our private equity investment business may suffer material losses, which in turn could materially and adversely affect our business, financial condition and results of operations.

Market volatility, faulty investment decisions and third party default could result in substantial losses for our proprietary trading business.

We engage in equity and fixed-income sales and trading for our own account. Our equity and fixed-income investment are subject to market volatility, and subsequently, the profitability of our proprietary trading business generally correlates with the performance of the PRC securities markets. We had net investment gains of RMB218.7 million, RMB430.8 million, RMB800.5 million and RMB385.6 million for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. We cannot assure you that the profitability of our proprietary trading business will sustain in the future, for example, the recent decline in stock market indices in the PRC has had an adverse impact on our proprietary trading business.

Further, the values of certain classes of our assets are marked to market. A decline in the value of such assets can result in our recognition of impairment losses if management determines that such decline in value is not temporary. Please see the section headed "Financial Information — Critical Accounting Policies and Estimates" for further information. If we recognize impairment losses, our results of operations would be adversely affected.

The performance of our proprietary trading business and the efficiency of our derivative trading activities primarily depend on our investment decisions and judgments based on our assessment of each individual investment product and the existing and future market conditions. If we fail to evaluate investment products properly or our forecasts of the market do not conform to actual changes in market conditions, our proprietary trading business may not achieve the investment returns we anticipate or may even suffer material losses. In addition, limited availability of investment options and hedging strategies in China may restrict our ability to effectively hedge our exposure to the risks associates with our investment, which could materially and adversely affect our business, financial condition and results of operations. We are exposed to the risk that our trading counterparties may default on their obligations to us as a result of bankruptcy, lack of liquidity, operational failure or other reasons. We may also fail to receive all relevant information with respect to the trading risks of our counterparties. Any material non-payment or non-performance by a trading counterparty could adversely affect our financial position, results of operations and cash flow.

Our investment banking business is subject to various risks associated with the underwriting and sponsoring of securities.

Securities offering in China are generally subject to merit-based reviews and approvals by relevant regulatory authorities. The result and timing of these reviews and approvals are beyond our control and may cause substantial delays to, or the termination of, securities offerings underwritten and sponsored by us. We may experience delays to or terminations of securities offerings underwritten and sponsored by us as a result of unfavorable market conditions such as the recent market volatility since June 2015 and the reduction of number of IPOs on the Chinese stock exchanges by the CSRC in response to such market volatility. We may not receive payment for our services in a timely manner or at all if a securities offering project we underwrite or sponsor is not completed as scheduled or at all, which could materially and adversely affect our results of operations. Further, when we act as a sponsor, we are under certain due diligence and disclosure obligations in connection with each project we sponsor. Failure to fulfill these obligations could subject us to fines and other administrative or regulatory penalties or deduction of regulatory points including suspension of our licenses, which could materially and adversely affect our business, financial condition and results of operations, as well as our reputation.

As a result of the intensifying price competition in the investment banking business, we face increasing pricing pressure and cannot assure you that our sponsors' fees and underwriting commissions will be sustained at current levels. Any reduction in our sponsors' fees or underwriting commissions could materially and adversely affect our business, financial condition and results of operations.

The CSRC promotes the transformation of China's IPO system from an approval-based to a registration-based system. The relevant PRC regulatory authorities continue to promulgate securities industry deregulation measures, securities firms increasingly need to rely on strong client development, research, pricing and distribution capabilities for success. If we are unable to continue to maintain our capabilities in these areas or if we fail to adjust to the new business environment resulting from China's securities industry reform, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our alternative investment business subjects us to industry-specific risks.

Our alternative investment business subjects us to industry-specific risks in addition to general investment risks. Investment decisions for our alternative investment business require us to assess the value of each individual investment target as well as the existing and future market conditions for the relevant industries. We may not possess all the necessary industry expertise, knowledge and experience to enable us to make the right investment decisions. In the event that we fail to identify relevant industry risks accurately, we may incur material losses from our alternative investment business, which, in turn, would materially and adversely affect our business, financial condition and results of operations.

If we fail to identify, fully appreciate or disclose risks associated with the wealth management products we distribute, our reputation, client relationships, business and prospects may be materially and negatively affected.

We sell a broad variety of wealth management products developed by third-party product providers. These products often have complex structures and involve various risks, including credit risks, market risks, liquidity risks and other risks. Our risk management policies and procedures may not be fully effective in mitigating the risk exposure of our clients in all market environments or against all types of risks. In the event that we fail to identify and fully appreciate such risks or fail to disclose such risks to our clients, our clients may suffer financial loss, and our reputation, client relationships, business and prospects may be materially and adversely affected as a result.

We may suffer significant losses from our capital-based intermediary business and other businesses due to our credit exposures.

Some of our businesses are subject to risks that a client or counterparty may fail to perform its contractual obligations or that the value of collaterals held to secure the obligations might be inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect our financial position, results of operations and cash flows.

Our capital-based intermediary business grew rapidly during the Track Record Period. Our revenue generated from our capital-based intermediary business was RMB1.6 million, RMB123.5 million and RMB354.5 million for the years ended December 31, 2012, 2013 and 2014 and RMB226.6 million for the three months ended March 31, 2015. We may enforce mandatory liquidation for clients that are unable to settle their obligations as scheduled, or whose collateral ratios upon day-end clearing are lower than the collateral ratios set for liquidation as a result of fluctuations in prices of the listed securities while failing to replenish the collateral in full within the agreed-upon period. We conduct automatic valuations for clients' account balance on each trading day and, in the event of insufficient account balance, we require clients to replenish their account balance or liquidate the clients' positions. Such mandatory liquidation mechanism may trigger disputes between clients and us, which may subject us to significant expenses or litigation risks. In addition, we also conduct trades with clients to provide short-term financing to them through securities-backed lending and securities repurchase under which we will be subject to the credit risk.

We may have exposure to credit risk associated with our financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuers' creditworthiness, delinquency and default rates and other factors, which could adversely affect our financial condition and results of operations. While we have internal policies and procedures to limit such occurrences, these policies and procedures may not be effective. Please see "— Our business and prospects may be materially and adversely affected if we fail to maintain our risk management and internal control systems or these systems are proved to be ineffective or inadequate" for further information. Further, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. In the event that our credit exposure becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, or we fail to effectively manage our credit exposure through our risk management policies and procedures, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

The CSRC recently abolished the collateral ratio and mandatory liquidation requirements for margin financing and securities lending, which is likely to increase our credit risks relating to our margin financing and securities lending business.

On July 1, 2015, the CSRC promulgated amendments to the Management Measures on Margin Financing and Securities Lending of the Securities Companies (《證券公司融資融券業務管理辦法》) with immediate effect. The amendments provide, among others, that securities companies may extend the term of margin financing and securities lending contracts beyond six months, and that securities companies and their customers may determine the amount of collateral and time required for replenishment should the value of the collateral fall below a certain level. The amendments abolished previous requirements that if a margin financing and securities lending customer's collateral value falls below 130% of the loan amount, the customer would be required to replenish the collateral to 150% of the loan amount within two business days. In addition, mandatory liquidation of trading position is not required when a customer fails to satisfy the collateral requirements of 130%. Instead, a securities company may dispose the collateral as agreed to between the customer and the securities company, including mandatory liquidation.

These regulatory changes are likely to increase our credit risks relating to our margin financing and securities lending business. In order to compete for customers, we and other securities companies in China may have to lower our collateral ratio requirement, grant longer contract terms or elect not to liquidate a customer's trading position when the customer fails to meet maintain the required collateral with us. As a result, if a customer defaults on its payment obligations to us, our losses may not be adequately covered by the customer's collateral. If there are significant customer defaults, either due to market downturn or otherwise, it will have a material negative impact on our liquidity. If we lack sufficient liquidity to support our other business lines, our business, financial condition and results of operations will be materially and adversely affected.

Recent PRC regulations may impose restrictions on the development of our Internet finance business.

On July 18, 2015, the PBOC, the CSRC and eight other PRC regulatory authorities jointly issued the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or the Guiding Opinions, which establish the regulatory framework for the emerging Internet finance business sector while encouraging the further development and innovation of Internet finance-related platforms, products and services. For further details, see "Regulatory Environment—Other Regulations and Measures—Internet Finance".

Among other things, the Guiding Opinions designated competent regulatory authorities for various business lines in the Internet finance sector, with the PBOC designated for the regulation of Internet payment, the CBRC for Internet lending, Internet trust and Internet consumer finance, the CSRC for crowdfunding and Internet fund sales, and the CIRC for Internet insurance. We expect that these relevant competent authorities will issue implementation rules and detailed regulations for their respective responsible areas in the near future. Such implementation rules and regulations may place restrictions on Internet finance, which, in turn, may limit our options in the development of our Internet finance business or result in additional costs for us. If we are unable to comply with such implementation rules and regulations when they come into effect, or if we are unable to adjust our business plan in a timely and effective manner in line with requirements under these implementation rules and regulations, we may not be able to grow our Internet finance business as expected, our market share may decline, and our business, financial condition and results of operations may be materially and adversely affected as a result.

A significant decrease in our liquidity could negatively affect our business and reduce client confidence in us.

Maintaining adequate liquidity is essential to our business operations, which have substantial cash requirements. Our liquidity may be impaired due to the occurrence of some circumstances, such as our inability to control general market disruption or an operational problem of our counterparties or us, or our inability to access the short- and long-term debt and equity markets to sell assets at market prices. Further, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis. If our available funding is limited, or we are forced to fund our operations at a higher cost, then these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability. In addition, a significant decrease in our liquidity could reduce the confidence of our clients or counterparties in us, which may result in the loss of business and clients.

When cash generated from our operating activities is not sufficient to meet our liquidity requirements, we need to seek external financing. During periods of adverse credit and capital market conditions, potential sources of external financing could be limited and our borrowing costs could increase. In addition, external financing may not be available on acceptable terms, or at all, due to unfavorable market conditions and disruptions in the credit and capital markets. Our business, financial condition and results of operation could be materially and adversely affected by any of the events mentioned above.

We may be unable to repay our debt due to the increase of interest expenses, and the level of our indebtedness and potential unavailability of credit may materially and adversely affect our business.

We currently are in the process of expanding our national network coverage, diversifying existing products and services, developing new businesses and transforming our existing business model, all of which may have additional capital requirements. We have issued and expect to continue to rely on subordinated bonds, short-term commercial paper, perpetual bonds, corporate bonds and beneficiary certificates to increase our liquidity and satisfy the capital requirements of our business. We may be unable to repay our debts due to the substantial increase of interest expenses. For example, we incurred RMB32.0 million interest expenses due to our issuance of subordinated bonds and short-term commercial paper in 2014. Our financial condition, liquidity and business operations will be adversely affected to the extent we are not able to repay our debt in a timely manner due to the lack or unavailability of internal resources or inability to obtain alternative financing. Our business may also be adversely affected in a number of ways, including by:

- constraining our ability to obtain any financing for working capital, strategic investment, debt service requirements or other services;

- constraining our flexibility in planning for, or adjusting, our business operation;
- constraining our capability to compete with other securities companies who have lower levels of debt;
- increasing our financing cost;
- making us more vulnerable to a downturn in our business or the economy generally;
- exposing us to the risk of being forced to refinance our debts at a higher interest rate; and
- causing us to deploy a significant portion of our cash to pay principal and interest on our debt, instead of contributing those funds to other purposes such as working capital and other capital requirements.

We had negative net cash flows from operating activities for the years ended December 31, 2013 and 2014. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

We had negative net cash flows from operating activities of RMB578.4 million and RMB1,371.8 million, respectively, for the years ended December 31, 2013 and 2014, primarily as a result of negative movements in working capital including significant increases in margin accounts receivable in 2013 and 2014 and cash held on behalf of brokerage clients in 2014. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flows become negative again, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We face the risks of concentration of customers and business in Inner Mongolia and Northeastern China.

Our business operations have been focused on Inner Mongolia and Northeastern China. During the Track Record Period, a majority of revenue and other income from our securities brokerage business originated from Inner Mongolia and Northeastern China. In addition, many of the customers in each of our principal business segments are residents and institutions based in Inner Mongolia or Northeastern China.

Subject to our available capital, regulatory requirements and other factors, we may face difficulties in our ability to further expand our branches and operations. A significant economic downturn or material adverse changes in the economic environment or any severe natural disasters or catastrophic events in Inner Mongolia or Northeastern China could materially and adversely affect our business, financial condition and results of operations.

If we cannot successfully maintain and expand our client base and branch network, our brokerage business and its revenue could be materially and adversely affected.

The brokerage business is highly competitive and we have to maintain our client base and attract new clients from our competitors in order to maintain or grow our market share. The number of our securities branches increased from 41 as of December 31, 2012 to 66 as of March 31, 2015. As part of our business strategy, we intend to increase the number of our securities branches across China, and we had received approvals from the competent authority for the establishment of 55 additional securities branches as of the Latest Practicable Date.

There is no assurance that we will be successful in expanding our branch network. If we are unable to address the needs of our clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or if we otherwise fail to meet our clients' demands or expectations, we may lose our existing clients to our competitors or fail to attract new clients. We cannot assure you that this strategy will be successful. Should we fail to cope with any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

Our business may be subject to risks associated with expansion of our operations.

We have expanded, and plan to further expand, our operations beyond Inner Mongolia and Northeastern China, and build our business into an integrated securities and financial service platform. Such expansion may subject us to risks, such as:

- failure to attract a sufficient number of new clients due to our limited presence and brand recognition;
- failure to establish a presence in saturated markets where our competitors have a historical presence and large market shares;
- failure to anticipate competitive conditions in new markets that are different from those in our existing markets, such as market saturation;
- differences in cultural, commercial and operating environments and corporate governance;
- difficulties in recruiting and retaining qualified personnel;
- economic instability and recessions in the new markets;
- potential adverse tax consequences; and
- difficulties in effectively enforcing contractual or legal rights;

which may delay or terminate our expansion. There is no assurance that we may expand successfully. In the event that we are unable to manage such risk exposure and expand our network and client base as anticipated, our business, financial condition and results of operations may be materially and adversely affected.

We may face difficulties in integrating New China Fund. If we fail to realize the anticipated benefits from our acquisition of New China Fund or other acquired businesses in the future, our business, financial condition and results of operations may be materially and adversely affected.

As of March 31, 2015, we held a 43.75% equity interest in New China Fund. We have entered into a capital increase agreement to acquire additional equity interest in New China Fund to a total holding of 58.62%, which was completed on July 29, 2015. We may experience difficulties in integrating New China Fund and its business and personnel with ours. Our management's time and attention may be diverted from other business concerns and we may experience difficulties in retaining key employees and customers of New China Fund. In addition, we may incur higher capital expenditure and integration costs than we initially anticipated. Our acquisitions may also result in the inheritance of liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We may encounter similar difficulties for businesses we may acquire in the future. We cannot assure you that we will be successful in realizing all of the anticipated benefits in the acquisitions that we have made or may make in the future. Failure to realize these anticipated benefits may materially and adversely affect our business, financial condition and results of operations.

We face increasing risks as new business initiatives lead us to offer new products and services, transact with a broader array of customers and conduct business through new marketing platforms.

In recent years, we have expanded our business to include, among others, margin financing and securities lending, securities-backed lending, asset-backed securitization and alternative investment. We plan to continue to expand our product and service offerings as permitted by the PRC regulatory authorities. Potential new businesses may have different operational parameters and risk profiles from our more established existing businesses. The new businesses may be exposed to further potentially challenging risks. For example:

- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients, or may have legal disputes with clients due to deficiencies in our new products;
- we may be subject to greater regulatory scrutiny and increased credit risks, market risks and operational risks;
- we may suffer from reputational concerns arising from dealing with less sophisticated counterparties and clients;

- we may not be able to provide clients with adequate levels of service for our new products and services;

- we may not be able to hire additional competent qualified personnel to design and manage the offering of a broader range of products and services;

- our new products and services may not be accepted by our clients or meet our profitability expectations;

- we may not be able to make accurate judgment on market conditions, including potential losses, of our new business, due to insufficient historical data;

- we may not be able to obtain sufficient financing from internal and external sources to support our business expansion;

- we may not be able to completely identify or adequately evaluate the risks of our new business, or to carry out robust risk management in response to the risks; and

- we may not be able to enhance our risk management capabilities and IT systems on a timely basis to identify and mitigate all the risks associated with these new products and services, new clients and new markets.

In addition, as part of our business strategy, we intend to further develop our electronic securities platform and enhance the cooperation with industry-recognized Internet service providers, sourcing more customers online to lower our operating costs. As other PRC securities firms are also actively developing online securities business, our platform may not be able to remain competitive. Our competitors may have more diverse product offerings, lower pricing, greater brand recognition and resources and better online experience and service capabilities. In addition, the development of this platform may subject us to increased IT and data privacy risks. The maintenance and upgrade of our electronic securities platform and our efforts to market our products and services via this platform require substantial capital. We may be unable to achieve the expanded customer base and cost-savings that we anticipated.

In the event that we are unable to achieve the intended commercial results with respect to our offering of new products and services, our business, financial condition and results of operations, as well as our reputation and prospects, may be materially and adversely affected.

Our business is subject to extensive regulatory requirement in the PRC, and non-compliance with PRC laws and regulations could cause us to incur penalties.

As a participant in the securities and financial services industries, we are subject to extensive PRC regulatory requirements. The PRC authorities have promulgated an extensive set of regulations to limit securities companies' activities through measures such as imposing capital requirements, limiting the types of products and services and restricting the types of securities. Please see the section headed "Regulatory Environment" for further information.

The PRC regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements. For example, the CSRC assigns a regulatory rating to each securities firm according to its risk management capabilities, competitiveness and continuous compliance with regulatory requirements. The CSRC rated us "BBB" for three consecutive years from 2012 to 2014 and "A" for 2015. Regulatory non-compliance had led to deduction of our regulatory points during the Track Record Period. In addition, certain incidents had revealed deficiencies with respect to our system or applications, for example, on April 30, 2015, the Shenzhen Stock Exchange issued a supervision attention letter highlighting the failure of our mobile application Hengtai Zhangcai to effectively control the ChiNext Board client trading authorization. We cannot assure you that the CSRC will not lower our regulatory rating in the future. If the CSRC lowers our regulatory rating, we may be subject to requirements of a higher ratio for risk capital reserve or a higher reserve ratio for the securities investor protection fund, or we may no longer meet the requirement of conducting a new business or may fail to obtain certain business permits or approvals, any of which may have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that we will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines at all times. Failure to do so could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, limitation of business scope, deduction of regulatory points or a downgrade of our regulatory rating. There are a number of associated risks, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance. On occasions, we have failed to meet certain requirements and guidelines set by the PRC regulatory authorities. The periodic and random inspections conducted on us by the CSRC and its local counterparts revealed certain deficiencies with respect to our business operations, risk management and internal controls. Please see the section headed "Business — Legal and Regulatory" for further information. Material non-compliance incidents may subject us to penalties or restraints on our business, and may materially and adversely affect our business, financial condition and results of operations.

We may subject to penalties for our past loan advancing activities to our related parties.

During the Track Record Period, we extended loans to our related parties, in an aggregate amount of RMB80.0 million and RMB313.0 million, respectively, for 2014 and the three months ended March 31, 2015, and recognized interest income in an amount of RMB0.5 million and RMB2.1 million, respectively. As of March 31, 2015, RMB393.0 million of these loans were still outstanding. We received loans from our related parties, in an aggregate amount of RMB170.0 million, RMB210.0 million and RMB70.0 million, respectively, for 2013, 2014 and the three months ended March 31, 2015, respectively, and recognized interest expenses in an amount of RMB1.9 million, RMB7.2 million and RMB0.04 million, respectively, during the same periods. As of March 31, 2015, RMB70.0 million loans had not been repaid by us to our related parties. In addition, we extended loans to independent third parties in an aggregate amount of RMB6.0 million for 2014, and recognized interest income in an amount of RMB0.1 million. As of March 31, 2015, these loans had been fully repaid. As advised by our PRC legal advisors, Guantao Law Firm, such lending activities were not in compliance with certain provisions of the

Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. Under the Lending General Provisions, the maximum penalty that may be imposed on us by the PBOC for such violation is a total fine in the amount between one time and five times the interest received by us for such loans. There is no assurance that the PBOC will not levy such fine or impose other penalties, which may adversely affect our financial condition, results of operations and reputation.

Our operations may be materially and adversely affected if we fail to obtain or maintain necessary approvals for conducting a particular business or offering specific products.

Many aspects of our business depend upon obtaining and maintaining the necessary approvals, licenses or permits from government authorities, including the CSRC. Please see the section headed "Regulatory Environment" for further information. To obtain these approvals, licenses or permits, we are required to comply with the relevant regulatory requirements prescribed by regulatory authorities, such as Net Capital, risk management, corporate governance, professional staff, corporate structure and compliance operations. Our compliance obligations are subject to scrutiny in particular when we apply for approvals, licenses or permits for conducting new businesses or offering new products. In the event that we fail to continuously comply with the regulatory requirements, we may encounter the risks of being disqualified for our existing business or being rejected by the regulatory authorities for renewal of our qualifications upon expiration. In addition, if we fail to fully comply with the relevant regulations and regulatory requirements, we may not be able to obtain the relevant approvals for developing new business or new products that we contemplate. As a result, we may fail to develop our new business as planned or recover our initial investments, or we may fall behind our competitors in such businesses or lose our existing customers.

Our historical financial results may not be indicative of our future performance.

Our business achieved rapid growth during the Track Record Period. However, some of our emerging businesses and services, such as margin financing and securities lending, securities-backed lending, and alternative investment, commenced in or after 2012 and, therefore, we have limited operating histories in them. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue and other income was RMB874.0 million, RMB1,422.2 million, RMB2,269.5 million and RMB1,106.9 million, respectively, while our profit was RMB111.6 million, RMB399.1 million, RMB654.1 million and RMB473.4 million, respectively. These historical results should not be taken as indicative of our future performance. We may not be able to sustain our rapid growth or may not even be able to grow our business at all.

Our business and prospects may be materially and adversely affected if we fail to maintain our risk management and internal control systems or these systems are proved to be ineffective or inadequate.

Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures or protecting us against unidentified or unanticipated risks. In addition, in markets that are rapidly developing, the information and experience on which we rely for our risk management methods may become quickly outdated as markets and regulations continue to evolve. Potential deficiencies in our risk management and internal control systems and procedures may materially and adversely affect our ability to record, process, summarize and report financial and other data in an accurate and timely manner, as well as materially and adversely impact our ability to identify any reporting errors and non-compliance with rules and regulations.

Our risk management and internal control policies and procedures may not be adequate or effective in mitigating risks of unanticipated or unforeseen nature, and our business, financial condition and results of operations could be materially and adversely affected by the corresponding increase in our risk exposure and actual losses as a result of failures in our risk management policies, procedures and internal controls. The risk mitigation strategies and techniques that we adopt may not be fully effective and sufficiently encompassing and may leave us exposed to unidentified and unanticipated risks. If we fail to promptly adjust and improve our risk management and internal control systems and procedures in response to the development of our branch outlets and the expansion of our business and products, our business, financial condition and results of operations could be materially and adversely affected.

Effective implementation of our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. Due to the size of our operations and our extensive branch network, we cannot assure you that such implementation will not involve human errors or mistakes, which may have a material and adverse effect on our business, financial condition and results of operations.

We are subject to the risks arising from any failures of, or inadequacies in, our IT systems.

Our business is highly dependent on the stable and effective operations of our IT systems and is also affected by the operations of the IT systems of telecommunication carriers, exchanges, clearing agents, depositaries and other financial intermediaries. We cannot assure you that our operations will not be materially disrupted if any aspect of our systems fails. A prolonged disruption to, or failure of, our information processing or communications systems would limit our ability to process transactions. This would impair our ability to service our clients and execute trades on behalf of clients and for our own account, which could materially and adversely affect our competitiveness, financial condition and results of operations.

The securities industry is characterized by rapidly changing technology. If our information systems are unable to upgrade in response to our business development and expansion, our capabilities of business management, client service, risk management and internal control may be adversely affected. If the processing capacity of our trading system is not able to deal with trading demands when the securities market experiences volatility, we may be subject to client complaints, litigations or adverse effects on our reputation. If we upgrade our information systems, or launch new information systems for our new businesses or new products, we may encounter a slowdown, breakdown or collapse of the systems due to their defects. Failure to upgrade the original systems or the operational errors of technicians may also result in client dissatisfaction.

The operations of our IT systems may encounter disruptions caused by human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access, data loss or leakage, improper access to operation authority and other similar events. Any disruption to, or instability of, our technology or external technology that is used by our clients for our online products and services could harm our business and our reputation.

We utilize IT products and services from a variety of third-party developers, contractors and vendors. In the event that we fail to effectively manage our external IT developers, contractors and vendors and their products and services, we may experience system failures, incompatible software or platforms, as well as synchronization, data transfer and data management issues across our various IT systems and platforms.

Our business is susceptible to the operational failure in the course of securities trading, clearance and settlement.

Upon instructions by a client, we place transactions orders in accordance with the rules of securities trading and participate in the centralized floor trading at the stock exchange, and bear the liabilities of clearance and settlement. The clearance and settlement procedures are complex and subject to operational error. Any operational failure in the course of management of clearance and settlement and relevant fund transfer may affect our clients' normal trading and result in client dissatisfaction. In addition, we may have to provide compensation for economic loss arising from our failure and be subject to clients' complaint or litigation, which may adversely affect our business.

Our business is susceptible to the operational failure of third parties.

According to the securities industry practice, we engage or cooperate with exchanges, depositaries, clearing agents or other financial intermediaries to operate and facilitate our business, and therefore we may face risks associated with these third parties' operational failure or termination. Any operational failure or termination of the particular financial intermediaries that we engage or cooperate with could materially and adversely affect our ability to execute transactions, serve our clients and manage our exposure to various risks. Any disputes or difficulties in cooperating with these financial intermediaries could materially and adversely affect our business operations.

Our business relies heavily on our clients' use of their own systems, such as personal computers, mobile devices and the Internet, and we will increasingly face the risk of operational failure in connection with our clients' systems.

Our business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital.

We often deploy substantial amounts of capital to certain types of businesses or asset classes, including our margin financing and securities lending, proprietary trading, private equity investment and alternative investment. This deployment of capital exposes us to concentration risks, including market risk, in the case of over-concentration of holdings in certain assets or asset classes as part of our proprietary trading activities, and credit risk, in the case of our margin financing and securities lending business. Any significant decline in the value of such assets may materially and adversely affect our business, financial condition and results of operations.

Significant interest rate fluctuations could affect our financial condition and results of operations.

We are exposed to interest rate risk associated with our interest income, interest expenses and fixed-income securities. We earn interest income from deposits with banks and financial settlement institutions, margin financing and securities lending, as well as financial assets held under resale agreements. Interest income from these sources is directly linked to the prevailing market interest rates. If market interest rates decrease, our interest income would generally decrease. We also make interest payments on deposits that we hold for our brokerage clients as security deposit, our short-term commercial paper and subordinated bonds, as well as financing assets sold under repurchase agreement. These interest expenses are also directly linked to the prevailing market interest rate. During periods of rising interest rates, our interest expenses and financing costs would generally increase. In addition, we hold fixed-income securities. During periods of rising interest rates, market prices and our investment returns on fixed-income securities will generally decrease. We currently do not have measures to hedge the interest rate exposure. The PBOC announced an interest cut on November 21, 2014, which is the first time in more than two years. On February 28, 2015, May 10, 2015 and June 27, 2015, the PBOC further lowered the interest rate. We are unable to predict the future interest rate fluctuations, which could affect our interest income or returns on fixed-income investments, or increase our interest expenses, any of which could materially and adversely affect our financial condition and results of operations.

Our operations depend on key management and professional staff and our business may suffer if we are unable to retain or replace them.

The success of our business depends on, to a large extent, our ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the securities and financial markets. We rely on the continued service and performance of such key personnel, which include members of our core management, licensed sponsor representatives, experienced investment managers, financial advisors and industry analysts, IT specialists, sales staff and other key personnel. We may face increasing competition in recruiting and retaining qualified personnel, including our senior management, as our competitors are competing for the same pool of qualified personnel and our compensation packages may not be as competitive as those of our competitors. Moreover, intense competition may require us to offer higher compensation and other benefits in order to recruit or retain these personnel.

Meanwhile, some of our employees are not subject to non-competition agreements, and they may resign at any time to join our competitors and may seek to divert customer relationships that they have developed while working for us. There is no guarantee that we will be able to recruit staff in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to increases in our staff costs. If we fail to recruit or retain a sufficient number of qualified staff, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Owing to the rapid development of the PRC securities industry, our current professionals' knowledge and skills may be insufficient to meet our needs for product and service innovations, which may also materially and adversely affect the development of our business.

We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations, under which financial institutions are required to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an independent anti-money laundering department, establish a client identification system in accordance with relevant rules, record the details of client activities and report suspicious transactions to relevant authorities. Please see the section headed "Regulatory Environment" for further information.

Our policies and procedures may not completely eliminate the possibility of us being utilized by other parties to engage in money laundering and other illegal or improper activities. We cannot assure you that we will not fail to detect money laundering or other illegal or improper activities. In event of such failure, the relevant government authorities may impose fines or deduction of regulatory points and other penalties on us, which may adversely affect our business reputation, financial condition and results of operations. In addition, our business and reputation could deteriorate if customers manipulate their transactions with us for money laundering or other illegal or improper purposes.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties on a timely basis.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties, including hiding unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses, misusing or disclosing confidential information, recommending transactions that are not proper, engaging in fraudulent or otherwise improper activity including illegal fundraising, improper funneling or insider trading, or otherwise not complying with laws or our control procedures. These incidents of misconduct could subject us to regulatory sanctions and financial loss, materially harm our reputation, or bind us to unauthorized or excessive trading to the detriment of our clients or us. In addition, alleged or actual employee misconduct could result in investigations or prosecutions of the employees engaged in the subject activities or in litigation or regulatory sanctions against us, which could cause reputational harm, litigation costs and management distraction for us regardless of whether we are alleged to have any responsibility. Please see the section headed "Business — Legal and Regulatory — Regulatory Non-compliance" for further information.

Our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be fully effective. There is no assurance that fraud or other misconduct will not occur in the future. In the event that we fail to detect and prevent fraud and other misconduct, our business reputation, financial condition and results of operations may be materially and adversely affected.

Failure to appropriately identify and address conflicts of interest could materially and adversely affect our business.

Potential conflicts of interest include situations where two or more interests within our business legitimately exist but are in competition or conflict. We may encounter conflicts of interest arising among (i) our various operating units; (ii) our clients and us; (iii) our various clients; (iv) our employees and us; or (v) our clients and our employees. Please see the section headed "Business — Internal Control Measures — Conflicts of Interest" for further information.

Appropriately identifying and dealing with potential conflicts of interest is complex and our internal control and risk management procedures may not be fully effective. In the event of any failure in managing conflicts of interest, our reputation and client confidence could be harmed. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We may be subject to liability and regulatory action if we are unable to protect personal data and confidential information of our clients.

Due to the nature of our business, we routinely transmit and receive personal data and confidential information of our clients through the Internet, by email and other electronic means, and may not be able to ensure that our vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information.

Various laws, regulations and rules require us to protect the personal data and confidential information of our clients. The relevant authorities may issue sanctions or orders against us if we fail to protect the personal information of our clients, and we may have to provide compensation for economic loss arising from our failure to protect the personal information of our clients in accordance with relevant laws and regulations. Incidents of mishandling personal information or failure to protect the confidential information of our clients could create a negative public or client perception of our operations or our brand, which may materially and adversely affect our reputation and prospects.

Substantial legal liability or significant regulatory action against us could materially and adversely affect our business, financial condition and results of operations.

We face significant legal risks in our business, and the volume and amount of claims in litigation and regulatory proceedings against financial institutions are high. These risks include potential liabilities under securities or other laws for mishandling of personal data and confidential information of our clients, material false or misleading statements made in connection with securities or other transactions, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of complex trading arrangements. We may also be subject to claims for alleged negligent conduct, breach of fiduciary duty or breach of contract. It is difficult for us to assess or quantify these risks because their existence and magnitude often remain unknown for substantial periods of time.

We may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. Please see the section headed "Business — Legal and Regulatory" for further information. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against us, or a disruption in our business arising from adverse adjudications in proceedings against our Directors, senior management or key employees, would materially and adversely affect our liquidity, business, financial condition, results of operations and prospects.

We carry on business in Hong Kong under names that are different from our corporate names in the PRC and we may not be able to benefit from our well-known brand name in the PRC. The use of our Chinese and English corporate names and approved names in this prospectus and the use of them in the course of trade or business in Hong Kong may be challenged.

Our company was established in Inner Mongolia in 1998. We changed our name to "恒泰证券有限責任公司" (Hengtai Securities Limited Liability Company) in 2002 and then to "恒泰证券股份有限公司" (Hengtai Securities Co., Ltd) in 2008, and have since been carrying on business under the names of "恒泰证券"/"Hengtai Securities" and/or its variations in the PRC. Our Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 2, 2015 with our Chinese corporate name "恒泰證券股份有限公司" and English corporate name "Hengtai Securities Co., Ltd". On April 14, 2015, we were served a notice under section 780 of the Company Ordinance in respect of our Chinese and English corporate names registered under Part 16 of the Companies Ordinance, which were, in view of the Registrar of Companies, "too like" that of 恒泰証券有限公司 (Hang Tai Securities Limited), a name already existed in the index of company names kept by the Registrar of Companies. So far as our Company is aware, 恒泰証券有限公司 (Hang Tai Securities Limited) was incorporated in Hong Kong on May 14, 1976, engages in dealing in securities business as licensed by the SFC in 2005 and does not have (nor has it claimed to have) any trademark registration for "恒泰". We applied for, and the Registrar of Companies has given approval for, adopting "恒投證券" and "HENGTOU SECURITIES" as our approved names for carrying on business in Hong Kong. Accordingly, our Company, which was incorporated in the PRC and has been registered in Hong Kong under Part 16 of the Companies Ordinance, has altered our name and was registered on April 27, 2015 under the name of (i) 恒泰證券股份有限公司 (恒泰证券股份有限公司) and (ii) 恒投證券 (as an approved name of our Company for carrying on buisiness in Hong Kong), also known as (iii) HENGTAI SECURITIES CO., LTD and (iv) HENGTOU SECURITIES (as an approved name of our Company for carrying on buisiness in Hong Kong). As a result, we carry on business in Hong Kong under names that are different from our corporate names in the PRC, and we may not be able to benefit from our well-known brand name in the PRC.

With the intention of applying for the registration of certain trademarks comprising "恒泰证券", "Hengtai Securities" and its variations in Hong Kong, in Class 35 covering the services of "advertising, business management, business administration, office functions" and Class 36 covering the services of "insurance, financial affairs, monetary affairs, real estate affairs", we sought the preliminary advice from the Hong Kong Trade Marks Registry (the "**Trade Marks Registry**") on the registrability of such marks. The Trade Marks Registry was of the view that the applications for such trademark registrations would likely be refused due to prior registrations of similar marks in respect of identical and/or similar services. A search conducted on the on-line database of the Trade Marks Registry revealed that such similar marks are held by two companies, one engages in the insurance and financial services, while the other engages in business in another non-competitive industry. If any of these entities takes action against us regarding the use of our corporate names "Hengtai"/"恒泰" in Hong Kong, or conduct any activity that damages the "恒泰" brand name, our reputation, business and prospects may be materially and adversely affected.

Further, we are in the process of applying for registrations of the trademarks comprising "恒投证券" and "HENGTOU SECURITIES" in Hong Kong in Class 35 and Class 36. We sought the preliminary advice from Trade Marks Registry on the registrability of such mark. The Trade Marks Registry was of the view that (i) as at June 25, 2015, there was no trade mark on record of the Trade Marks Registry that resembles the mark that the Company has requested to search; and (ii) such mark has distinctive character and the Company's application for registration would likely be accepted based on the preliminary view from Trade Marks Registry. However, we may or may not be successful in such trademark registrations. In the event that our trademark registrations are not successful, our rights to use trademarks comprising "恒投证券" and "HENGTOU SECURITIES" in Hong Kong, thus our reputation, business and prospects could be materially and adversely affected.

We or our landlords do not possess the relevant title certificates for some of the properties owned, occupied and/or leased by us, which may materially adversely affect our right to use such properties.

As of the Latest Practicable Date, (i) we have not obtained proper building ownership certificates for two properties with an aggregate gross floor area of approximately 255.0 square meters, representing approximately 0.7% of the aggregate gross floor area of our 41 owned properties; (ii) we have not obtained proper land use rights certificates for two parcels of land with an aggregate site area of approximately 2,009.9 square meters where our owned properties are situated; (iii) we have not obtained the relevant building ownership certificates for three properties with an aggregate gross floor of approximately 2,203.6 square meters, for which we have entered into office building or commodity housing sales contracts and made required payments; and (iv) our landlords were unable to provide the relevant building ownership certificates or other title certificates for 10 leased properties with an aggregate gross floor area of 13,496.0 square meters, representing 22.5% of the aggregate gross floor area of our leased properties. For further details, please see the section headed "Business — Properties" of this prospectus.

Before we or our landlords obtain proper title certificates for these properties, our rights in relation to such properties might not be entirely protected. Any dispute or claim relating to the title of these properties may result in relocation of our operating premises or offices.

We cannot assure you that our use and occupation of the relevant land and buildings will not be challenged, and there is no assurance that we will be able to secure alternative properties for our business if we are required to relocate. If we or our landlords cannot obtain the relevant title certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, incur additional relocation costs, or our business operations may be disrupted, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR INDUSTRY

We are subject to capital requirements, including the Net Capital requirement, which may restrict our business activities.

We are subject to capital requirements that may restrict our business activities. According to the Administrative Measures for Risk Control Indicators of Securities Companies (Revised in 2008) (《證券公司風險控制指標管理辦法》), the ratio between our Net Capital and net assets cannot fall below 40.0%, the ratio between our Net Capital and liabilities cannot fall below 8.0% and the ratio between our net assets and liabilities cannot fall below 20.0%. Any failure in meeting such regulatory capital requirements may result in imposition of penalties or deduction of regulatory points or limitation of business scope, which could, in turn, have a material and adverse effect on our financial condition and results of operations.

New Legislation or changes in the PRC regulatory requirements may affect our business operations and prospects.

Securities firms in China are subject to regulations in various aspects. Relevant rules and regulations could be changed to accommodate the development of the securities markets from time to time. For instance, in recent years, the CSRC has gradually deregulated the securities industry and encouraged business innovation and product diversification, including a gradual launch of pilot programs to develop new businesses and products, such as direct investment, stock index futures, margin financing and securities lending, securities-backed lending and dealer-quoted bond repurchase. Further, the CSRC has implemented policies to support securities companies' leveraged operations. The CSRC promulgated in April 2012, and further amended in November 2012, the Decisions on Modification of the Regulations on Calculation Standards for the Risk Capital Reserve of Securities Companies (《關於修改<關於證券公司風險資本準備計算標準的規定>的決定》), which lowered the ratios of risk capital reserves required for securities companies' proprietary trading, asset management, brokerage and other businesses, in order to enable securities companies to expand their business scales and encourage industry innovations and developments. Implementation of new rules and regulations or changes in the interpretation or enforcement of currently existing rules and regulations may have an impact on our business strategies and prospects.

Uncertainties exist with respect to the interpretation and enforcement of new and existing rules and regulations. The tightening of the regulations could constrain the business lines we may engage in, result in modifications to or suspension of our existing businesses or cause us to incur additional costs. We cannot guarantee that we will be able to comply with the new rules and regulations, interpretation of which may remain uncertain, or efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

The economic, political and social conditions as well as government policies of the PRC could affect our business, financial condition, results of operations and prospects.

Substantially all of our business assets are located in the PRC and substantially all of our sales are derived from the PRC. In particular, we generated a substantial portion of our revenue from Inner Mongolia and Northeastern China during the Track Record Period. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC government could also affect our business and financial performance and may result in our inability to sustain our growth.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate and control of foreign exchange. A substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material and adverse effect on our future business, results or financial condition.

Our ability to continue to expand our business depends on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. The PRC may not be able to sustain historical growth rates in GDP. In addition, the global economic recession and market volatility that persisted in the past few years may continue and, therefore, we may not be able to sustain the growth rate we have historically achieved. An economic slowdown in the PRC could materially and adversely affect the securities markets in the PRC and Hong Kong, which could adversely affect our financial condition and results of operations.

Uncertainties, with respect to the PRC legal system, could have a material and adverse effect on us.

We conduct our business and operations primarily in the PRC which are subject to the PRC laws and regulations, rules and policies. The PRC legal system is based on written statutes and their interpretations by relevant legislative and judicial authorities. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. Recently-enacted laws and regulations in the PRC may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involves uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based, in part, on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violations. Further, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

Investments in PRC securities firms are subject to ownership restrictions that may materially and adversely affect the value of your investment.

Investments in PRC securities firms are subject to ownership restrictions. According to the Securities Law and the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), prior approval from the CSRC is required for any person or entity to hold 5.0% or more of the registered capital or total issued shares of a PRC securities firm. If a shareholder of a PRC securities firm increases its shareholding above the 5.0% threshold without obtaining prior approval from the CSRC, such shareholder's voting right is invalid to the extent that it exceeds the 5.0% threshold and it could be subject to sanctions by the CSRC, such as the correction of such misconduct, fines and confiscation of any related gains. Current ownership restrictions and future changes in ownership restrictions, as imposed by the PRC government, may materially and adversely affect the value of your investment.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments against us and senior management.

We are a company incorporated under the laws of the PRC and substantially all of our assets are located in the PRC. In addition, almost all of our Directors and officers reside in the PRC and their personal assets may also be in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a corresponding treaty with China or if the judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, China does not have any such treaties with Japan, the United Kingdom, the United States and many other countries providing for the reciprocal enforcement of judgments, resulting in uncertainties in relation to the enforcement of foreign judgments against us or our Directors and officers.

Our Articles of Association and the Hong Kong Listing Rules provide that most disputes between holders of H Shares and us, our Directors, Supervisors, managers or other senior management arising out of the Articles of Association or the Company Law and related regulations concerning our affairs, are to be resolved through arbitration. Under the current arrangement for reciprocal enforcement of arbitral awards between China and Hong Kong, awards made by China's arbitral authorities that are recognized under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. On July 14, 2006, the Supreme People's Court of China and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, where any designated People's Court or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remains uncertain.

You may be subject to PRC taxation on dividends received from us.

Under applicable PRC tax laws, rules and regulations, non-PRC resident individuals and resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC domestic resident individuals are required to pay PRC individual income tax under China's Individual Income Tax Law (《中華人民共和國個人所得稅法》). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the overseas residents reside reduce or provide an exemption for the relevant tax obligations. Generally, a convenient tax rate of 10.0% shall apply to the dividends payable by a Hong Kong-listed domestic non-foreign-invested enterprises to overseas resident individual shareholders without application according to the applicable treaties. There remains uncertainty as to whether gains realized by non-PRC domestic resident individuals on disposition of H Shares are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10.0% PRC enterprise income tax rate on dividend income received from a PRC company pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and other applicable PRC tax rules and regulations. The 10.0% tax rate is subject to reduction under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. There is uncertainty as to whether gains realized upon the disposal of H shares by non-PRC domestic residents should be subject to PRC enterprise income tax.

There remains substantial uncertainty as to the interpretation and implementation of the EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities. China's tax laws, rules and regulations may also change. If there is any unfavorable change to applicable tax laws and interpretation or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC law and the terms of our indebtedness.

Under PRC law and our Articles of Association, we may only pay dividends out of our distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends.

We issued subordinated perpetual bonds in June 2015 and our Board has approved our plan to issue corporate bonds later in 2015, both of which contain terms that restrict our ability to pay dividends to Shareholders under certain specific circumstances. For details, see "Financial Information—Indebtedness—Subordinated Bonds." If we trigger those restrictive clauses, we will not be permitted to pay dividends to our Shareholders.

Failure by our operating subsidiaries to pay us dividends could materially and adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Future fluctuation in the value of RMB could have a material adverse effect on our financial condition and results of operation.

We generate substantially all of our revenue in RMB and will need to convert RMB into foreign currencies for the payment of dividends, if any, to holders of our Shares. The RMB is currently not a freely convertible currency. The PRC government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. From 1994 to July 20, 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since June 2010, RMB has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.10 per U.S. dollar on December 31, 2013. The PBOC doubled the width of USD-RMB onshore trading band to +/-2% from +/-1% on March 17, 2014, which further increased the volatility between USD-RMB exchanges. For the year ended December 31, 2014, RMB depreciated 0.36 against US dollars, the first depreciation since the RMB exchange reform in 2005. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the USD-RMB exchange rates. On the same day, the daily reference rate for RMB against U.S. dollars depreciated 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. It is difficult to predict how the RMB exchange rates may change. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further and more significant appreciation or depreciation of RMB against U.S. dollars. There is no assurance that RMB will not experience significant appreciation or depreciation against U.S. dollars in the future.

If the depreciation of RMB continues, and as we need to convert the proceeds from the Global Offering and future financing into RMB for our operations, depreciation of RMB against the relevant foreign currencies would reduce the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollars could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than RMB until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore RMB. If the net proceeds cannot be converted into onshore RMB in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where RMB is required, which may materially and adversely affect our business, results of operations and financial condition.

Foreign exchange control by the PRC government may adversely affect the value of your investments.

Most of our revenue is denominated in RMB, which is also our reporting currency. Though the PRC government intends to facilitate the internationalization of RMB, RMB is still not a freely convertible currency. We may need to convert part of our cash into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares.

The PRC government retains broad discretion regarding our future access to foreign currencies for current account transactions. In the event any restrictions are imposed, we may not be able to pay dividends to the holders of our H Shares in foreign currency. At the same time, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. Our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures could be affected due these limitations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares. The trading volume and market price of the H Shares following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The initial offer price range to the public for our H Shares was the result of negotiations between us and the Joint Global Coordinators, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. The Global Offering does not guarantee that an active liquid public trading market for our H Shares will develop. In addition, the price and trading volumes of the H Shares may be volatile. Factors, such as variations in our revenue, earnings and cash flows or any other developments of our Company, may affect the volume and price at which the H Shares will be traded.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our H Shares, holder of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. Our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be six Hong Kong business days after the pricing date. Consequently, investors may not be able to trade our H Shares during that period and thus subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

The trading volume and market price of our H Shares may be volatile, which may result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be highly volatile. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. Furthermore, if the trading volume of our Shares is low, the price fluctuations may be exacerbated. All these circumstances could cause large and sudden changes in the volume and price at which our H Shares will trade, which may materially and adversely affect the market price of our H Shares.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, including any future public offering in the PRC or conversion of our Domestic Share into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares or public offering in the PRC, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailiing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Upon Listing, we will have two classes of ordinary Shares, namely, (i) H Shares and (ii) Domestic Shares which are not listed or traded on any stock exchange. There will be 2,159,067,412 Domestic Shares representing 84.63% of our enlarged share capital and 392,040,000 H Shares representing approximately 15.37% of our enlarged share capital. According to the stipulations by the State Council's securities regulatory authority, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes (but without the necessity of Shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained (the "**Arrangement**"). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to unlisted Shares. All of our Domestic Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Hong Kong Stock Exchange.

Furthermore, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after the completion of the Global Offering. Please see the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules" for further information. After these restrictions lapse or being waived or breached, future sales or perceived sales of substantial amounts of our Shares, or the possibility of such sales by us, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

Because the initial public Offer Price per H Share is higher than the net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

The Offer Price of our H Shares is higher than the net tangible book value per Share of our H Shares immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible asset value of HK$3.22 per H Share (assuming an Offer Price of HK$3.92 per Offer Share) or HK$3.27 per H Share (assuming an Offer Price of HK$4.30 per Offer Share), and existing Shareholders will receive an increase in the unaudited pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional H Shares in the future, purchasers of our H Shares may experience further dilution.

Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and their economies and securities industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

Certain facts, forecasts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, are derived from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. The information has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis, and therefore we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include the facts, forecasts and statistics used in "Risk Factors," "Industry Overview" and "Business" sections. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts, forecasts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules states that the requirement under Rule 8.12 of the Hong Kong Listing Rules applies to a new applicant incorporated in the PRC, but also provides that the requirement may be waived by the Hong Kong Stock Exchange in its discretion.

Our headquarters and substantially all of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in or be near the places where our Group has significant operations. Therefore, our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Currently, our two executive Directors are ordinarily resident in the PRC. Please see the section headed "Directors, Supervisors, Senior Management and Employees" for further information of our two executive Directors.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made the following arrangements in order to maintain effective communication with the Hong Kong Stock Exchange:

- we have appointed Mr. Pang Jiemin, an executive Director, and Ms. Leung Wing Han Sharon, a joint company secretary, as our authorized representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company on short notice;

- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and facsimile numbers. Both of our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any reason and in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives. Our Company will promptly inform the Hong Kong Stock Exchange of any changes to the contact details of the authorized representatives of our Company and the Directors;

- one of our Company's independent non-executive Directors, Dr. Lam Sek Kong, is ordinarily resident in Hong Kong;

- each of the Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when requested by the Hong Kong Stock Exchange;

- we have appointed Haitong International Capital Limited as our compliance advisor who will serve as our additional channel of communication with the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual report to our Shareholders for the first full financial year immediately after the listing of our H Shares, and its representative(s) will be fully available to answer enquiries from the Hong Kong Stock Exchange. The compliance advisor will have access at all times to the authorized representatives of our Company, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of our Company; and

- our Company will ensure that there are adequate and efficient means of communication between itself, its authorized representatives, Directors and the compliance advisor of our Company.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets forth the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets forth the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhang Wei as one of our joint company secretaries. He joined our Company in August 2002 and acts as the secretary to our Board and a vice president of our Company since November 2011, and has more than 12 years of experience in the securities industry, with sound understanding of the operations of our Board and our Company. Please see the section headed "Directors, Supervisors, Senior Management and Employees" for further information about Mr. Zhang Wei. Mr. Zhang Wei, however, does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Zhang Wei will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Hong Kong Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;

- we have appointed Ms. Leung Wing Han Sharon, who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zhang Wei in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Zhang Wei to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as company secretary; and

- upon expiry of Ms. Leung's three-year term of appointment, the qualifications and experience of Mr. Zhang Wei will be re-evaluated. Mr. Zhang Wei is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Leung Wing Han Sharon's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules for an initial period of three years from the date of our Company's listing, subject to the condition that our Company engages Ms. Leung Wing Han Sharon, who meets the requirements under Rule 3.28, as a joint company secretary to assist Mr. Zhang Wei in discharging his duties as a company secretary and in gaining the relevant experience as required under Rule 3.28. This waiver will be revoked immediately if Ms. Leung Wing Han Sharon, during the three-year period, ceases to provide assistance to Mr. Zhang Wei. Upon expiry of the initial three-year period, the qualifications of Mr. Zhang Wei will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Zhang Wei has obtained relevant experience under Note 2 to Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

Under Rule 8.08(1)(d) of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may accept, at its discretion, a lower public float percentage of between 15% and 25%, in the case of an issuer with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Exchange has agreed to grant the waiver to the Company from strict compliance with the requirements under Rule 8.08(1)(d) of the Hong Kong Listing Rules subject to the conditions that:

(i) the minimum public float shall be the higher of (a) 15.36% of our Company's total issued share capital; and (b) the percentage after completion of the Global Offering and the exercise of the Over-allotment Option;

(ii) our Company's market capitalization at the time of Listing is over HK$10 billion;

(iii) our Company will make appropriate disclosure of the lower prescribed percentage of its public float in the prospectus;

(iv) our Company will confirm sufficiency of public float in its successive annual reports after Listing;

(v) the Joint Sponsors and our Company will be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.03(3) at the time of the Listing; and

(vi) our Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into, and expects to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement as set out in Chapter 14A of the Hong Kong Listing Rules in respect of such non-exempt continuing connected transactions.

Please see the section headed “Connected Transactions” for further information of such waiver.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to our Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

CSRC APPROVALS

We have obtained approval from the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on September 9, 2015. In granting such approval, the CSRC accepts no responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting," subject to agreement on the Offer Price between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date. The International Underwriting Agreement is expected to be entered into on or about October 7, 2015. For further details about the Underwriters and the underwriting arrangements, please see "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her/its acquisition of Hong Kong Offer Shares be deemed to confirm, that he/she/it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

The Offer Shares are offered for subscription or sale solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" of this prospectus and the relevant Application Forms.

SELLING SHAREHOLDERS

Name	Number of Sale Shares: Assuming no exercise of Over-allotment Option	Number of Sale Shares: Assuming exercise of Over-allotment Option in full
Finance Street Xihuan Properties	11,763,204	13,527,685
Finance Street Investment	9,201,439	10,581,655
Huarong Infrastructure	8,626,350	9,920,302
Hua Chen Trust Limited Corporation (華宸信託有限責任公司)	5,134,091	5,904,205
Harbin Xingye Industrial Property Brokerage Co., Ltd. (哈爾濱興業產權經紀有限責任公司)	914,916	1,052,153
Total	35,640,000	40,986,000

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the Sale Shares owned by the Selling Shareholders which will be converted from Domestic Shares to H Shares and sold for the benefit of the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares (including any additional H Shares which may be sold pursuant to the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, no part of our Share is listed or dealt in on any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholders, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars, RMB amounts into U.S. dollars, and Hong Kong dollars into U.S. dollars.

RMB0.8207: HK$1.0000 (set by the PBOC for foreign exchange transactions prevailing on September 18, 2015)

RMB6.3607: US$1.0000 (set by the PBOC for foreign exchange transactions prevailing on September 18, 2015)

HK$7.7503: US$1.0000 (the exchange rate is converted through the RMB-US$ exchange rate and RMB-HK$ exchange rate as set forth above)

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to once decimal place. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Pang Jiemin (龐介民)	No.1 Chengfang Street Xicheng District Beijing the PRC	Chinese
Mr. Wu Yigang (吳誼剛)	Room 1-4, Building 14, No. 1 Xinhua Avenue Xincheng District, Hohhot Inner Mongolia the PRC	Chinese
Non-Executive Directors		
Mr. Ju Jin (鞠瑾)	Room 1101, Building 9, No. 8, Lane 4, Zhenwumiao Road Xicheng District Beijing the PRC	Chinese
Mr. Zhang Tao (張濤)	Room 502, No. 10, Lane 210, North Linyi Road Pudong New Area District Shanghai the PRC	Chinese
Mr. Chen Guanglei (陳廣壘)	No. 17 North Shuncheng Street, Fuxingmennei Xicheng District Beijing the PRC	Chinese
Mr. Sun Chao (孫超)	Room 1-1903, Building 10 Yigangxincheng Tanggu District Tianjin the PRC	Chinese

Name	Residential Address	Nationality
Independent Non-executive Directors		
Mr. Peng Diyun (彭迪雲)	Room 2-2802, Building 3 Huafu Yuyuan No.99 Honggu Middle Road Honggutan New District, Nanchang Jiangxi Province the PRC	Chinese
Ms. Zhou Jianjun (周建軍)	No. 612-9, Shandan Road, Xigu District, Lanzhou Gansu Province the PRC	Chinese
Dr. Lam Sek Kong (林錫光)	Flat H, 11/F., Tang Kung Mansion Taikoo Shing Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. Guo Liwen (郭力文)	Room 3-10, Building 2, Jianhua Company Dormitory, Hailar East Road Xincheng District, Hohhot Inner Mongolia the PRC	Chinese
Ms. Pei Jingjing (裴晶晶)	No. 160, Hou North Village, Lu Town Tongzhou District Beijing the PRC	Chinese
Mr. Wang Hui (王慧)	No. 58, Building 2, No.6 Neighborhood, No.27 Shaoxian Road Hondlon District, Baotou Inner Mongolia the PRC	Chinese

Further information about the Directors and the Supervisors are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Global Coordinators	**BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	**BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

Joint Lead Managers	**BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Co-lead Managers	**RHB OSK Securities Hong Kong Limited** 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong
	Convoy Investment Services Limited 24C, @Convoy 169 Electric Road, North Point Hong Kong
	Sun Hung Kai Investment Services Limited 42/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Legal Advisors to our Company	*as to Hong Kong law:* **Orrick, Herrington & Sutcliffe** 43/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
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Receiving Banks	**Bank of Communications Co., Ltd.** **Hong Kong Branch** 20 Pedder Street Central Hong Kong
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Head Office	Room 509, Block C, Tongtai Building, No.33 Finance Street, Xicheng District, Beijing, the PRC
Place of Business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Company Website	http://www.cnht.com.cn/ (information on the website does not form part of this prospectus)
Legal Representative	Mr. Pang Jiemin (龐介民)
Joint Company Secretaries	Mr. Zhang Wei (張偉) Room 2-1205, Building 3, No. 16 Zhongguancun East Road Haidian District Beijing the PRC Ms. Leung Wing Han Sharon (梁穎嫻) *(FCS, FCIS, FCCA and CPA)* 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
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Members of Risk Control and Supervisory Committee	Mr. Ju Jin (鞠瑾) *(Chairman)* Mr. Zhang Tao (張濤) Mr. Wu Yigang (吳誼剛)

Members of the Audit Committee	Ms. Zhou Jianjun (周建軍) *(Chairman)* Mr. Zhang Tao (張濤) Dr. Lam Sek Kong (林錫光)
Members of Strategy and Investment Committee	Mr. Pang Jiemin (龐介民) *(Chairman)* Mr. Sun Chao (孫超) Dr. Lam Sek Kong (林錫光)
Members of the Remuneration and Nomination Committee	Mr. Peng Diyun (彭迪雲) *(Chairman)* Mr. Ju Jin (鞠瑾) Ms. Zhou Jianjun (周建軍)
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This section contains information and statistics on the industry in which we operate. We have extracted and derived such information and statistics, in part, from various official and publicly available sources. In addition to statistics, market share information and industry data from publicly available government sources, certain information and data contained in this section are derived from a market research report by E&Y Advisory, an independent market research agency, which we commissioned for a fee of RMB630,000. E&Y Advisory provides consulting, research and other services to financial enterprises, including securities companies, fund management companies, insurance companies, banks and investment companies. The financial database of E&Y Advisory contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivatives and the macro-economy. Historical data and market estimates provided by E&Y Advisory are collected by E&Y Advisory independently through primary research, which includes management interviews and consultation with industry experts to verify information from third party sources and desktop studies, and secondary research, which includes industry reports, Internet research, research from brokerage firms, articles written by industry professionals, university publications and intelligence from third party data providers.

We believe that the sources of this information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the commissioned market research report which may qualify, contradict or have a material and adverse impact on the information in this section. The information has not been independently verified by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy. Such information may not be consistent with, and may not have been compiled within or outside the PRC. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.

As a securities firm, our business depends on and benefits from, among other things, China's economic growth and the development and performance of its capital markets, including the issue and trading volumes of financial products, such as equities, bonds and wealth management products. Our investment management business benefits from the relaxation of PRC regulatory restrictions on the permitted scope of investment in financial products and the growth of AUM driven by the accumulation of household wealth in China. Our brokerage and wealth management business benefits from increased trading volumes, borrowing activities and growing client demand for wealth management products and services. Our investment banking business benefits from the increased financing and M&A activities of PRC enterprises, in particular SMEs, driven by their business growth and development. Our proprietary trading business benefits from the favorable policies and increased trading volumes as well as the establishment and development of NEEQ market-making mechanism.

OVERVIEW OF THE ECONOMY IN CHINA

As the world's second largest economy, China's nominal GDP reached RMB63.6 trillion or RMB46,531.2 per capita in 2014. From 2010 to 2014, China's per capita disposal income increased from RMB19,109.0 to RMB28,844.0, representing a CAGR of 10.8%. With a view to creating new driving force needed for China's future economic growth, the PRC government has formulated the "One Belt One Road Initiatives" which is expected to connect China with Southeast Asia, Africa and Europe and provide new opportunities for Chinese companies' investment. As part of China's transformation and upgrading of its economic development model, China launched a series of reforms in the financial industry, including the liberalization of interest and exchange rates, internationalization of the RMB, relaxation of capital controls and simplification of approval procedures for capital market transactions. In addition, the PRC government is committed to accelerating the establishment of a multi-tiered capital market, promoting the development of direct financing and encouraging financial innovation. In 2015, the Chinese economy has shown signs of slowing down. The annualized growth rate of China's GDP was 7.0% for the first six months of 2015, and the quarterly GDP growth rates for the first two quarters of 2015 were 1.4% and 1.7%, respectively, all lower than the same period in 2014. In addition, the Chinese securities markets have experienced significant turmoil since June 2015, with the SSE Composite Index (上證指數) declining from a high of 5,178.19 recorded on June 12, 2015 to a low of 2,850.71 recorded on August 26, 2015.

THE PRC CAPITAL MARKETS

Overview

The PRC stock markets have experienced a rapid growth for the past two decades and are continuing to mature. The following table sets forth the stock and funds and bonds brokerage trading turnover from 2005 to 2014:

Years	Stocks and funds trading turnover in the PRC	Bonds trading turnover in the PRC	Total amount
		(RMB in billions)	
2005	3,243.8	2,836.8	6,080.6
2006	9,247.2	1,827.9	11,075.1
2007	46,917.6	2,066.7	48,984.3
2008	27,294.4	2,860.2	30,154.6
2009	54,632.7	4,018.2	58,650.9
2010	55,463.0	7,206.6	62,669.6
2011	42,801.0	21,131.5	63,932.5
2012	32,270.7	37,831.4	70,102.1
2013	48,285.8	64,769.4	113,055.2
2014	78,961.8	90,578.9	169,504.7

Source: Wind Info, Shanghai Stock Exchange

According to Wind Info, the stocks and funds trading turnover increased from RMB3,243.8 billion in 2005 to RMB78,961.8 billion in 2014, representing a CAGR of 42.6%. In addition, the bonds trading turnover increased from RMB2,836.8 billion in 2005 to RMB90,578.9 billion in 2014, representing a CAGR of 46.9%.

Stock Market

The PRC stock market has grown substantially in scale and maturity since the establishment of the Shanghai Stock Exchange and the Shenzhen Stock Exchange in 1990 and 1991, respectively. The significant economic development of the PRC, the rapid growth in household income and the steady increase in demand for financing, among other things, are the key driving forces for such growth. The PRC stock market ranked second in the world in terms of total market capitalization as of December 31, 2014 and in terms of trading volume in 2014. According to the CSRC, in 2012, 2013 and 2014, the combined average daily trading turnover of the Shanghai Stock Exchange and the Shenzhen Stock Exchange was RMB141.2 billion, RMB221.5 billion and RMB335.4 billion, respectively.

The PRC stock market has developed a multi-tiered structure consisting of the main boards of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, and the SME Board and the ChiNext Board of the Shenzhen Stock Exchange. The establishment of the SME Board and the ChiNext Board has significantly expanded the financing channels for enterprises in China, particularly SMEs. The following table sets forth the number and market capitalization of companies listed on the main boards, the SME Board and the ChiNext Board as of and for the periods indicated:

	2010	2011	2012	2013	2014
Number of Listed Companies					
Main Boards	2,063	2,342	2,494	2,489	2,613
SME Board	531	646	701	701	732
ChiNext Board	153	281	355	355	406
Total	2,747	3,269	3,550	3,545	3,751
Market Capitalization (RMB in billions)					
Main Boards	26,542.3	21,475.8	23,035.8	23,907.7	37,254.7
SME Board	3,536.5	2,742.9	2,880.4	3,716.4	5,105.8
ChiNext Board	736.5	743.4	873.1	1,509.2	2,185.1
Total	30,815.3	24,962.1	26,789.3	29,133.3	44,545.6

Source: the CSRC and Wind Info

The following table sets forth the key indices of the PRC Stock Markets as of the dates indicated:

Key Index		2012	2013	2014	2015
SSE Composite Index	January	2,285.0	2,385.4	2,033.1	3,210.4
	February	2,428.5	2,365.6	2,056.3	3,310.3
	March	2,262.8	2,236.6	2,033.3	3,747.9
	April	2,396.3	2,177.9	2,026.4	4,441.7
	May	2,372.2	2,300.6	2,039.2	4,611.7
	June	2,225.4	1,979.2	2,048.3	4,277.2
	July	2,103.6	1,993.8	2,201.6	3,663.7
	August	2,047.5	2,098.4	2,217.2	3,206.0
	September	2,086.2	2,174.7	2,363.9	
	October	2,068.9	2,141.6	2,420.2	
	November	1,980.1	2,220.5	2,682.8	
	December	2,269.1	2,116.0	3,234.0	
SZSE Component Index	January	9,303.6	9,667.7	7,572.6	11,150.7
	February	10,054.8	9,641.4	7,365.9	11,757.7
	March	9,410.3	8,889.8	7,189.6	13,160.7
	April	10,180.4	8,691.4	7,312.9	14,818.6
	May	10,141.4	9,257.9	7,364.8	16,100.4
	June	9,500.3	7,694.5	7,343.3	14,338.0
	July	9,059.2	7,765.4	7,956.9	12,374.3
	August	8,211.0	8,202.5	7,841.7	10,549.2
	September	8,679.8	8,514.6	8,080.3	
	October	8,469.8	8,444.4	8,225.6	
	November	7,961.0	8,542.0	9,002.2	
	December	9,116.5	8,121.8	11,014.6	
CSI 300 Index	January	2,462.3	2,686.9	2,201.5	3,434.4
	February	2,634.1	2,673.3	2,179.0	3,572.8
	March	2,454.9	2,495.1	2,146.3	4,051.2
	April	2,626.2	2,447.3	2,158.7	4,749.9
	May	2,632.0	2,606.4	2,165.5	4,840.8
	June	2,461.6	2,200.6	2,165.1	4,473.0
	July	2,332.9	2,193.0	2,350.3	3,816.7
	August	2,204.9	2,313.9	2,311.3	3,366.5
	September	2,293.1	2,409.0	2,451.0	
	October	2,254.8	2,372.7	2,508.3	
	November	2,139.7	2,438.9	2,808.8	
	December	2,523.0	2,330.0	3,533.7	

Source: The Shanghai Stock Exchange and Shenzhen Stock Exchange.

Source: Shanghai Stock Exchange, Shenzhen Stock Exchange

As part of the fast-growing stock markets, margin financing and securities lending also experienced a significant growth since its launch in 2010. The following table sets forth the balance of margin loans and securities lent and trading volume from margin financing and securities lending from 2010 to 2014:

	Balance of margin loans and securities lent	Trading volume
	(RMB in billions, except for percentages)	
2010	12.8	70.8
2011	38.2	318.1
2012	89.5	904.4
2013	346.5	3,866.8
2014	1,025.7	10,625.5
CAGR	199.4%	250.1%

Source: Wind Info

The balance of margin loans and securities lent increased from RMB12.8 billion in 2010 to RMB1,025.7 billion in 2014, while the trading volume from margin financing and securities lending increased from RMB70.8 billion in 2010 to RMB10,625.5 billion, representing a CAGR of 199.4% and 250.1%, respectively.

Bond Market

The PRC bond market has grown rapidly in recent years. The total amount of proceeds raised from bond issuances by PRC enterprises increased from RMB132.0 billion in 2010 to RMB357.0 billion in 2014, representing a CAGR of 28.2%. As of December 31, 2013, the PRC bond market has become the world's third largest after the United States and Japan. The PRC bond market has a diversified product offering, primarily including corporate bonds, SME private placement bonds, convertible bonds and warrant bonds. The following table sets forth the amount of proceeds raised through the major types of bond issuances in China for the periods indicated:

(RMB in billions)	2010	2011	2012	2013	2014
Corporate bonds	60.3	126.2	247.2	322.0	248.2
Enterprise bonds	—	—	9.4	31.1	77.7
Convertible bonds	71.7	41.3	15.7	55.1	31.1
Warrant bonds	—	3.2	—	—	—
Total	132.0	170.7	272.3	408.2	357.1

In January 15, 2015, the CSRC issued the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), which expanded the scope of eligible bonds issuers and bond trading markets as well as streamlined approval procedures. Under these measures, the public issuance of corporate bonds requires regulatory approval and the private placement of corporate bonds requires only regulatory filing.

Derivatives Market

The PRC derivatives market has grown rapidly in recent years since its establishment in 1990. Currently, the PRC derivative market primarily consists of commodity futures and financial futures. According to the CFA, the total trading turnover in PRC commodity futures increased from RMB93.8 trillion in 2011 to RMB128.0 trillion in 2014. In addition, the financial futures recorded a rapid growth since its launch in 2010. The total trading turnover of financial futures increased from RMB43.8 trillion in 2011 to RMB164.0 trillion in 2014, representing a CAGR of 55.3%.

The types of derivative products in the PRC are relatively limited due to regulatory restrictions. Driven by the growing demand of an increasingly more diversified and sophisticated investor base for structured financial products, new types of derivative products are expected to be launched in the future, which will create more business opportunities for PRC securities firms and further diversify their source of revenues.

NEEQ and Regional Equity Exchanges

In 2006, the CSRC launched the OTC Equity Market to augment the main boards, the SME Board and the ChiNext Board. In 2013, the OTC Equity Market expanded its coverage nationwide and was renamed as NEEQ, which aims to provide share transfer and issuance to non-listed joint stock companies and offer more opportunities for medium, small and micro enterprises to participate in the capital markets. The number of companies listed on the NEEQ has increased from 356 as of December 31, 2013 to 1,572 as of December 31, 2014. The NEEQ is expected to be further developed in terms of market size, scope of services and resources integration.

THE PRC SECURITIES INDUSTRY

Overview

The PRC securities industry has entered a rapid development phase driven by various factors. According to the SAC, as of December 31, 2014, there were 120 registered securities firms in China. As of the same date, the total assets, net assets and net capital of all securities firms in the PRC amounted to RMB4.1 trillion, RMB920.5 billion and RMB679.2 billion, respectively, representing an increase of 96.6%, 22.1% and 30.5%, respectively, as of December 31, 2013.

Development Status of the PRC Securities Industry

Since 2012, the PRC securities industry has entered into a new stage of innovation and transformation with significant regulatory reform and product and business innovation as well as breakthrough in major business areas.

- ***Steady growth of asset management business***. By leveraging their large client base of traditional brokerage business and improved cross-selling capabilities, PRC securities firms' asset management business achieved steady growth in the last five years. The following table sets forth the total sum and revenue of our PRC securities firms from 2010 to 2014.

	Funds entrusted for management	Total revenue of the asset management business
	(RMB in billions)	*(RMB in millions)*
2010	186.6	2,183.0
2011	281.9	2,113.0
2012	1,890.0	2,676.0
2013	5,200.0	7,030.0
2014	7,970.0	12,435.0

Source: SAC

The total AUM of our PRC securities firms increased from RMB186.6 billion in 2010 to RMB7,970.0 billion in 2014, representing a CAGR of 155.6%. In addition, the total revenue from asset management increased from RMB2.2 billion in 2010 to RMB12.4 billion in 2014, representing a CAGR of 54.1%. The CSRC has adopted a series of measures to encourage innovation in products and services offering, implementation of diversified development strategies and differentiated pricing structures and levels by securities firms. We believe these policies will expand the investment scope for asset management schemes, and facilitate the innovation and development of asset management business. In the meantime, it is expected that the securities firms will continue competing with commercial banks which have broader network coverage and larger client base and capital base in expanding the asset management business.

- ***Continuing decline of revenue share of traditional brokerage business and gradual rise of capital-based intermediary business and wealth management business***. Although the PRC securities firms are striving to transform the traditional channel-based business to a more diversified revenue model, the revenue share from traditional brokerage business continued to decline in recent years, from 68.4% in 2010 to 40.3% in 2014. At the same time, margin financing and securities lending business experienced a significant growth since its launch in 2010, and its revenue share increased from 4.6% to 16.8% in 2014. In addition, the revenue from investment advisory services reached RMB2.2 billion in 2014, representing a CAGR of 39.5% as of December 31, 2012. The CSRC permitted securities firms to sell financial products developed by third-party companies, which further diversified securities firms' revenue sources and provided more investment choices for investors. We expect that future competition in the PRC brokerage business will primarily focus on providing differentiated customer service, wide range of wealth management products (including, among others, investment, financing, liquidity and trading products) and effective marketing and promotional activities.

- ***Reviving underwriting business and rising financial advisory services and NEEQ quotation services.*** The equity underwriting starts reviving after more than a year's suspension. The total amount of PRC stock issuances reached RMB1.1 trillion in 2014, representing an increase of 30.8% since the end of 2013. In addition, the increased enterprises' M&A and restructuring activities have driven the growth of China's M&A market, and supported the increase of securities firms' revenue from financial advisory services to RMB6.9 billion in 2014, accounting for 22.4% of the revenue from investment banking business for the same period. Furthermore, the number of listed companies on NEEQ has increased significantly, from 200 as of December 31, 2012 to 1,572 as of December 31, 2014, representing a CAGR of 180.4%.

- ***Stable growth of proprietary trading business***. Like the asset management business, the PRC securities firms' revenue from proprietary business also realized stable growth in the last five years, from RMB20.7 billion to RMB71.0 billion, representing a CAGR of 36.1%. In addition, the establishment of the NEEQ market-making mechanism in June 2014 presents new opportunities for securities firms to expand and diversify their operation scope and is expected to be another revenue growth point for securities firms.

- ***Expanded private equity investment and alternative investment***. With a view to diversifying their revenue model and promoting products and services innovation, PRC securities firms have devoted more resources to develop their private equity investment and alternative investment businesses. As of December 31, 2013, 57 securities firms had established subsidiaries to engage in angel investment, venture capital investment, pre-IPO investment and M&A investment as permitted by the CSRC. In addition, more securities firms started to explore investment opportunities outside the permitted scope of their proprietary trading portfolio, such as real estate and art investment, through newly established subsidiaries. We expect the alternative investment business will continue to grow as it builds a channel between the securities firms as funds raising platform and other industry participants with capital requirements.

Growth Drivers of the PRC Securities Industry

As compared to other sectors of the PRC financial industry, the scale of the PRC securities industry is relatively small. We believe the following factors will drive the growth and transformation of the PRC securities industry.

- ***Market-oriented regulatory reforms and innovations***. Regulation of the PRC securities industry is undergoing market-oriented reforms, and the continual introduction of innovative policies by PRC regulators has created more business opportunities for securities firms. In investment management, the investment scope and use of funds are expanded for collective asset management schemes and the development of fixed-income products and asset securitization business are encouraged; in securities brokerage and wealth management, it is expected that securities firms will be permitted to manage clients' account in a short term; in investment banking, the CSRC further improved the regulatory regime over corporate bond issuance and trading at the end of 2014, and is actively promoting the reform of the IPO registration system. The CSRC also encourages securities firms to innovate and develop their alternative investment business. We believe that these regulatory initiatives will increase the profitability and financing sources of securities firms, which in turn will drive the rapid development of the PRC securities industry.

- ***Growing number of affluent individuals***. Driven by China's strong economic growth in the past two decades, the number of affluent individuals in China and their demand for wealth management services have increased significantly. The investable assets held by PRC residents grew from RMB68.8 trillion as of December 31, 2010 to RMB106.2 trillion as of December 31, 2014, representing a CAGR of 11.5%. We expect the demand by affluent individuals for diversified asset portfolio will create new business opportunities for securities firms in China. In the meanwhile, we also expect securities firms will continue competing with other financial institutions, in particular, commercial banks, in terms of expanding and maintaining large client base.

- ***Continuing growth in the financing needs of enterprises***. The continual growth and transformation of China's economy are driving the growth in the financing needs of China's enterprises. The PRC capital markets have considerable room for growth when compared with their more developed overseas counterparts. As a large number of PRC enterprises become more mature, their need for financing and financial advisory services also becomes more diversified and internationalized. It is expected that with the rapid development of NEEQ agency brokerage business and market-making business, SMEs will become new drivers for the revenue growth of the PRC securities industry.

- ***Increasing participation of institutional investors***. Individual investors have been the primary participants of the PRC stock markets. As the PRC capital markets develop and mature, the participation of institutional investors has been increasing in recent years. According to Wind Info, the number of A share accounts held by institutional investors grew from 580,000 as of December 31, 2010 to 700,000 as of December 31, 2014. We expect the investor composition of the PRC stock market will continue to diversify with growing participation of institutional investors.

Competitive Landscape in the PRC Securities Industry

As of December 31, 2014, there were 120 registered securities firms in China. The total revenues of the top five securities firms amounted to RMB60.8 billion in 2014, accounting for 23.4% of the total revenues of the PRC securities firms. The following table sets forth the ranking and market shares of the top 10 PRC securities firms in terms of total assets, net assets, total revenue, net profit and net capital as of December 31, 2014 on an unconsolidated basis:

Top Ten Securities Firms (Unconsolidated basis) (Based on net assets)	**Total assets**	**Net assets**	**Total revenue**	**Net profit**	**Net capital**
			(RMB in billions)		
CITIC Securities Co., Ltd	348.4	78.7	13.0	6.6	44.3
Haitong Securities Co., Ltd. .	263.4	65.0	12.2	5.7	37.1
Guotai Junan Securities Co., Ltd.	244.7	37.0	13.5	5.3	28.8
GF Securities Co., Ltd.	221.4	37.7	11.2	4.3	32.7
Huatai Securities Co., Ltd. ...	200.4	37.1	9.7	3.9	19.7
Total	1,278.3	255.5	59.6	25.8	162.6

Sources: SAC

Securities firms derive revenue primarily from securities brokerage, futures brokerage, capital-based intermediary business, wealth management services, investment banking, asset management, fund management, private equity investment, alternative investment, and proprietary trading businesses.

Asset Management: Asset management business in China's securities industry is also relatively concentrated. The competition mainly centers on brand recognition, investment research, product innovation, cross-selling capabilities, capital base, pricing and performance. According to SAC, as of December 31, 2014, the total AUM was RMB8.0 trillion and that of the top five securities firms accounted for 31.7% market share.

Brokerage Business*:* The brokerage business primarily comprises trading of stocks, funds and bonds on behalf of clients. In 2014, the net income of the top five securities firms generated from brokerage business accounted for 26.3% of the net income total securities industry, according to the SAC. In 2013, the stocks and funds trading volume of top five securities firms accounted for 26.1% of the industry's trading volume.

Capital-based intermediary business: Capital-based intermediary business primarily comprises margin financing and securities lending, securities-backed lending and stock repurchase. As of December 31, 2014, the aggregate margin balance for margin financing and securities lending and the market share of the top five PRC securities firms are RMB310.0 billion and 30.3% respectively.

Investment Banking: The investment banking business primarily comprises equity underwriting, debt underwriting, financial advisory services and NEEQ agency broker services. The PRC investment banking market is relatively concentrated. Large securities firms, which benefit from their more abundant capital resources, advanced IT infrastructure and stronger relationships with shareholders, enjoy a competitive edge in large-scale securities financing and underwriting businesses. Regional securities firms have an advantage in providing underwriting and financing services to SMEs through differentiated strategies. As of December 31, 2014, all 120 securities firms in China had realized a total revenue of RMB24.0 billion for underwriting and sponsoring business, among which, top five securities firms accounted for 29.4% market share. As of the same date, all 120 securities firms in China had realized a total revenue of RMB6.9 billion, among which, top five securities firms accounted for 32.5% market share.

Proprietary Trading: The proprietary trading business primarily comprises the trading of stocks, bonds, funds, derivatives and other financial products, and NEEQ market-marking services. According to Investment Network (投資時報) and Wind Info, we ranked third in 2013 in terms of investment capabilities and average investment return among 81 PRC securities firms that engage in proprietary trading business with comparable data. The investment capabilities is measured by investment return rate, which is calculated by dividing the investment return generated from proprietary trading by average investment scale.

In 2014, we ranked 44th and 30th among all PRC securities firms in terms of total revenue and other income and revenue generated from asset under management, respectively, and accounted for 0.6% and 1.0% of total revenue and other income and revenue generated from asset under management of all PRC securities firms, respectively.

Competitive Landscape in Inner Mongolia

As of December 31, 2014, there were 27 PRC securities firms with a business presence in Inner Mongolia. In 2014, we ranked first among all 27 securities firms in terms of branch network coverage, commission and fee income, client base, operating profit and trading turnover of securities, funds and bonds.

In 2014, we accounted for 54.0%, 56.0% and 41.0% of the total commission revenue, total profit and total securities trading turnover of all securities firms with presence in Inner Mongolia. As of December 31, 2014, we accounted for 53.0% of total securities accounts opened in Inner Mongolia.

Development Trends of the PRC Securities Industry

As a result of China's substantial economic growth and favorable regulatory environment, China's securities market has experienced significant growth and maturity over the last two decades. With the ongoing reforms of PRC securities laws and regulations, the development of multi-tiered capital market and continuous increase of per capita disposable income, we believe the PRC securities industry is undergoing a rapid transformation and has considerable growth prospects. A few examples will further illustrate this point.

Rapid Development of Internet Finance: The rapid development of Internet finance has accelerated the transformation of securities firms' operating model. While some of the PRC securities firms are actively developing various Internet-based securities services on their own online platform, such as online account opening, brokerage, sale of wealth management products and financing, to expand customer reach beyond the physical boundaries of their securities branches and to lower their operating costs, some securities firms chose to cooperate with leading Internet companies, such as Tencent (騰訊), Sina (新浪) and Alibaba (阿里巴巴)，with a view to leveraging the large volume of data and client base held by such companies. Although the rapid development of Internet finance may further increase the download pressure on brokerage commission rate, we believe this trend will help enhance customer service capabilities, increase the operating efficiency of securities firms and facilitate product innovation.

Accelerated Product Innovation: The CSRC seeks to encourage securities firms to diversify their financial products and services, such as margin financing and securities lending, securities repurchase, securities-backed lending, asset management, market-making and asset-backed securities. We believe these innovative businesses will further diversify the business of PRC securities firms and enhance their profit models.

Gradual Rise in the Securitization Ratio: China's securitization ratio increased from 34.6% in 2005 to 58.3% in 2014, far behind the securitization ratio of 125.2% in the U.S. in 2014. As economy continues to grow along with the increase in urbanization rate and social wealth and per capita disposable income, we believe China's securitization ratio will rise continuously.

Acceleration in Opening of PRC Capital Market: In November 2014, the CSRC and the SFC established mutual stock access between the Shanghai Stock Exchange and the Hong Kong Stock Exchange (also known as Shanghai-Hong Kong Stock Connect). Shanghai—Hong Kong Stock Connect is an important step in the opening up of PRC capital market and will better satisfy the securities investment demand from domestic and Hong Kong investors.

In addition, PRC securities firms also introduce overseas investors to the domestic capital market by providing securities and futures brokerage services and distributing securities firms' wealth management products to QFII and RQFII clients.

Furthermore, PRC securities firms conduct QDII business and other offshore asset management business, assist PRC companies in listing on overseas stock exchanges and issuing offshore RMB bonds, and provide financial advisory services such as acting as advisory services for cross-border M&A transactions. Benefiting from these industry trends, the cross-border business in the PRC securities industry is expected to further expand.

Differentiated Business Strategies: China's securities industry is highly competitive due to similar business models and product and service offerings. However, as the securities industry is continually evolving and maturing, securities firms are gradually developing their own business model centered on differentiated and value-added services. We believe regional securities firms are more likely to leverage local resources and advantages to form unique business models and competitive strengths.

Rapid Development of Capital-Based Intermediary Business: PRC securities firms have provided more capital-based intermediary services, including securities-backed lending and securities repurchase due to the gradual deregulation in the securities industry. As capital requirements on securities firms become more relaxed, PRC securities firms are expected to further increase their leverage ratio by expanding financial channels.

Overview

Our Company is a domestic non-bank financial institution in China. As a securities company, it is subject to the supervision and regulation of the CSRC and other relevant authorities. Our securities business, futures brokerage business, direct investment business and fund business are subject to the applicable regulations of China in the areas of industry entry, business regulation, corporate governance and risk control. Moreover, our operations are also subject to other regulations of China in general, including laws, regulations, rules and other statutory documents in respect of foreign exchange control, anti-money laundering and taxation.

Major Regulatory Authorities

The operation of our Group is subject to the rules and regulations of the following Chinese government authorities:

CSRC

The CSRC is responsible for supervision and management of the securities and future market of the PRC and for maintaining the order thereof, and to secure their lawful operations in accordance with the laws, regulations and the authorities of the State Council. It sets up 36 regional bureaus throughout the country in provinces, autonomous regions, municipalities, and cities under separate state planning, as well as offices for securities regulation in Shanghai and Shenzhen. Pursuant to the Securities Law of the PRC (《中華人民共和國證券法》) (last amended on August 31, 2014 with immediate effect) and the Futures Trading Management Regulations (《期貨交易管理條例》) (last amended on July 18, 2013 and made effective on the same date), main duties of the CSRC include:

- To enact rules in relation to the supervision and management of the securities and futures markets, and to exercise the right of examination or approval according to law;

- To supervise and manage the issuance, listing, trading, registration, deposit and settlement of securities and the futures trading such as the listing, trading, settlement, delivery of futures and related activities according to law;

- To supervise and manage the securities business activities of the securities issuers, listing companies, securities companies, securities investment fund management companies, securities services organizations, stock exchanges and securities registration and settlement organizations according to law; and to supervise and manage futures business activities of market-related participants, including the futures exchanges, futures companies, other futures business institutions, non-futures companies clearing member, futures margin security depository regulating institutions, futures margin depository bank, delivery warehouse and so forth;

- To enact qualification standards and practice codes for securities and futures practitioners according to law, and to supervise their implementation;

- To supervise and examine the disclosure of information in relation to the issuance, listing and trading of securities and information of futures trading according to law;

- To guide and supervise the activities of the SAC and the CFA according to law;

- To investigate and punish activities in violation of laws and administrative regulations in relation to the supervision and management of the securities or futures markets according to law; and

- To perform other duties stipulated in the applicable laws and administrative rules.

The Securities Association of China (SAC)

The SAC is a self-regulatory organization of the securities industry established under the relevant regulations of the Securities Law. It is a non-profit society group and a legal entity, and is subject to the guidance and supervision of the CSRC. The SAC regulates the securities industry through a general meeting of members, which are primarily the securities companies. Its main duties are as follows:

- To educate and advise its members to comply with the securities laws and administrative rules;

- To protect the lawful rights and interest of its members and forward their proposals and requests to the securities supervision and management authorities;

- To compile information of securities activities for members' reference;

- To formulate the rules for compliance by members and to organize training programs and seminars for futures practitioners and its members;

- To mediate disputes arising from securities business between members or between members and their clients;

- To organize for its members the study of development, operation and other matters of the securities industry;

- To monitor and investigate the conduct of members and take disciplinary actions against them for violation of laws, administrative rules or its articles of association in accordance with the provisions;

- To formulate practice standards and business rules of securities business and to implement self-regulatory on its members and their practitioners;
- To be responsible for the qualification and practice registration of practitioners of the securities industry;
- To be responsible for the qualification test or exam on capability of the senior management, sponsor representative and professionals in other specific positions in securities company;
- To be responsible for the registration and file of the price consultation participants of the shares of the initial public offering and the placees of the its managed placing;
- To promote establishment of industry integrity, to carry out industry integrity evaluation, to implement integrity leading and motivation, to implement industry integrity education, and to supervise and inspect the lawful announcement obligation of members;
- To promote the industry investor education, to organize the production of investor education products and popularize securities knowledge;
- To promote the informalization of members and to enhance the protection of information security, and to carry out industry technology and technology award and to organize and establish industry technology standards and guidelines after the approval of the relevant governmental authorities;
- To organize and carry out international and cooperation of the securities industry, to represent the PRC securities industry to participate in the relevant international organizations and to promote relevant qualification mutual recognition; and
- To perform other duties stipulated in the articles of association of the SAC.

China Futures Association (CFA)

The CFA is a national self-regulatory organization of the futures industry established under the Futures Trading Management Regulations, which is a non-profit legal entity. The CFA is subject to the guidance and management of the CSRC. The CFA is organized by members who carry on futures business such as futures company, special members of futures exchange and associate members of local association of futures industry. General meeting is the highest authority of the association, and the council is the standing authority between the closing of general meetings and is responsible to the general meeting.

The objective of the CFA is to carry out self-regulation of the futures industry subject to the futures industry under the centralized and unified supervision and regulation of the State; exert the bridge and link effect between the government and the futures industry, serve for members and uphold the legitimate interests of members; insisting the openness, just and equitable, uphold the proper competition order of the futures industry, protect the legitimate interests of investors and promote the standardize development of the futures market. Pursuant to the Futures Trading Management Regulations (《期貨交易管理條例》) and the articles of association of the CFA, main duties of the CFA are as follows:

- To educate and procure its members and futures practitioners to observe the laws, regulations and policies in relation to futures;
- To formulate self-regulatory rules binding on its members, to supervise and examine the conduct of its members and to take disciplinary actions against the violation of its articles of association and self-regulatory rules in accordance with relevant provisions;
- To accredit, manage and de-register the qualifications of futures practitioners;
- To deal with complaints in relation to the futures business and to mediate disputes between members or between members and their clients;
- To protect the legal interests of its members and forward their proposals and requests to the futures supervision and management authorities of the State Council;
- To collect and sort out relevant futures information, to organize seminars for futures practitioners and its members, to organize members to research on the development of the futures industry and to advise on relevant guidelines and policies and laws and regulations, and to promote business innovation;
- To organize and carry out industry integrity evaluation, to establish sound industry integrity evaluation system and motivation constraint system , and to implement integrity supervision;
- To set out code of conducts and business rules, to participate in carry out industry credit rating, to participate in proposing relevant futures industry and technology standard;
- To carry out investor protection and education, to urge members to strengthen the protection on the legitimate interests of investors in the futures and derivatives market;
- To establish and implement futures talent development strategy, to strengthen the talents cultivation of the futures industry, and to provide continuing education and business training for the practitioners of the future industry;

- To establish a specific fund so as to provide funds support for the cultivation of talents from the futures industry, investor education or other specific matters;
- To carry out international and cooperation of the futures industry, to participate in the relevant international organizations, to promote relevant qualification mutual recognition, and to implement self-discipline standard and regulation on overseas futures business; and
- To perform other duties stipulated in the articles of association of the CFA.

Asset Management Association of China (AMAC)

The AMAC, founded pursuant to the Securities Investment Funds Law of the PRC (《中華人民共和國證券投資基金法》), is a national, industry-oriented, and non-profit making social organization incorporated voluntarily by the several organizations in the securities investment funds industry. It is a self-regulatory organization of the securities investment fund industry and a legal entity, subject to the operational guidance, supervision, and administration from CSRC. The Members Meeting is the highest organ of power of the AMAC, while the Council represents its administration authority. The main objectives of the AMAC are to provide services for the industry by encouraging communication, innovation, professionalism, and competitiveness; to provide a communication platform between the government and the industry by safeguarding the legitimate rights and interests of the industry, promoting public understanding, and enhancing industry public relations; to exercise industry self-regulation, compliance operations, and industry integrity; to supervise fulfillment of fiduciary duties and social responsibilities, while also ensuring the sustainable and healthy growth of the industry.

Pursuant to the Securities Investment Funds Law of the PRC (《中華人民共和國證券投資基金法》) (last amended on April 24, 2015 and made effective from June 1, 2013), and the Articles of Association of the AMAC (《中國證券投資基金業協會章程》), the main duties of the AMAC are as follows:

- To educate and organize its members to comply with the laws and administrative rules governing securities investment and protect the lawful rights and interests of investors;
- To protect the lawful rights and interest of its members and to submit their proposals and requests;
- To formulate and implement self-regulatory rules, to supervise and examine the practices of its members and their practitioners and to take disciplinary actions against the violation of the self-regulatory rules and its articles of association in accordance with the provisions;
- To formulate practice standards and business rules and to organize the qualifying examinations, qualification management and professional training for fund practitioners;

- To provide membership services, organize seminars, promote innovation and launch propaganda and investor education activities within the industry;

- To mediate disputes arising from fund business between members or between members and their clients;

- To handle the registration and recording of non-publicly offered funds in accordance with the law; and

- To perform other duties stipulated in the articles of association of the AMAC.

Stock Exchange

Under the Securities Law, (《證券法》) and the Measures for the Administration of Stock Exchanges (《證券交易所管理辦法》), a stock exchange is a self-regulatory legal entity which provides venues and facilities for centralized trading of securities and organizes and supervises trading of securities. A stock exchange shall establish the Members Meeting, the Council and the specialized committees. The Members Meeting shall be the highest organ of power and the Council shall be the policy-making organ of a stock exchange. China's two stock exchanges are Shanghai Stock Exchange and Shenzhen Stock Exchange. Shanghai Stock Exchange was established in November 26, 1990 and Shenzhen Stock Exchange was established in December 1, 1990. Pursuant to the Securities Law (《證券法》) and the Measures for Administration of Stock Exchange (《證券交易所管理辦法》) (effective from December 12, 2001), the Articles of Association of Shanghai Stock Exchange (《上海證券交易所章程》) and the Articles of Association of Shenzhen Stock Exchange (《深圳證券交易所章程》), the main duties of a stock exchange are as follows:

- To provide venues and facilities for the trading of securities;

- To formulate stock exchange rules;

- To accept applications for, and to arrange, the listing of securities;

- To organize and supervise the trading of securities;

- To supervise its members;

- To supervise the listed companies;

- To establish securities registration and settlement facilities;

- To manage and disclose market information;

- To handle suspension of listing, resumption of listing and delisting of shares and corporate bonds;
- To adopt remedial measures in case of emergency, including technical suspension and temporary suspension of trading; and
- To perform other duties permitted by the CSRC.

Futures Exchange

Under the Futures Trading Management Regulations (《期貨交易管理條例》) and the Measures for the Administration of the Futures Exchange (《期貨交易所管理辦法》) (made effective from April 15, 2007), a futures exchange is a non-profit and self-regulatory legal entity governed by its articles of association, and performs it functions under the Futures Trading Management Regulations (《期貨交易管理條例》) and the Measures for the Administration of the Futures Exchange (《期貨交易所管理辦法》). The Main duties of a futures exchange are as follows:

- To enact and implement the trading rules and implementing regulations of the futures exchange;
- To announce market information;
- To investigate and punish any act against the law;
- To provide venues, facilities and services for trading;
- To standardize the contracts and to arrange the listing of the contracts;
- To organize and supervise the trading, clearing and settlement of futures;
- To provide centralized guarantees for contract performance in futures trading;
- To supervise its members in accordance with its articles of association and trading rules;
- To regulate members and their clients, specified settlement houses, futures margin depository banks and the futures businesses of other participants in the futures market; and
- To perform other duties as specified by the futures supervision and management authorities of the State Council.

China Securities Depository and Clearing Corporation Limited (CSDCC)

Under the Securities Law and the Administrative Measures on Securities Registration and Settlement (《證券登記結算管理辦法》) (last amended on November 20, 2009 and made effective on December 21, 2009), CSDCC is a non-profit legal entity to provide centralized registration, depository and clearance services in respect of securities trading. It was established in Beijing on March 30, 2001.

The CSDCC is a centralized registration and settlement institution of the PRC stock market, responsible for the registration, custody, clearing and other related businesses for the majority of financial products and part of OTC financial products listed and traded on Shanghai Stock Exchange and Shenzhen Stock Exchange. It is the central securities depositories, securities settlement system and central counterparties in China mainland's capital markets. The mission of the CSDC is to build an open, flexible and unified securities registration, clearing and settlement system in line with international standards and practices, to better serve market players and support the development of China's securities market by improving market efficiency and effectively managing risks. The main duties of the CSDCC are as follows:

- To establish and manage securities accounts and clearance accounts;
- To conduct depository and transfer of securities;
- To register securities holders' register and rights and interests thereof;
- To conduct clearing and settlement in relation to the trading of securities listed on a stock exchange;
- To distribute interests in securities as entrusted by an issuer;
- To provide enquiry, information, consultation and training services in relation to securities registration and settlement according to the law; and
- To perform other businesses as approved by the securities supervision and management authorities of the State Council.

China Securities Investor Protection Fund Corporation Limited (SIPF)

The SIPF, incorporated on August 30, 2005, is a company responsible for the raising, management and operation of the Fund established (for protecting the interests of securities investors in the prevention and disposal of risks of securities companies) pursuant to Measures for the Administration of Securities Investor Protection Fund (《證券投資者保護基金管理辦法》) (implemented on July 1, 2005). The main functions of the SIPF are:

- Raising, management and operation of the Fund;

- Monitoring risks of securities companies and participating in the risk disposal of securities companies;

- Indemnifying creditors as required by China's relevant policies in case a securities company is subject to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and trustee operation;

- Organizing and participating in the clearing of the dissolved, closed or bankrupt securities companies;

- Management and disposal of the foreclosed assets and safeguarding the rights and interests of the Fund;

- Putting forward supervision and disposal suggestions to the CSRC in case a securities company's operation and management have material risks that may damage investors' interests and the safety of the securities market; Joining relevant authorities in establishing a rectification mechanism for potential risks arising from the operation of securities companies;

- Other functions approved by the State Council.

China Future Market Monitoring Center Co., Ltd. (CFMMC)

The CFMMC, formerly China Futures Margin Monitoring Center Co., Ltd., is a non-profit making legal corporation established on March 16, 2006 upon approval of the State Council and the authorization of the CSRC. The CFMMC is operated under the leadership, supervision and administration of the CSRC. The main functions of the CFMMC are:

- opening unified account for futures market;

- monitoring safety of futures margin;

- providing futures investors with inquiries for transaction settlement information;

- monitoring and supervising futures market operation;

- macro and industry analysis and research;

- monitoring and supervising futures agencies;

- escrowing protection funds for futures investors;

- preparation and publication of commodity and other indices;

- providing information services to regulatory bodies, futures exchanges and others;
- futures market research; and
- assisting in ventures disposal.

China Securities Finance Corporation Limited (CSFC)

The CSFC, incorporated on October 28, 2011 with the approval of the State Council and the CSRC, is a national financial institution specialized in securities. As the only financial institution that engages in margin financing business in China, CSFC aims to provide securities companies with supporting services for margin financing and securities lending. Its business objectives: to embody the role of maintaining market stability, active market trading and provision of market services by adhering to the principles of equality, voluntariness, fairness and good faith; to improve the trading mechanism of margin financing and securities lending through the steady development of refinancing business; to improve functions of the capital market by promoting the establishment of credit transactions; to strengthen monitoring and supervision of market-wide margin transactions by setting up the margin statistical monitoring system; and to carry out refinancing of funds and refinancing of securities by market-oriented means, to prevent and resolve market risk, and to promote the stable and healthy development of capital markets. Its business scopes are:

- to provide securities companies with refinancing of funds and refinancing of securities for their margin financing and securities lending business;
- to mediate supply of funds and securities in the securities market by market-oriented means;
- to manage collaterals of refinancing securities provided by securities companies;
- to make statistics and to monitor the operation of margin financing and securities lending business of securities companies, to monitor and analyze margin trading of margin financing and securities lending, and to prevent and control market risk and credit risk; and
- to carry out other businesses approved by the CSRC.

Industry Entry Requirements

Industry Entry Requirements for Securities Companies

1. Establishment

The Securities Law of the PRC (《中華人民共和國證券法》) and the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) stipulate the authorized scope of business of securities companies and establish standards required for entry into the industry and other related requirements. Establishment of securities companies shall be approved by the CSRC and the business license shall be obtained subject to the following conditions:

- Its articles of association shall comply with the laws and administrative rules of China;

- The major shareholders shall have sustainable profitability, good reputation and no record of major violation of laws or regulations during the last three years and shall have net assets not less than RMB200.0 million;

- It shall have the registered capital required by the Securities Law of the PRC (《中華人民共和國證券法》). For a securities company operating securities brokerage, securities investment consultation and financial advisory business in relation to securities trading and securities investment, the minimum registered capital shall be RMB50.0 million; for companies operating one of the securities underwriting and sponsorship, proprietary securities trading, securities asset management or other securities businesses, the minimum registered capital shall be RMB100.0 million; for companies operating two or more of the securities underwriting and sponsorship, proprietary securities trading, securities asset management and other security businesses, the minimum registered capital shall be RMB500.0 million;

- Its directors, supervisors and senior management should possess the required qualifications while other personnel involved in the securities business should possess proper professional qualifications, and no less than three of the senior management officers should have served as senior management officers for not less than two years in the securities industry;

- It should have effective risk management and internal control systems;

- It should have a proper premises and facilities for operation; and

- Other conditions stipulated by laws, administrative rules and the CSRC.

Pursuant to the Judging Standards and Relevant Guiding Opinions on Controlling Relationship of Securities Companies (關於證券公司控制關係的認定標準及相關指導意見), the same entity or individual, or multiple entities or individuals who are under the control of the same entity or individual, shall not hold shares in more than two securities companies and shall not hold controlling interests in more than one securities company. Any such entity or individual that satisfies any of the following conditions shall not be included in the number of holding shares or controlling interests in securities companies:

(i) it holds less than 5% (excluding 5%) of the shares of listed securities companies through securities trading on any stock exchange;

(ii) it controls a securities company via investment relationship, agreement(s) or other arrangement(s), while such securities company holds shares or controlling interests in other securities company in accordance with law;

(iii) it is a subsidiary which is established by a securities company in accordance with law upon approval of the CSRC and engages in securities business; and

(iv) other circumstances as identified by the CSRC.

The shareholding of foreign shareholders in a foreign-invested securities company is subject to the Rules for Establishment of Foreign-invested Securities Companies (外資參股證券公司設立規則), among others:

(i) the aggregate direct and indirect shareholdings of foreign shareholders or their interests in a foreign-invested securities company shall not exceed 49%. At least one of the domestic shareholders shall have a shareholding or an interest in a foreign-invested securities company of not less than 49%. If a domestic securities company converts into a foreign-invested securities company, at least one of the domestic shareholders shall have a shareholding in the foreign-invested securities company of not less than 49%;

(ii) foreign investors may hold shares in a listed domestic securities company through legal securities trading on the stock exchanges or by establishing a strategic partnership with a listed domestic securities company and holding their shares subject to the approval of the CSRC. The approved business scope of the listed domestic securities company shall remain unchanged. If the controlling shareholder of a listed domestic securities company is a domestic shareholder, the listed domestic securities company shall be exempted from the shareholding requirement of a single domestic shareholder of not less than 49%. Foreign investors who lawfully hold 5% or more of the shares in a listed domestic securities company through securities trading on stock exchanges or who jointly hold 5% or more of the shares in a listed domestic securities company with others by agreement and other arrangement shall be approved by the CSRC; and

(iii) the direct holdings and indirect control in the equity interest of a listed PRC-incorporated securities firm by a foreign investor shall not exceed 20%. The direct holdings and indirect control in the equity interest of a listed PRC-incorporated securities firm by all foreign investors shall not exceed 25%.

The Rules for Establishment of Foreign-invested Securities Companies also stipulated the following conditions and procedures of the establishment of foreign-invested securities companies:

(i) it shall have the registered capital as required by the Securities Law;

(ii) its shareholders shall have the qualifications as prescribed in the Rules for Establishment of Foreign-invested Securities Companies, and the proportion and the method of capital contribution shall comply with the requirements;

(iii) it shall have not less than 30 personnel who are qualified to participate in securities business as required by the CSRC and shall have qualified accountants, legal and IT professionals;

(iv) it shall have sound internal management and risk control systems and separate management systems for organization, personnel, information and business execution in underwriting, brokerage and proprietary trading and other business lines, and have proper internal control systems;

(v) it shall have the required premises and facilities for operation; and

(vi) other prudent conditions as stipulated by the CSRC.

In addition, pursuant to the Guidelines on Administrative Approval for Securities Companies No.10—Increase and Change in Equity Interest of Securities Companies（證券公司行政許可審核工作指引第10號 — 證券公司增資擴股和股權變更）(effective from August 27, 2015), if a foreign investor directly or indirectly holds minority shares of an enterprise which invests in a securities company, the indirect shareholding of the foreign investor in a securities company shall not exceed 5%. None of foreign investors indirectly holds more than 5% of shareholding in our Company, which is in compliance with the above requirements.

2. Business Scopes

Pursuant to the Securities Law of the PRC (《中華人民共和國證券法》), a securities company cannot engage in any or all of the following businesses without the approval by the CSRC:

- Securities brokerage;

- Securities investment consultation;

- Financial advisory in relation to securities trading and securities investment activities;
- Securities underwriting and sponsorship;
- Proprietary securities;
- Securities asset management; and
- Other securities businesses.

According to the Interim Provisions on the Examination and Approval of Business Scope of Securities Companies (《證券公司業務範圍審批暫行規定》) (made effective on December 1, 2008), securities companies which are under common control of the same entity or individual control or mutual control of each other shall not engage in the same business, unless the relevant companies adopt effective measures to clearly define their respective operating regions or target clients and there shall be no competition between the companies. Unless otherwise provided for by the CSRC, the scope of business of the securities company upon its establishment is subject to the approval of the CSRC in accordance with the statutory provisions and no more than four types of business of such company shall be approved. The securities company shall obtain approval from the CSRC for any change in the scope of business, however, the number of additional types of business applied for shall not exceed two. Subject to the approval by the CSRC, a securities company may operate the business not clearly stated in the Securities Law of the PRC (《中華人民共和國證券法》), the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》) the rules and regulations of the CSRC.

3. Material Changes

Pursuant to the requirements of the Securities Law of the PRC (《中華人民共和國證券法》) and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), approval from the State Council's Securities regulatory authorities shall be obtained for the establishment, acquisition or de-registration of a branch under a securities company, change of the scope of business or the registered capital, change of any shareholder holding of more than 5% of the shares or the *de facto* controller, change of important provisions of the articles of association, any merger, division, change of incorporation, cessation, dissolution and bankruptcy, or the establishment, acquisition or equity participation in securities institutions by securities companies or other material changes.

The CSRC has gradually authorized its local branches to review and approve applications for material changes by securities companies. In October 2012, according to the Decision of the State Council in Relation to the Cancellation and Adjustment of the Sixth Group of Items Requiring Administrative Approval (《國務院關於第六批取消和調整行政審批項目的決定》) made effective from September 23, 2012, the authority of reviewing and approving the following material changes of securities companies was formally entrusted with the CSRC's local branches:

- Change of important provisions of the articles of association;
- Establishment, acquisition or de-registration of a branch;
- Some items regarding change of the registered capital, including the review and approval of the qualification of shareholders or the *de facto* controller, or the change of *de facto* controller, controlling shareholder or the shareholder with the largest shareholding of an unlisted securities company in connection with an increase in its registered capital, and approval of a decrease of registered capital by an unlisted securities company;
- A change of shareholder(s) with more than 5% of shareholdings and *de facto* controller of an unlisted securities company; and
- Increase or decrease in the business of securities brokerage, securities investment consultation and financial advisory in relation to securities trading and securities investment, proprietary securities trading, securities assets management and securities underwriting.

Pursuant to the Decision of the State Council on Cancellation and Decentralization of Certain Administrative Examination and Approval Items (《國務院關於取消和下放一批行政審批項目的決定》) (made effective on January 28, 2014), CSRC cancelled three items necessary for administrative approval: approval of subordinated debt lent by securities companies, approval of the annual foreign exchange risk exposure for licensed overseas futures companies, and approval of special investment of securities companies.

Pursuant to the Decision of the State Council on Cancellation of and Adjustment to Issues including Certain Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (made effective on October 23, 2014), the CSRC cancelled five items necessary for administrative approval: administrative reorganization approval of securities companies and approval of extension of the administrative reorganization deadline; approval of the administrative measures for fidelity funds traded on refinancing business (轉融通互保基金); approval of rules of refinancing business; approval of monitoring rules for margin financing and securities lending businesses conducted by securities companies; approval of borrowing or issuance, repayment or settlement of subordinated debts by securities companies conducting securities-related businesses.

4. *Establishment of Subsidiaries, Branches and Securities Operation Units*

Pursuant to the Trial Regulation for the Establishment of Subsidiaries of Securities Companies (《證券公司設立子公司試行規定》) (made effective on October 11, 2012), subject to the approval of the CSRC, securities companies may establish subsidiaries and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law of the PRC (《中華人民共和國證券法》). A securities company and its subsidiaries, or subsidiaries under the control of the same securities company shall not operate similar businesses which involve conflict of interest or competition.

The Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》) (made effective on March 15, 2013) provide that branches shall refer to branches and securities operation units established by the securities companies in the PRC for business operation. Approval from securities regulatory bureaus authorized by the CSRC must be obtained for the establishment, acquisition and de-registration of branches of securities companies. Application documents for the establishment and acquisition of branches by the securities companies shall be submitted to the securities regulatory bureaus where the securities companies are located. Application documents for de-registration of branches shall be submitted to the securities regulatory bureaus where the branches are located. According to the Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》), securities companies shall meet the following requirements in order to establish branches: have a sound governance structure and effective internal management, have the capacity to control the risks of their existing branches and branches to be established, have risk control indicators in compliance with relevant rules for the most recent year and those indicators will remain compliant after the additional branches are established, not be subject to administrative or criminal penalties for any material breach of rules or regulations for the most recent two years, have no material regulatory measures imposed for the most recent year, no current investigation for any branch-related activities based on any alleged material breach of rules or regulations, have a secure and stable information technology system, no material information technology accident having occurred during the most recent year and existing branches are under good management.

Entry Requirements for Futures Companies

1. *Establishment*

The Futures Trading Management Regulations (《期貨交易管理條例》) and the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) set out the industry entry standards for futures companies. Establishment of futures companies shall be approved by the CSRC subject to the following conditions:

- The minimum registered capital is RMB30 million;

- Directors, supervisors and senior management shall be qualified for their positions while practitioners shall have futures practice qualifications; the number of staff with futures practice qualifications shall not be less than 15; the number of senior management staff with practice qualifications shall not be less than three;

- The articles of association shall comply with the requirements of laws and administrative rules;

- Major shareholders and the *de facto* controller shall have sustained profitability, good reputation, and shall not have a record of material violation of law or regulation in the last three years;

- Premises and operation facilities shall be up to standard;

- Risk management and internal control systems shall be satisfactory; and

- Other conditions as stipulated by the CSRC.

Pursuant to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》), made, which was made effective on June 1, 2008, an entity shall not hold controlling interests and equity interests in more than two futures companies and shall not hold controlling interests in more than one futures company.

2. Material Changes

Pursuant to the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (made effective on October 29, 2014), approval of the CSRC shall be obtained for change of shareholdings in any of the situations below:

- Change of its controlling shareholder or largest shareholder;

- Shareholding of an individual shareholder or an associated shareholder to be increased to 100%; and

- Shareholding of an individual shareholder or the aggregate shareholding of an associated shareholder to be increased to 5% or above with a foreign shareholder involved.

Save for the circumstances as provided in the preceding paragraph, if the shareholding of an individual shareholder or the aggregate shareholding of an associated shareholder of a futures company increases to 5% or above, it shall obtain approval from the local branch office of the CSRC at the place where the futures company is located.

Pursuant to the Decision of the State Council on Cancellation of and Adjustment to Issues including Certain Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), the local branch office of the CSRC cancelled the administrative approval for change of legal representative, domicile or operating premise, establishment or cessation of domestic branch offices and change of domestic branch offices' business scope by futures companies.

Industry Entry Requirements for Direct Investment Companies

1. Scope of Business

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》) (made effective on January 3, 2014), a direct investment subsidiary is allowed to engage in the following business:

- Investment in the shareholdings of enterprises, or investment in debts, or in other investment funds associated with equity and debt investment with its own funds or via establishment of direct investment funds;

- Provision of financial advisory services on equity investment and debt investment to clients;

- Other businesses as accepted by the CSRC.

A direct investment subsidiary shall not conduct such securities business which shall be operated by a securities company according to laws.

Industry Entry Requirements for Fund Management Companies

1. Establishment

Pursuant to the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) (made effective on November 1, 2012), the establishment of a securities investment fund management company shall be subject to the following requirements:

- Its shareholders shall meet the requirements of the Securities Investment Funds Law (《證券投資基金法》) (made effective on June 1, 2013 and last amended on April 24, 2015) and the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》);

- Its articles of association shall comply with the Securities Investment Funds Law (《證券投資基金法》), the Company Law (《公司法》) and the provisions of the CSRC;

- Its registered capital shall be no less than RMB100 million, which shall be paid in monetary contributions by shareholders, and foreign shareholders shall make capital contributions in freely convertible currencies;

- It shall have proposed senior management who comply with relevant laws and administrative regulations and the provisions of the CSRC, and staff who engage in research, investment, valuation, marketing and other businesses. The number of the proposed senior management personnel and the business staff shall not be less than 15 and all of them shall obtain the qualifications for funds practice;

- It shall have operating premises, security facilities and other business-related facilities in compliance with relevant requirements;

- Its subordinate departments and working positions shall have reasonable division of labor and well-defined powers and duties;

- It shall establish a supervision and audit mechanism, a risk control mechanism and other internal control mechanisms in compliance with the provisions of the CSRC; and

- It shall meet other requirements of the CSRC as approved by the State Council.

According to the Opinions of China Securities Regulatory Commission on Putting Great Efforts to the Innovative Development of the Securities Investment Fund Industry (《中國證券監督管理委員會關於大力推進證券投資基金行業創新發展的意見》), the CSRC will further improve the domestic and foreign openness of the securities investment fund industry, promote various qualifying financial institutions and other market entities to establish securities investment fund management companies, relax the restriction on the shareholding of foreign shareholders in due time and support the development of joint venture securities investment fund management companies.

2. Establishment of Subsidiaries and Branches

Pursuant to the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and the Interim Provisions on the Administration of Subsidiaries of Securities Investment Fund Management Companies (《證券投資基金管理公司子公司管理暫行規定》) (made effective on November 1, 2012 and amended on July 31, 2015), a securities investment fund management company shall, upon satisfaction of relevant requirements, apply to the CSRC for the establishment of subsidiaries or branches.

Regulation on Operations of Securities Companies

The securities and related business we mainly engage in includes, but is not limited to, securities proprietary trading, securities brokerage, securities underwriting and sponsorship, asset management, margin financing and securities lending, securities investment consulting, commodity futures brokerage, financial futures brokerage, stock index futures, futures intermediary business, agency sale of financial product, securities investment fund distribution, direct investment, securities investment fund.

Proprietary Securities Trading

The Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》) state that securities companies engaging in proprietary securities trading shall be limited to the trading of publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authorities of the State Council. A securities company that engages in proprietary securities trading business shall be registered under the name of the proprietary securities account. The securities company shall conduct its proprietary trading business in its own name. Risk control indicators, such as the proportion of the total value of proprietary securities to the Net Capital of the company, the proportion of the value of a single security to the net capital of the company, and the proportion of the amount of a single security to the total amount of issued securities, shall comply with the requirements of the State Council's securities regulatory authority.

Establish and improve an investment decision-making and authorization mechanism with relative centralization and unification of rights and responsibilities. In principle, the decision-making framework of self-operated businesses shall be established on three progressive levels: self-operated business departments, investment decision-making organ, Board of Directors.

The self-operated business department of securities companies is responsible for the management and operation of self-operated business, other business sectors and branches shall not develop self-operated business in any form.

Securities Brokerage

Pursuant to the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the Provisions on Strengthening the Management of the Securities Brokerage Business (《關於加強證券經紀業務管理的規定》) (made effective from May 1, 2010), a securities company shall meet the following requirements in order to engage in the securities brokerage business:

- A securities company shall establish and improve its management system of the securities brokerage business through centralized and unified management over securities brokerage to prevent conflict of interests between it and clients as well as earnestly fulfillment of anti-money laundering obligations to prevent damage to the clients' legitimate rights and interests;

- Where a securities company is engaged in the securities brokerage business, it shall objectively indicate its business qualification, service responsibility and scope, etc., shall not provide false or misleading information, shall not conduct businesses through improper means of competition and shall not induce investors unwilling to invest or without risk tolerance to engage in securities trading;

- A securities company shall establish and improve the client management system and client service system of the securities brokerage business, also, strengthen the education of investors and protect the legitimate rights and interests of clients;

- A securities company shall establish and improve the management system and rational performance appraisal system for securities brokers to regularize their behavior;

- A securities company shall establish and improve the management system for its securities business department to ensure a law-abiding, stable and safe operation for the business department;

- A securities company shall establish and manage the information systems such as client account management, client deposits management, proxy trading, proxy clearing and settlement, securities depository, transaction risk monitoring and the central storage of the above business data;

- If an employee or a practitioner at the business department of a securities company violated laws, administrative regulations, provisions stipulated by regulatory agencies and other administrative departments, self regulatory rules or regulations stipulated by securities companies for securities brokerage business, the securities company shall hold the employee or practitioner accountable; and

- If a securities company or a securities business department violates the Provisions, the CSRC and its resident agencies will take measures such as ordering for rectification, regulatory interview, issuance of caution letter, temporarily suspending license-related approvals, punishment of related personnel, suspending approval of new businesses, limiting business activities and other regulatory measures. Any violation of laws and regulations will be punished in accordance with law. If a crime was committed during the event, the company or department will be transferred to the proper judicial organization for prosecution.

Securities Underwriting and Sponsoring

Pursuant to the Measures for the Administration of the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》), securities companies shall apply for the sponsoring institution qualification from the CSRC in accordance with the regulations, so as to engage in listing and sponsoring business. Sponsoring institutions shall designate an individual, who has obtained sponsor representative qualification, to be responsible for sponsorship duties, so as to discharge sponsorship responsibilities. Issuers shall employ securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for the following matters: initial public offering and listing, issuance of new shares and convertible corporate bonds by listing companies and other conditions identified by the CSRC.

Any securities company applying for the sponsoring institution qualification from the CSRC shall be subject to the following requirements:

- Its registered capital shall be no less than RMB100 million and net capital not less than RMB50 million;

- It shall have a system of corporate governance and internal control, the indicators of risk control shall be in line with relevant regulations;

- Its sponsor business sector shall have a sound mechanism consists of business procedures, risk assessment and internal control, its internal structure shall be logical, also, proper research capabilities and marketing capabilities is needed to provide necessary support;

- It shall have a fine sponsor business team, with reasonable professional structure, the number of professionals shall not be less than 35, among which, the number of personnel have been engaging in sponsor-related businesses in the last three years shall not less than 20;

- The number of its professionals who meet the qualifications of sponsor representative shall not be less than 4;

- Over the last three years, entity has not received any administrative penalties due to major violation of laws and regulations; and

- It shall meet all other requirements of the CSRC.

The Management Measures on Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) regulates the issuance of shares or convertible bonds in China by issuers, or underwriting of securities in China by the securities companies in various aspects including the quotation and pricing, sale of securities, underwriting of securities, and information disclosure. The securities company shall submit offering and underwriting plans to the CSRC prior to engaging in any underwriting activities.

The Administrative Measures for Corporate Bonds Issuances and Trading (《公司債券發行與交易管理辦法》) require the issuance of corporate bonds to be underwritten by securities firms qualified to provide underwriting services. Securities firms that have obtained qualification for securities underwriting services, China Securities Finance Corporation Limited (中國證券金融股份有限公司) and other institutions as recognized by the CSRC may sell their own non-publicly offered corporate bonds.

The Regulations on Management of Enterprise Bonds (《企業債券管理條例》) stipulate that issuance of enterprise bonds by enterprises shall be underwritten by securities trading institutions, and the securities trading institution which underwrites the enterprise bonds shall conduct verification on the truth, accuracy and completeness of the issue prospectus and other relevant documents of the enterprise issuing bonds.

The Trial Measures for Securities Firms to Conduct SMEs Private Debt Underwriting Business (《證券公司開展中小企業私募債券承銷業務試點辦法》) stipulate that a securities firm may be entrusted by an unlisted medium small and micro-sized enterprise to underwrite corporate bonds issued by such enterprise in a non-public way. Securities firms as an underwriter for private debts and their practitioners shall exert due diligence, strictly abide by practicing norms and professional ethics and perform duties according to the rules and conventions.

Asset Management

Pursuant to the Administrative Measures on Client Asset Management of Securities Companies (《證券公司客戶資產管理業務管理辦法》), the Implementation Rules for the Targeted Asset Management Business of Securities Companies (《證券公司定向資產管理業務實施細則》), the Implementation Rules of the Integrated Asset Management Business of Securities Companies (《證券公司集合資產管理業務實施細則》), and the Notice in relation to Strengthening Supervision on Asset Management Business of Securities Companies (《關於加強證券公司資產管理業務監管的通知》), securities companies engaging in client asset management shall comply with relevant conditions and shall apply to the CSRC for approval. Securities companies may undertake targeted asset management businesses for individual clients, collective asset management businesses for multiple clients and special asset management businesses for selected clients.

The Administrative Measures on Asset Securitization of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) stipulate that securities companies engaging in asset securitization shall be qualified for client asset management business and subsidiaries of fun management companies shall be set up by securities investment fund management companies and have qualification for selected client asset management business.

Margin Financing and Securities Lending

Pursuant to the Management Measures on Margin Financing and Securities Lending of the Securities Companies (《證券公司融資融券業務管理辦法》), securities companies engaging in margin financing and securities lending businesses shall open accounts in their own name at securities registrars, such as a special securities lending account, margin guarantee account, margin settlement account and margin capital settlement account. Such securities companies shall also open accounts at commercial banks, such as a special margin financing account and margin capital guarantee account. Securities companies shall, with reference to third-party custody of the clients' transaction settlement funds, enter into a margin custody agreement with their clients and commercial banks. The capital and securities provided by securities companies to their clients are limited to those in the special margin financing account and special securities lending account.

The CSRC, Shanghai Stock Exchange and Shenzhen Stock Exchange promulgated the Management Measures on Margin Financing and Securities Lending of the Securities Companies, the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange (2015 Revision) (《上海證券交易所融資融券交易實施細則(2015年修訂)》) and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange (2015 Revision) (《深圳證券交易所融資融券交易實施細則(2015年修訂)》) on July 1, 2015 with immediate effect. The abovementioned rules stipulated the following: (i) a securities company's total loan amount under its margin financing and securities lending business may not exceed an amount equal to four times of its net capital; (ii) securities companies are permitted to extend the term of margin financing and securities lending contracts beyond six months; (iii) the previous requirement that if a margin financing and securities lending customer's collateral value falls below 130% of the loan amount, the customer would be required to replenish the collateral to 150% of the loan amount within two business days is hereby abolished. Mandatory liquidation of trading position is not required when a customer fails to maintain the requisite collateral of 130%. A securities company may dispose the collateral as agreed to between the customer and the securities company, including mandatory liquidation of customer's trading position. On August 3, 2015, the Shanghai Stock Exchange and the Shenzhen Stock Exchange further amended the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange (2015 Revision) and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange (2015 Revision), respectively, with immediate effect. Pursuant to such amendments, in the event that a customer sells securities borrowed from securities companies, such customer shall return the borrowed securities to relevant securities companies no earlier than the next trading day.

Securities-backed Lending

Pursuant to the Measures on Securities-Backed Lending and Registration and Settlement Business (Provisional) (股票質押式回購交易及登記結算業務辦法(試行)) jointly promulgated by China Securities Depository and Clearing Co., Ltd and the Shanghai Stock Exchange and the Shenzhen Stock Exchange, respectively, on May 24, 2013, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in securities backed lending, respectively. Securities companies shall establish qualification examination system and perform due diligence with respect to the finance parties. Examination contents shall include asset scale, credit status, risk tolerance and cognition of securities market. We have obtained trading permissions to engage in securities-backed lending from the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Securities Investment Consulting

Pursuant to the Provisional Measures on Management of Investment Consultations on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》), a firm which engages in a securities investment consulting business shall obtain the necessary qualifications and a business licence from the CSRC. Practitioners of securities investment consulting shall obtain the relevant qualifications and provide securities investment consulting services under a qualified securities investment consulting institution.

Pursuant to the Tentative Provisions on the Securities Investment Advisor Business (《證券投資顧問業務暫行規定》), a securities company shall provide securities investment advisory services in good faith and shall not jeopardize the interests of clients by acting in favor of the company and its associates, investment advisors and their related parties, or other specific clients.

The Interim Provisions on the Release of Securities Research Reports (《發佈證券研究報告暫行規定》) stipulates that in issuing securities research reports, securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and the Interim Provisions on the Release of Securities Research Reports (《發佈證券研究報告暫行規定》), follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall be prohibited from disseminating false, untrue and misleading information, and from engaging in or participating in insider trading or securities market manipulation.

Futures Introduction Business

Pursuant to the Trial Measures Concerning Intermediary Introduction Business provided by Securities Companies to Futures Companies (《證券公司為期貨公司提供中間介紹業務試行辦法》), a securities company providing futures intermediary business to futures companies shall obtain qualification for introduction business as required therein, and operate in a due and cautious manner through standardized departmental management of its futures intermediary business. A securities company may only accept the entrustment of its wholly owned or controlled futures company or a future company under the control of the same institution to provide the futures intermediary business. The securities company shall not accept the entrustment of other futures companies to carry out introduction business.

Agency Sale of Financial Product

Pursuant to the Administrative Provisions on the Agency Sale of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》), a securities company shall assess the eligibility of the client before promoting financial products. The information given on the financial products shall be comprehensive, fair and accurate, containing full particulars about main risk characteristics of financial products such as credit risks, market risks and liquidity risks, and shall disclose whether there is an associated relationship between it and parties to a financial contract. Staff of a securities company who conduct the agency sale of financial products shall have securities practice qualifications and follow administrative rules on securities practitioners.

Securities Investment Fund Distribution

Pursuant to the Management Measures on Sales of Securities Investment Funds (《證券投資基金銷售管理辦法》), commercial banks (including foreign-invested banks in China), securities companies, futures companies, insurance institutions, securities investment consulting institutions, independent fund distribution institutions and other institutions as determined by the CSRC shall register with the local branch office of the CSRC at the place where the industrial and commercial registration is located and obtain the relevant qualifications in order to conduct fund distribution business. Fund distribution entities shall set up a comprehensive management system of fund holder accounts and capital accounts, an optimal system of fund depository and withdrawal procedures and authorization for fund holders.

Direct Investment Business

Pursuant to the provisions of the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》), Securities companies which engage in direct investment business shall establish a direct investment subsidiary in accordance with the requirements of relevant regulatory authorities, and shall conduct business in compliance with relevant PRC laws, rules and regulations as well as the requirements of the SAC. Securities companies shall not develop business in any other form. A direct investment subsidiary and its affiliates shall establish a sound investment management system which specifies its investment scope, investment strategy, forms of investment, investment restrictions, decision-making procedures, investment process, post-investment management and exit strategy, etc. A direct investment subsidiary and its affiliates may also set up and manage direct investment funds including equity funds, debt investment funds, venture capital funds, buyout funds, mezzanine funds, as well as other direct investment funds targeted at the aforesaid funds.

Securities Investment Fund Business

Pursuant to the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), fund management companies may, based on its needs for professional operation and management, establish subsidiaries, branches or other forms of operation units required by the CSRC. A subsidiary may conduct client-specific asset management, fund sales or other forms of businesses approved by the CSRC. Branches or other forms of operation units prescribed by the CSRC may conduct businesses in fund product development, fund sales or other businesses authorized by the fund management companies. Fund management companies shall establish a scientifically rational, strictly controlled and effectively operated internal control system; a sound internal control mechanism to ensure compliant and legal operation and a sound, effective internal control. In addition, fund management companies shall also set up an investment management system consisting of authorization, research, decision-making, implementation and assessment, so as to guarantee fair treatment to fund assets and client assets under management.

NEEQ Market-making Business

On February 8, 2013, the National Equities Exchange and Quotations Co. Ltd., or the NEEQ Company, promulgated with immediate effect the NEEQ Business Rules (trial implementation) (《全國中小企業股份轉讓系統業務規則(試行)》) (which was further amended on December 30, 2013) and the Rules on the Administration of Chief Agency Broker on the NEEQ (trial implementation) (《全國中小企業股份轉讓系統主辦券商管理細則(試行)》). On December 30, 2013, the NEEQ Company promulgated the Detailed Measures on Equity Transfer on the NEEQ (trial implementation) (《全國中小企業股份轉讓系統股票轉讓細則(試行)》) with immediate effect. On June 5, 2014, the NEEQ Company promulgated the Administrative Rules on the Market-making Business on NEEQ by Market Makers (trial implementation)(《全國中小企業股份轉讓系統做市商做市業務管理規定(試行)》) with immediate effect.

Pursuant to such rules, a market maker (做市商) refers to a securities company or other institution which establishes bid and ask prices for shares of a NEEQ-quoted company after obtaining the consent from the NEEQ Company, and is obligated to complete transactions with investors at the quoted price and within quoted range. To engage in market-making business on the NEEQ, a securities company shall apply to the NEEQ Company, meet certain conditions regarding conducting business, and obtain qualification for NEEQ market-marking. Shares of a NEEQ-quoted company may be transferred by means of market-making, agreement, or bidding process. Where the shares are transferred through market-making, a NEEQ-quoted company shall engage at least two market-makers to provide market-making and quotation services. As an intermediary between buyers and sellers for the shares of NEEQ-quoted companies, a market maker is obligated to buy and sell once it establishes bid and ask prices for such shares on the NEEQ market. To meet such selling obligations, a market-maker may purchase shares of such NEEQ-quoted company as its “treasury shares” in four ways: (i) transfer from existing shareholders before the company getting quoted on the NEEQ; (ii) share offering; (iii) purchase from other market-makers in the NEEQ system; and (iv) other legitimate ways.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

1. Corporate Governance

Securities companies shall comply with the corporate governance requirements regarding the composition, operation, convening and voting procedures of shareholders’ meetings, the board of directors and the supervisory committee as set out in the Company Law of the PRC

(《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the Rules for Governance of Securities Companies (《證券公司治理準則》).

Securities companies should establish and improve their corporate governance structure. The corporate governance structure of securities companies includes scientific decision-making processes and rules of procedures, a highly efficient and rigorous business operating system, a sound and effective internal control and feedback system, and effective incentive and restraint mechanisms. The Boards of Supervisors and independent directors of securities companies should fully exercise their supervising functions to avert the risks of manipulation by substantial shareholders or control by insiders.

A securities company that engages in two or more businesses in securities brokerage, asset management, margin financing and securities lending, securities underwriting and sponsoring shall have a remuneration and nomination committee, an audit committee and a risk control committee under its board of directors to perform the duties and exercise the rights as specified in the articles of association. The persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors.

The Regulatory Measures on Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》), specify the regulations on the qualifications of directors, supervisors and senior management. Each shall obtain approval from the securities regulatory authorities to hold the post before taking office.

2. Risk Control

Pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) (last amended on June 24, 2008 and effective from December 1, 2008), a securities company shall prepare financial statements of its Net Capital and reserve of risk capital and risk control indicators, along with the calculation of the Net Capital and provisions of risk capital. The Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) stipulates a warning ratio and a minimum regulatory ratio for risk control indicators that securities companies are required to comply with. The CSRC may make appropriate adjustments to the standards for risk control indicators and the ratio of risk capital reserves of a particular business according to the governance structure, the internal control and risk control of the securities companies.

Pursuant to the Norms for the All-rounded Risk Management of Securities Companies (《證券公司全面風險管理規範》) (effective from March 1, 2014), securities companies shall implement all-rounded risk management to avoid risks of business operation, such as liquidity risks, market risks, credit risk and operating risks, and shall establish and improve an all-rounded risk management system that is in line with their development strategies, including workable management rules, a sound organizational framework, a reliable information technology system, a quantitative risk indicators system, a team of professionals, an effective risk response mechanism and an advanced risk management culture.

Pursuant to the Guidelines for the Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) (effective from March 1, 2014), securities companies shall strengthen liquidity risk management and establish a sound liquidity risk management system for effective identification, measurement, monitoring and control of liquidity risks.

3. Classified Regulation

Classification of a securities company refers to the assessment and determination of the class to which the securities company shall belong based on the risk management capability together with market competitiveness of the company and its continued compliance pursuant to the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) (effective from May 14, 2010).

(i) Indicators and Approaches for Assessment

Pursuant to the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) (effective from May 14, 2010), the benchmark score of a securities company under normal operation is 100. The regulatory points of securities companies shall be determined through adding to, or deducting from, the benchmark score by taking into account, inter alia, the assessment indicators and standards of their risk management capabilities, market competitiveness and continued compliance. The CSRC typically considers six criteria when evaluating, on an annual basis, a securities company's risk management capability, including capital adequacy, corporate governance and compliance management, dynamic risk monitoring, IT system security, customer rights protection and information disclosure. Based on different circumstances, as to one event, regulatory points could be deducted by points within a range between 0.5 and 10 points or added by points within a range between 0.5 and 5 points.

(ii) Classification of Class

The CSRC classifies the securities companies into five classes and 11 categories: A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E according to these regulatory points scored by such securities companies. Among those five classes, class A companies possess the best risk management capability in the industry and better control over the risks in respect of new operations and new products; class B companies have better risk management capability in the industry and better control over the risks in business expansion under changing market conditions; class C companies demonstrate risk management capability that is in line with its existing business; class D companies are low in risk management capability with potential risks beyond their sustainability; class E companies have their potential risks come into reality and been imposed with risk management measures.

There are no standard regulatory points for each rating category. Based on the progress of industry development, the CSRC determines in advance, on an annual basis, the relative proportions of the three classes of companies (being Classes A, B and C) based on the classification result in the previous years, and specifically determines the quantity of each class and category according to the distribution of regulatory points, where the regulatory points of companies that fall into category BB or above of class B should be higher than 100, the benchmark score. Securities companies whose scores are assessed to be less than 60 shall fall within class D.

(iii) Use of Classification Result

Based on the principle of the classified regulation, the CSRC sets up different standards on risk control indicators and the calculation of risk capital reserves proportion for different types of securities companies, and treat them differently in respect of regulatory resource allocation and the frequency of onsite and off-site inspections.

Pursuant to the Provisions on the Standards for Calculating Risk Capital Reserves of Securities Companies (《關於證券公司風險資本準備計算標準的規定》) (effective from 16 November, 2012), the difference in calculating the proportions of risk capital reserves between different securities companies are set out below:

(1) for securities companies engaging in securities brokerage, risk capital reserves for which shall be calculated at 2% of the total capital settled in respect of customer transaction commissioned.

(2) for securities companies engaging in proprietary business, risk capital reserves in respect of securities derivative products, equity-based securities and fixed income securities, which are not hedged against risks, shall be calculated at 20%, 15% and 8% of the size of investment respectively, and at 5% of the size of investment in respect of securities derivative products, equity-based securities and fixed income securities, which are hedged against risks.

The investment size of stock index futures is calculated at 15% of the total amount of the contract for stock index futures, whereas the investment size of interest rate swap is calculated at 3% of the total nominal principal of the contract for interest rate swap.

When a securities company engages in proprietary business beyond the proportion as provided, risk capital reserves for the part beyond requirement shall be calculated based on the entire investment cost before the completion of relevant rectification.

(3) for securities companies engaging in securities underwriting, risk capital reserves for which shall be calculated at 30%, 15%, 8% and 4% of the amount in respect of underwriting shares of re-finance, shares of IPO, corporate debentures and government bonds, respectively.

In calculating the amount of underwriting, the amount underwritten by the underwriting team through the company and the amount subscribed by strategic investors from signing of written agreement shall not be included. In calculating risk capital reserves in respect of shares underwriting, securities companies shall, after the price range have been determined for the issuance, base on the cap of the price range for the calculation.

For underwriting of securities under public offerings for various issuers at one time, in respect of which overlap in offer period exists and the offering has not been completed, risk capital reserves shall be calculated for each of the underwriting projects, respectively.

For the purpose of monthly reporting, securities companies shall report the risk capital reserves in respect of their underwriting business as at the end of the month based on the highest amount of risk capital reserves at a particular point of time in that month. Should the proportion of net capital and the sum of each of the risk capital reserves as a result of time difference is below the prescribed standard, the securities companies shall provide with a special explanation in respect of the risk control indicator which has consistently met the standard during the month.

(4) for securities companies engaging in securities asset management, risk capital reserves for which shall be calculated at 2%, 2%, 1% and 1% of the size of special, collective, limited amount and targeted asset management business respectively.

Securities companies shall calculate the size of collective and limited amount asset management business based on the higher of the par values of the collective scheme and the net value of the managed asset, and calculate the size of special and targeted asset management business based on the managed principal.

(5) For securities companies engaged in margin financing and securities lending business, risk capital reserves for which shall be calculated at 5% and 10% of the size of the customer financing business and the size of the securities lending business respectively.

(6) For securities companies establishing branches such as branch companies and securities branches, the risk capital reserves for which shall be calculated at RMB 20 million and RMB 3 million for each branch respectively.

(7) Securities companies shall calculate operating risk capital reserves based on 10% of the total operating expenses of the preceding year.

In order to match the risk management abilities of securities companies, the CSRC currently adopts different proportions in calculating risk capital reserves of different classes of securities companies.

Class A, B, C and D companies shall calculate their risk capital reserves based on 0.3 times, 0.4 times, 1 time and 2 times of the benchmark calculation standard as provided by items 1 to 5 above.

Companies that are categorized as class A for three consecutive years shall calculate their risk capital reserve based on 0.2 times of the benchmark calculation standard as provided by items 1 to 5 above.

Each class of securities companies shall all calculate relevant risk capital reserves based on the benchmark calculation standard as provided by item 6 and 7 above.

The classification results of securities companies shall be deemed as a prudential condition in assessing applications for certain types of business expansion (such as private bond underwriting business, which requires securities companies to maintain a regulatory rating of B or above in the most recent year), establishing new branches and the issue of securities and listing on stock exchanges. The classification of securities companies shall also serve as a basis for determining the scope of trial run of new businesses and products formulated by the CSRC for the PRC securities industry and their marketing priority, which means that the CSRC will take into account the regulatory scores of securities companies in determining whether and when the securities companies can participate in the trial run of the new businesses and products.

In addition, pursuant to the Implementation Measures for Securities Companies to Contribute to Investor Protection Fund (trial implementation) (《證券公司繳納證券投資者保護基金實施辦法(試行)》) and the Supplemental Regulation on Further Improving Securities Companies' Stock Investors Protection Fund (《關於進一步完善證券公司投資者保護基金有關事項的補充規定》) promulgated by the CSRC, securities companies in the PRC are required to contribute to the securities investor protection fund when commencing the relevant businesses. Based on the scale of the securities investor protection fund, Securities companies with different regulatory ratings (from D to AAA) are required to contribute different proportions (from 0.5% to 5.0%) of their revenues to the fund, the details of which are as follows:

(1) For the size of the protection fund above RMB 20 billion, ten classes (AAA, AA, A, BBB, BB, B, CCC, CC, C, D) of securities companies shall contribute to the protection fund based on proportions of 0.5%, 0.75%, 1%, 1.5%, 1.75%, 2%, 2.5%, 2.75%, 3% and 3.5% of their operating revenues, respectively.

For a securities company that is classified as class A (and rated as AA or above in the year of contribution) for three consecutive years (including the year of contribution), the protection fund of which shall be contributed based on a proportion of 0.5% of its operating revenue; for a securities company that is classified as class A (and rated as A in the year of contribution) for three consecutive years (including the year of contribution), the protection fund of which shall be contributed based on a proportion of 0.75% of its operating revenue.

(2) For the size of the protection fund above RMB 20 billion, and for securities companies that made a loss of 10% to 30% (inclusive) in the preceding year, securities companies of class A, B, C and D shall contribute to the protection fund based on proportions of 0.5%, 0.75%, 1% and 1.25% of their operating revenues.

(3) For the size of the protection fund above RMB 20 billion, and for securities companies that made a loss of over 30% in the preceding year, all securities companies shall contribute to the protection fund based on a minimum proportion of 0.5% of their operating revenues.

(4) For the size of the protection fund below RMB 20 billion (inclusive), ten classes (AAA, AA, A, BBB, BB, B, CCC, CC, C, D) of securities companies shall contribute to the protection fund based on proportions of 0.5%, 1%, 1.5%, 2%, 2.5%, 3%, 3.5%, 4%, 4.5% and 5% of their operating revenues, respectively.

Corporate Governance and Risk Control of Futures Companies

1. Corporate Governance

The Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (made effective on October 29, 2014) provide that the business, personnel, assets and finance of a futures company shall be strictly separated from those of its controlling shareholders and have independent operations and accounting; futures companies may have independent directors who shall not take posts other than as a director of the board of directors and shall not be related to such future companies in a way which might interfere with an independent and objective judgment; futures companies shall have a chief risk officer to supervise and inspect futures companies' business management compliance and risk management; chairman of the board of directors, general manager and chief risk officer of futures companies are not immediate families with each other; chairman and general manager shall not be assumed by the same person; futures companies shall set up business departments and their functions in a reasonable way and establish a post responsibility system in which incompatible posts shall be separated; transaction, settlement and financial functions shall be assumed by different departments and personnel; futures companies shall set up a risk management department or post to manage and control their operating risks; futures companies shall set up a compliance review department or post to review and audit their business management compliance; futures companies shall have a centralized management over their branches and shall not be allowed to operate and manage its business department through joint venture or cooperation with others, and the branches are not allowed to be contracted, leased or delegated to others for operation and management.

2. Risk Control

Pursuant to the Futures Trading Management Regulations (《期貨交易管理條例》), a futures company engaging in futures brokerage and other futures business shall strictly implement the systems for separation of business and capital; mixed operations are prohibited. The CSRC formulated regulations on the risk regulatory indicators such as the proportion of Net Capital to net assets, the proportion of Net Capital to the business scale of domestic futures brokerage and overseas futures brokerage, and the ratio of current assets and current liabilities of the futures companies. The CSRC also set out requirements on the operating conditions, risk management, internal control, depositories, related party transactions of the futures companies and their branches.

3. Classified Regulation

Pursuant to the Regulations on Classification of Futures Companies (《期貨公司分類監管規定》) (made effective from April 12, 2011), the CSRC classifies the futures companies into five types and eleven categories as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the evaluation results of risk control capability, competitiveness and compliance of securities companies in China. According to the principle of classified regulation, the CSRC sets up different standards on risk-control indicators and calculating proportions for different types of futures companies, and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections.

Corporate Governance and Risk Control of Direct Investment Companies

1. Corporate Governance

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》), securities companies shall enhance the management of practitioners and prevent moral hazard. A practitioner in a securities company shall not serve as the senior management or direct investment practitioner in its direct investment subsidiary and its affiliates, its direct investment funds or unlawfully engage in direct investment business in other manners. A practitioner who has a conflict of interest with securities companies shall not serve as a director, supervisor, member of investment decision-making committee of the above institutions; for other practitioners who hold the above positions, securities companies shall establish strict and effective internal control systems to prevent a potential conflict of interest and moral hazard. Effective information segregation mechanism shall be established between a securities company and its direct investment companies and its affiliates, its direct investment funds to enhance the segregation, supervision, management of sensitive information so as to prevent inappropriate flow and usage of sensitive information between securities business and direct investment business and to prevent the risk of inside transactions and tunneling.

2. Risk Control

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》), a direct investment subsidiary and its affiliates shall establish a sound investment management system which specifies its investment scope, investment strategy, forms of investment, investment restrictions, decision-making procedures, investment process, post-investment management and exit strategy, etc. A direct investment subsidiary and its affiliates shall establish a specific investment decision-making committee to set up investment decision-making procedures and risk tracking, analysis mechanisms to effectively prevent investment risks. A direct investment subsidiary and its affiliates shall not provide guarantee to any other entity or individual other than themselves and its direct investment funds or become a contributor who assumes the joint liability for the debts of the invested enterprises, but shall enhance the management of the invested enterprises and keep track of, analyze, evaluate the operation status of the invested enterprises to deal with any potential investment risk on a timely manner.

Corporate Governance and Risk Control of Fund Management Companies

1. Corporate Governance

Pursuant to the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), a fund management company shall establish and organize a governance framework with sound structure, clear delineation of duties and responsibilities, effective check and balance supervision, reasonable incentives and constraints, in accordance with the requirements of laws, such as the Company Law of the PRC (《中華人民共和國公司法》), administrative regulations and the CSRC, and protect the interest of stakeholders of funds conforming to the basic principles of conferring priority to the interest of stakeholders of funds.

A fund management company shall establish a business and client key information segregation system for its shareholders. Shareholders of a fund management company and their de facto controllers shall exercise their rights in accordance with the laws through the general meetings and shall not by-pass the general meetings and the board of directors to appoint or remove directors, supervisors, senior management officers, or directly interfere in the operational management, investment and operation of fund assets of the fund management company; and shall not request the fund management company to collaborate with them in business activities, such as underwriting of securities and securities investment, causing harm to the legitimate rights of stakeholders and other parties.

A fund management company shall establish a sound system of independent directors, the number of whom shall not be less than 3 as well as 1/3 of the board of directors.

A fund management company shall establish a sound system of inspector general who, accountable to the board of directors, shall be employed by the board of directors to review and audit its business operation compliance.

2. Risk Control

Pursuant to the Administrative Measures for Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), a fund management company shall adhere to the principles of stable operation, the size of assets under management ("AUM") shall be commensurate with its own manpower pool, investment research and client service capabilities, capacity of information technology systems, standards of risk management and internal control.

A fund management company shall establish a comprehensive financial auditing and fund asset valuation system for the funds and strictly abide by the relevant provisions of the state to timely, accurately and completely reflect the conditions of fund assets.

A contingency plan system shall be in place for treatment of emergency events, in the case of the occurrence of any emergency event which would severely affect the interest of stakeholders of the funds, or may cause systematic risk or adversely affect social stability, such event will be handled properly according to the contingency plan, to practicably safeguard the interest of stakeholders of the funds in the long run.

Other Regulations and Measures

Internet Finance

On July 18, 2015, the PBOC, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Finance, the State Administration for Industry & Commerce, the Legal Affairs Office of the State Council, the CBRC, the CSRC, the CIRC and the State Internet Information Office jointly promulgated to the Guiding Opinions on Promoting Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》 (the "Guiding Opinions"), the main contents of the Guiding Opinions were set out below:

- Actively encourage Internet banking platform, product and service innovation, for stimulating the market vitality. Encouraging financial institutions such as banking, securities, insurance, funds, trusts and consumer finance to leverage on Internet technology so as to realize the transformation and upgrade of traditional financial business and service, and actively develop new products and new services based on Internet technology. Supporting qualified financial institutions to establish an innovative Internet platform to carry out various businesses such as Internet banking, Internet scurrilities, Internet insurance, Internet fund sales and Internet consumer finance.

- Encouraging the cooperation between Internet financial institutions to complement each others. Supporting various financial institutions and Internet companies to carry out cooperation for establishing a healthy ecology and industry chain of Internet finance. Supporting the securities, funds, trusts, consumer finance, futures institutions and Internet companies to cooperate, in order to broaden the sales channels of financial products and innovate the wealth management model.

- Broadening the financial channels and improve financial condition of Internet financial institutions.

- Insisting on decentralization and providing quality services. Each financial regulatory authority is required to actively support the financial institutions to carry out Internet financial services. According to the requirements of laws and regulations, the relevant financial services of qualified Internet companies would be effectively managed. The State Administration for Industry & Commerce shall support the Internet companies to complete the registration of industry and commerce according to law. The competent authority of telecommunication and the competent authority of Internet information shall actively the Internet financial services, the competent authority of telecommunication shall regulate the involved telecommunication business of Internet financial business, and the competent authority of Internet information is responsible to regulate the financial information service and Internet service contents.

- Implement and improve relevant financial and taxation policy. Combing with the reform of switching from financial industry and business tax to VAT, and organizing and improving the Internet financial tax policy.

- Promoting the establishment of credit infrastructure and fostering the Internet ancillary service system.

- Specifying that the PBOC shall be responsible for the regulation of Internet payment service; the CBRC shall be responsible for the regulation of Internet lending business, Internet trust business and Internet consumer finance business; the CSRC shall be responsible for the regulation of crowdfunding and Internet fund sales business; the CIRC shall be responsible for the regulation of Internet insurance business.

- Requiring for refinedly and sound management of Internet industry, third party custody of customer funds, information disclosure, risk warning and qualified investor system, consumer interest protection, network and information security, prevention of anti-money laundering and prevention of financial crime, strengthening the requirements and system of Internet financial self-discipline and regulatory coordination and data statistics monitoring.

Internet Private Equity Financing

On July 29, 2015, the SAC promulgated the Administrative Measures on the Filing of Over-the-counter Securities Business (《場外證券業務備案管理辦法》) (the "Administrative Measures"), which was amended on August 10, 2015 and came into force on September 1, 2015. Pursuant to the Administrative Measures, (i) the over-the-counter, or OTC securities business (場外證券業務), refers to securities business carried out in places other than the Shanghai Stock Exchange, the Shenzhen Stock Exchange, futures exchanges and the NEEQ; (ii) private equity financing on the Internet (互聯網非公開股權融資) is one type of OTC securities business; (iii) to engage in the OTC securities business, securities investment fund companies, futures companies, securities investment consulting institutions, private equity fund managers shall go through the filing procedures with the SAC; and (iv) such filing shall be conducted within one month of the first engagement in such business.

Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign currencies. SAFE, under the authority of the PBOC, is responsible for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》), international payments and transfers are classified into current account items and capital account items. Current international payments and transfers are not subject to approval from the SAFE, while capital account items are.

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》), current account foreign exchange income may, in accordance with relevant provisions of the state, be retained or sold to any financial institution engaged in the foreign exchange settlement and sale business, and where any foreign exchange income on capital account is to be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, an approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under state provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, and with the submission of other required supporting documents, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or the relevant branch.

On December 26, 2014, SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知), which was made effective on the day of issuance. The Notice provides that:

- SAFE and its branches and departments (hereafter as "Foreign Exchange Bureaus") supervise, manage and inspect, among other things, the business registration, account opening and use, cross-border payments and capital exchange involved in the overseas listing of domestic companies;

- A domestic company shall conduct overseas listing registration with Foreign Exchange Bureaus at the place of its incorporation with related materials within 15 working days after the completion of the offering in respect of its overseas listing;

- A domestic company may repatriate the proceeds from offshore listing to its domestic account or retain such proceeds at its overseas account. The use of such proceeds shall be consistent with the content of the prospectus or other public disclosure documents such as documents for issuance of corporate bonds, circulars to shareholders and resolutions of board of directors and shareholders' meetings (hereafter as "Public Disclosure Documents"). Proceeds raised from issuance of convertible bonds by a domestic company and intended to be remitted to its domestic account shall be remitted to its specific domestic account for foreign debts and the company shall complete relevant procedures in accordance with relevant regulations on foreign debts administration; and proceeds raised from issuance of other types of securities by a domestic company and intended to be remitted to its domestic account shall be remitted to its special domestic account for offshore listing (foreign exchange) or payment account (RMB).

- A domestic company may use overseas funds as stipulated by relevant provisions or remit funds out of the PRC to repurchase overseas shares. Where the domestic company chooses to remit funds out of the PRC to repurchase overseas shares, it should, by presenting the certificate of overseas listing registration obtained following the registration of the repurchase related information (including change procedures) at the local Foreign Exchange Bureaus (if fail to register the repurchase related information, it is required to conduct the registration within 20 working days before the proposed repurchase and obtain relevant registration certificate) and statements or supporting materials of the repurchase, complete the remittance with deposit bank through domestic account for offshore listing (foreign exchange) or payment account (RMB). Upon completion of the repurchase, any surplus in the funds remitted overseas for such repurchase shall be transferred back to domestic company's domestic account for offshore listing (foreign exchange) or payment account (RMB).

- A domestic company may, as required, apply for a remittance or payment in domestic account for offshore listing or transfer of exchange settlement into payment account to deposit bank by presenting the certificate of overseas listing registration. A domestic company applying for a remittance or payment in payment account shall provide the deposit bank with supporting materials about whether the use of such funds as set out in public disclosure documents for overseas listing conforms to that of remittance and exchange settlement. In case of inconsistency or not expressly specified in the Public Disclosure Documents, a resolution of the board meetings or general meetings in relation to changing or specifying the use of funds shall be provided. A remittance of surplus funds arising out of repurchase of overseas shares by a domestic company may be directly transferred or paid in the PRC.

- A domestic shareholder may, in accordance with applicable regulations, use overseas funds as stipulated by relevant provisions or remit funds out of the PRC to increase his/her overseas shares of a domestic company. Where the domestic shareholder chooses to remit funds out of the PRC to increase his/her shareholding, he/she should, by presenting his/her overseas shareholding registration certificate and statements or supporting materials of the shareholding increase, complete the transfer with deposit bank through domestic shareholder's domestic account for offshore holding. Upon completion of the shareholding increase, any surplus in the funds remitted overseas for such increase shall be transferred back to the said account. The domestic shareholder may, by presenting the overseas shareholding registration certificate, complete such funds transfer or settlement procedures with the bank.

- A domestic shareholder's income raised from reduction or transaction of overseas shares of a domestic company or raised from the shares delisted from overseas stock exchange on the capital account may be deposited at the shareholder's overseas account or remitted to the domestic account for offshore shareholding. Where the domestic shareholder chooses to remit the income to its domestic account, the domestic shareholders may, by presenting the overseas shareholding registration certificate, complete the transfer or settlement procedures with the bank.

According to the Decision of the State Council on Cancellation of and Adjustment to Issues including Certain Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), the SAFE and its branches abolished the approval procedure of remittance and exchange settlement of proceeds raised overseas from the overseas-listed foreign shares of domestic companies.

The Provisions on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (《合格境外機構投資者境內證券投資外匯管理規定》), provide that the Chinese government shall adopt a quota management system on the investments in domestic securities by the qualified foreign investors. SAFE approves the investment quota of the individual qualified investors and such quota may be adjusted. A qualified investor is not allowed to apply for a further increase in the investment quota within one year after approval of the investment quota.

Information Disclosure

The Notice on the Relevant Issues Regarding the Information Disclosure of Securities Companies (《關於證券公司信息公示有關事項的通知》) sets forth the requirements on the information disclosure by securities companies, including ways to disclose information.

The Provisions on Strengthening the Supervision and Administration of Listed Securities Companies (《關於加強上市證券公司監管的規定》) further regulate the information disclosure of regular reports and *ad hoc* reports by listed securities companies and require listed companies to establish a sound information management system in accordance with the characteristics of the securities industry in China, their practices and regulations regarding information disclosure management by listed companies.

Anti-money Laundering

Securities companies shall comply with the requirements related to anti-money laundering stipulated in the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》) and the Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Trading Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》).

The Measures on the Anti-money Laundering by Securities and Futures Industry (《證券期貨業反洗錢工作實施辦法》) further regulate the anti-money laundering regulations for the securities and futures industry, as well as the anti-money laundering responsibilities of the institutions engaging in sales of funds in their business operation. Securities and futures entities shall also establish and enhance internal control systems for anti-money laundering.

Financial Action Task Force on Money Laundering (FATF)

The FATF is an inter-governmental body established in 1989 with the objective to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF monitors the progress of its members in implementing necessary measures, reviewing money laundering and terrorist financing techniques and counter-measures, and promoting the adoption and implementation of appropriate measures globally. The PRC became a member of the FATF in 2007 and the first mutual evaluation report was adopted in June 2007 with a follow-up report was published in March 2012.

International Convention for the Suppression of the Financing of Terrorism

The International Convention for the Suppression of the Financing of Terrorism was adopted by Resolution 54/109 of December 9, 1999 at the fourth session of the General Assembly of the United Nations. This convention aims to prevent, prosecute and punish the financing of terrorist activities and to promote inter-governmental co-operation to achieve this purpose. As of the Latest Practicable Date, the Convention has been ratified by 186 parties, including the government of the PRC which ratified this convention on April 19, 2006 with several reservations.

The United Nations Convention against Corruption

The PRC is a party to the United Nations Convention against Corruption. This convention requires parties to implement anti-corruption measures affecting their laws, institutions and practices, and the measures aim to promote the prevention, detection and sanctioning of corruption, as well as the cooperation between ratifying parties on these matters. As of the Latest Practicable Date, the United Nations Convention against Corruption has been ratified by 177 parties. The government of the PRC ratified this convention on October 27, 2005, with reservation on paragraph 2 of Article 66.

Stabilization Measures

In response to the volatile PRC stock market performance since late June 2015 and in order to stabilize the PRC stock market, relevant PRC regulatory authorities (including self-regulatory authorities) have promulgated and implemented various measures.

On July 1, 2015, the CSRC, the Shanghai Stock Exchange and Shenzhen Stock Exchange respectively promulgated the Management Measures on Margin Financing and Securities Lending of the Securities Companies (《證券公司融資融券業務管理辦法》), the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange (2015 Revision)(《上海證券交易所融資融券交易實施細則(2015年修訂)》) and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange (2015 Revision) (《深圳證券交易所融資融券交易實施細則(2015年修訂)》) with immediate effect. For further details, please refer to the paragraph headed "Regulation on Operation of Securities Companies - Margin Financing and Securities Lending" in this section.

On July 5, 2015, with the purpose of maintaining the stability of the PRC stock market, the CSRC issued an announcement to fully exert the function of CSFC, pursuant to which, the CSFC shall raise funds through multiple channels and expand its business scale, so as to increase the capability of the CSFC to safeguard the stabilization of the capital markets. In addition, the PBOC shall provide liquidity support to the CSFC through various forms pursuant to such announcement.

On July 8, 2015, the PBOC made an announcement through its spokesman. Pursuant to such announcement, with the purpose of supporting the stable development of the PRC stock market, the PBOC shall (i) actively assist the CSFC in obtaining sufficient liquidity through lending, the issuance of financial bonds, mortgage financing and other means; and (ii) pay close attention to the market trends, continue to support the CSFC through multiple channels in maintaining the stability of stock market, safeguard the bottom line of preventing systematic and regional financial risks.

On July 8, 2015, the CSRC issued an announcement, pursuant to which (i) as of the date of such announcement, the controlling shareholder of a listed company, the shareholder holding more than 5% shares of such listed company (the abovementioned shareholders (including the controlling shareholder) shall be collectively referred as "major shareholders"(大股東) herein), the directors, the supervisors and senior executives are prohibited to reduce their shareholdings in such listed company in secondary market within six months; (ii) in the event that the major shareholders, the directors, the supervisors and senior executives are in breach of the abovementioned provisions, such breaches would result in serious treatments by the CSRC; and (iii) in respect of the detailed measures on the reduction of shareholding in such listed company by its major shareholders, directors, supervisors, senior executives after the expiration of six-months term as of the date of issuing such announcement, such detailed measures shall be prescribed separately by the CSRC.

On July 8, 2015, the CSRC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange respectively promulgated the Notice on Relevant Matters for Major Shareholders and Directors, Supervisors, Senior Executives regarding Increasing Shareholding in Underlying Listed Company (《關於上市公司大股東及董事、監事、高級管理人員增持本公司股票相關事項的通知》), the Notice on Relevant Matters for Shareholders and Their Person Acting in Concert, Directors, Supervisors and Senior Executives of Listed Companies in Shanghai Stock Exchange regarding Increasing Shareholding in Underlying Listed Company (《關於滬市上市公司股東及其一致行動人、董事、監事和高級管理人員增持本公司股票相關事項的通知》) and the

Notice on Relevant Matters for Controlling Shareholders, Actual Controllers and Directors, Supervisors and Senior Executives of Listed Companies regarding Increasing Shareholding in Underlying Listed Company (《關於上市公司控股股東、實際控制人及董事、監事、高級管理人員增持本公司股票相關事項的通知》) with immediate effect. Pursuant to the abovementioned notices, relevant shareholders (including persons acting in concert), actual controllers, directors, supervisors and senior executives are encouraged to stabilize the share prices by increasing their shareholdings in corresponding listed companies and other means.

On July 9, 2015, the CSDCC issued the Notice on Relevant Matters regarding Adjustment of Charging Standard for Transfer Fee in A-share Transaction (《關於調整A股交易過戶費收費標準有關事項的通知》). Pursuant to such notice, since August 1, 2015, (i) both the sellers and buyers of the shares in A-share transactions shall pay transaction fees to the CSDCC; and (ii) the transfer fees in respect of the A-share transactions in Shanghai Stock Exchange shall be reduced from 0.3‰ of the turnover amount to 0.02‰ of the turnover amount, while the transfer fees in respect of the A-share transaction in Shenzhen Stock Exchange shall be reduced from 0.0255‰ of the turnover amount to 0.02‰ of the turnover amount.

On July 12, 2015, the CSRC promulgated the Opinions on the Cleanup and Rectification of Illegal Securities Business Activities (《關於清理整頓違法從事證券業務活動的意見》) (the "Opinions") with immediate effect. Pursuant to such Opinions, (i) the local branches of the CSRC shall urge the securities companies to regulate the external access of information systems, and complete the verification of self-inspections of securities companies around the end of July 2015; (ii) the CSDCC shall strictly implement the real name system for securities accounts, further strengthen the administration of securities accounts, reinforce the inspection of the opening and use of accounts by special institutions, and prohibit account holders from conducting securities trading in violation of the regulation by setting sub-accounts, subsidiary accounts, or virtual accounts under securities accounts; (iii) the securities companies shall examine the authenticity of the name and identity declared by clients upon the opening of securities accounts for clients, so as to ensure the consistency between the name of the fund account and that of the securities account opened by the same client. No securities company shall provide the clients' fund account and securities account to any other person for use; (iv) the Information technology service providers and other relevant parties that directly or indirectly engage in any securities activity in violation of any law, shall be subject to cleanup and rectification; (v) securities investors shall open securities accounts in strict accordance with the requirements of the real name system for securities accounts. No institution or individual shall lend its or his securities account, or borrow any other person's securities account to trade in securities; and (vi) the CSRC shall, in accordance with laws, investigate and punish illegal securities activities; and whoever is suspected of any crime shall be transferred to the public security authority in accordance with the law.

On July 29, 2015, the Shenzhen Stock Exchange issued the Notice on the Adjustment of Charging Standard of Transaction Fee regarding Certain Securities (《關於調整部分證券品種收費標準的通知》). Pursuant to such notice, since August 1, 2015, in respect of the A-share transactions in Shenzhen Stock Exchange, both the sellers and buyers of the shares shall pay transaction fees to Shenzhen Stock Exchange, and the transaction fee shall be reduced from 0.0696‰ of the turnover amount to 0.0487‰ of the turnover amount. As disclosed on the official website of the Shanghai Stock Exchange, since August 1, 2015, in respect of A-share transactions on the Shanghai Stock Exchange, both the sellers and buyers of the shares shall pay transaction fees to the Shanghai Stock Exchange, and the transaction fee shall be reduced to 0.0487‰ of the turnover amount.

On August 3, 2015, the Shanghai Stock Exchange and the Shenzhen Stock Exchange further amended the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange (2015 Revision) and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange (2015 Revision), respectively, with immediate effect. Pursuant to such amendments, in the event that a customer sells securities borrowed from securities companies, such customer shall return the borrowed securities to relevant securities companies no earlier than the next trading day.

On August 25, 2015, the PBOC announced that the benchmark interest rate of one-year loans for financial institutions shall be reduced by 0.25 percentage point to 4.6%, while the benchmark interest rate of one-year deposit for financial institutions shall be reduced by 0.25 percentage point to 1.75% with effect from August 26, 2015, and the Renminbi deposit reserve rate for financial institutions shall be reduced by 0.5 percentage point with effect from September 6, 2015.

HISTORY OF OUR COMPANY

Our predecessor is Inner Mongolia Autonomous Region Hohhot Securities Company (內蒙古自治區呼和浩特證券公司). In 1988, the PBOC approved the establishment of Inner Mongolia Autonomous Region Hohhot Securities Company (內蒙古自治區呼和浩特證券公司) by Inner Mongolia branch of the PBOC. It was the only securities company in Inner Mongolia by then, and was re-named as Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司) and re-registered as a non-bank financial institution owned by whole people (全民所有制非銀行金融機構) in 1992.

As a result of PBOC's reform to cease its ownership and control over securities companies, our Company was established on December 28, 1998 as a limited liability company in the PRC under the name of Inner Mongolia Securities Co., Ltd (內蒙古證券有限責任公司) with a registered capital of RMB94,000,000, which was contributed by 10 state-owned enterprises and corporate enterprises upon the approvals from the PBOC, the CSRC and the People's Government of Inner Mongolia.

On October 9, 2002, our Company was re-named as Hengtai Securities Limited Liability Company (恒泰證券有限責任公司).

On November 3, 2008, upon approval from the CSRC, our Company was converted into a joint stock company with limited liability, and was re-named as Hengtai Securities Co., Ltd (恒泰證券股份有限公司) with 14 promoters, including 11 of our existing Shareholders and three then Shareholders. Please see the paragraph headed "— Information on Existing Shareholders" below and the paragraph headed "Appendix VI — Statutory and General Information — Other Information — Promoters" to this prospectus for further information.

Upon completion of business integration between our Company and Hengtai Changcai in 2014 as approved by the CSRC, our Company, together with its subsidiaries and interests in various companies, provide a wide range of financial products and services to individuals, corporations, financial institutions and government entities through our brokerage and wealth management, investment management, proprietary trading and investment banking businesses. Please see the paragraph headed "Business — Overview" for further information on the principal business of our Group.

Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong companies under Part 16 of the Companies Ordinance on April 2, 2015 under our Chinese corporate name "恒泰證券股份有限公司" and English corporate name "Hengtai Securities Co., Ltd". On April 14, 2015, we were served a notice under section 780 of the Company Ordinance in respect of our Chinese and English corporate names registered under Part 16 of the Companies Ordinance, which were, in view of the Registrar of Companies, "too like" that of the name already existed in the index of company names kept by the Registrar of Companies. We applied for, and the Registrar of Companies has given approval for, adopting "恒投證券" and "HENGTOU SECURITIES" as our approved names for carrying on business in Hong Kong, which were registered with the Registrar of Companies on April 27, 2015.

MAJOR INCREASES IN OUR REGISTERED CAPITAL

Since our establishment on December 28, 1998, we have undergone below changes in our registered capital as a result of capital injection from time to time:

- On July 19, 2002, the registered capital of our Company was increased to RMB655,569,950.
- On October 23, 2008, the registered capital of our Company was increased to RMB1,147,247,412.
- On November 14, 2008, the registered capital of our Company was increased to RMB2,006,247,412.
- On July 16, 2009, the registered capital of our Company was increased to RMB2,194,707,412.

The above major increases in our registered capital were approved by the CSRC, registered with Inner Mongolia AIC and had been fully paid up.

OUR KEY MILESTONES

Set out below is a list of key milestones in the founding and development of our Group.

Year	Milestones
1988	• the PBOC approved the establishment of our predecessor, Inner Mongolia Autonomous Region Hohhot Securities Company (內蒙古自治區呼和浩特證券公司)
1992	• Inner Mongolia Autonomous Region Hohhot Securities Company (內蒙古自治區呼和浩特證券公司), being the only securities company in Inner Mongolia by then, was re-named as Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司) and re-registered as a non-bank financial institution owned by whole people (全民所有制非銀行金融機構)
1998	• our Company was established as a limited liability company in the PRC under the name of Inner Mongolia Securities Co., Ltd (內蒙古證券有限責任公司) with a registered capital of RMB94,000,000
2002	• our registered capital was increased to RMB655,569,950 and re-named as Hengtai Securities Limited Liability Company (恒泰證券有限責任公司)
	• qualified to engage in online securities commission business

Year	Milestones
2007	• recognized as one of the securities companies rated "standard" (規範類證券公司) by the SAC
2008	• converted into a joint stock company with limited liability and re-named as Hengtai Securities Co., Ltd (恒泰證券股份有限公司) and our registered capital was increased to RMB2,006,247,412
2009	• acquired Changcai Securities Brokerage Co., Ltd. (長財證券經紀有限責任公司), a company which was mainly engaging in the brokerage business in Heilongjiang, Jilin and Liaoning Provinces and became a wholly-owned subsidiary of our Company, and is currently known as Hengtai Changcai
	• acquired Shanghai Yongda Futures Brokerage Co., Ltd. (上海永大期貨經紀有限公司), a company which was mainly engaging in futures business and became a wholly-owned subsidiary of our Company, and is currently known as Hengtai Futures
	• established a branch office in Beijing and Shenzhen, mainly engaging in securities underwriting, sponsoring business and securities proprietary business
2011	• qualified to launch collective asset management schemes and launch our first collective asset management scheme
	• qualified to engage in futures IB business
	• certified as a chief agency broker on the NEEQ by China Securities Industry Association and engaged in stock transfer business and stock quotation services
2012	• qualified to engage in margin financing and securities lending business and small and medium-sized enterprise private debt underwriting business
2013	• established Hengtai Pioneer in Beijing as a wholly-owned subsidiary of our Company, mainly engaging in alternative investment business
	• established Hengtai Capital in Shenzhen as a wholly-owned subsidiary of our Company, mainly engaging in private equity investment business
	• established Shanghai Yingwo in Shanghai as a wholly-owned subsidiary of our Company, mainly engaging in commodity and futures asset management business

Year	Milestones
	• acquired 43.75% equity interests in New China Fund to commence business in the field of fund management
	• established Hengtai Capital Equity in Shenzhen as a wholly-owned subsidiary of our Company, mainly engaging in management of private equity funds
	• qualified to engage in recommendation and brokerage business on the NEEQ
	• qualified to engage in refinancing business and securities-backed lending business
	• qualified to engage in distribution of financial products and the agency business of securities pledge registration
	• qualified to engage in insurance fund entrusted management business
	• awarded "China Best Asset Management Brokerage" (中國最佳資產管理券商) in the Cooperation and Win-win 2013 China Wealth Management Forum cum China's Best Wealth Management Provider Award Presentation Ceremony (合作共贏2013年中國財富管理高峰論壇暨中國最佳財富管理機構評選頒獎典禮) co-sponsored by Securities Times (證券時報) and New Fortune Magazine (新財富雜誌)
	• awarded "Best Securities Brokerage Manager 2012" (券商管理人2012年度最佳獎) in the Fifth Annual Meeting of Chinese Private Equity Funds and China's Best Private Equity Awards co-sponsored by Sinolink Securities and Shanghai Securities News
2014	• established a branch office in Changchun, mainly engaging in securities brokerage business
	• completion of business integration between our Company and Hengtai Changcai, upon which our Company's securities brokerage and securities consulting business extended to national wide and Hengtai Changcai's business scope was changed to include securities underwriting and sponsoring
	• awarded "Best Service Provider" (最佳服務獎) in the 2014 Pilot China Annual Award (2014 領航中國年度評選) organized by JRJ.com
	• qualified to engage in Shanghai-Hong Kong Stock Connect (滬港通交易)
	• qualified to engage in OTC market business

Year	Milestones
	• qualified to conduct market-making activities on the NEEQ
2015	• qualified to engage in option clearing business
	• qualified to engage in Internet brokerage business
	• qualified as QDII to engage in overseas securities investment management business
	• established Hengtai Hongze in Beijing as a wholly-owned subsidiary of our Company, mainly engaged in project investment and investment management
	• established Hengtai Hengfu in Beijing a wholly-owned subsidiary of our Company, mainly engaged in economic and business consulting, information service and investment management business
	• established Shanghai Hongdian in Shanghai as a wholly-owned subsidiary of our Company, mainly engaged in investment management, industry investment, asset management, business consulting and corporate management consulting business
	• established Hengtai Hengzhong in Beijing as a wholly-owned subsidiary of our Company, mainly engaged in investment management, asset management, project investment, investment consulting, corporate management consulting and finance consulting business
	• made an additional capital contribution to New China Fund, upon completion of which, New China Fund was owned by our Company as to 58.62%. As a result, New China Fund and New China Fushi, a non-wholly-owned subsidiary of New China Fund, became our non-wholly-owned subsidiaries

MAJOR ACQUISITIONS

Acquisition of Changcai Securities

Changcai Securities Brokerage Co., Ltd. (長財證券經紀有限責任公司, "**Changcai Securities**") was a limited liability company established in the PRC on January 10, 2002. Prior to the acquisition of Changcai Securities by our Company, shareholders of Changcai Securities were Zhongchang Hengyuan (a current shareholder of our Company), Times Shengheng Technology Co., Ltd. (時代勝恒科技有限公司, "**Times Shengheng**", the controlling shareholder of Zhongchang Hengyuan as of the Latest Practicable Date), Shanghai Xingu Industry Development Co., Ltd. (上海新谷實業發展有限公司, "**Shanghai Xingu**", an Independent Third Party as of the Latest Practicable Date), Shanghai Yida (a current shareholder of our Company), Weifang Kewei Investment Co., Ltd. (濰坊科微投資有限公司, "**Weifang Kewei**", an Independent Third Party as of the Latest Practicable Date) and Dezhou Xingda Tuoye Information and Technology Co., Ltd. (德州市興達拓業信息科技有限公司, "**Dezhou Xingda**", controlled by Shanghai Yida as of the Latest Practicable Date). Changcai Securities was mainly engaged in securities brokerage business and had securities branches in Beijing, Shanghai, Changchun and Jilin City immediately prior to the acquisition of Changcai Securities by our Company.

With a view to further expanding the regional market, enhancing our profitability, and achieving economies of scale, on July 16, 2009, our Company acquired the 100% equity interests in Changcai Securities from Zhongchang Hengyuan, Times Shengheng, Shanghai Xingu, Shanghai Yida, Weifang Kewei and Dezhou Xingda in consideration of issuance of a total of 188,460,000 new Domestic Shares of our Company to these companies on July 16, 2009 at RMB1.54 per share. Such consideration was determined based on the value of shareholders' equity in Changcai Securities and our Company, and the value of our Company's total assets. Immediately after the completion of the acquisition, Changcai Securities became a wholly-owned subsidiary of our Company and was re-named as Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), and our Company was held by Zhongchang Hengyuan, Times Shengheng, Shanghai Xingu, Shanghai Yida, Weifang Kewei and Dezhou Xingda as to approximately 1.72%, 1.72%, 1.72%, 1.63%, 1.55% and 0.25%, respectively. For details of Hengtai Changcai, please refer to the paragraph headed "Our Major Subsidiaries — Hengtai Changcai" in this section.

Acquisition of Shanghai Yongda

Shanghai Yongda Futures Brokerage Co., Ltd. (上海永大期貨經紀有限公司) ("**Shanghai Yongda**") was a limited liability company established in the PRC on December 20, 1992. Prior to the acquisition of Shanghai Yongda by our Company, shareholders of Shanghai Yongda were Shanghai Metallic Material Development Corporation (上海市金屬材料發展總公司) and Tianjin Yide Investment Group Co., Ltd. (天津一德投資集團有限公司), both being Independent Third Parties as of the Latest Practicable Date. Shanghai Yongda was mainly engaged in futures business immediately prior to the acquisition of Shanghai Yongda by our Company.

With a view to further expanding our futures business, on November 13, 2009, our Company acquired the 100% equity interests in Shanghai Yongda from Shanghai Metallic Material Development Corporation (上海市金屬材料發展總公司) and Tianjin Yide Investment Group Co., Ltd. (天津一德投資集團有限公司) at a total consideration of RMB39,569,608.22, being settled on December 23, 2009. Such consideration was determined based on appraised net assets of Shanghai Yongda. Immediately after the completion of the acquisition, Shanghai Yongda became a wholly-owned subsidiary of our Company, and was finally re-named as Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司). For details of Hengtai Futures, please refer to the paragraph headed "Our Major Subsidiaries — Hengtai Futures" in this section.

Acquisition of New China Fund

New China Fund was a limited liability company established in the PRC on December 9, 2004. Prior to the acquisition of 43.75% equity interest in New China Fund by our Company, shareholders of New China Fund were New China Trust Co. Ltd. (新華信託股份有限公司, "**New China Trust**"), Shaanxi Lantong Investment Co., Ltd. (陝西藍潼投資有限公司, "**Lantong Investment**"), Shanghai Dazhong Environmental Industry Co., Ltd. (上海大眾環境產業有限公司, "**Dazhong Environmental**") and Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司, "**Hangzhou Yongyuan**"), all being Independent Third Parties, apart from their interests in New China Fund, as of the Latest Practicable Date. New China Fund was mainly engaged in fund raising and sales and asset management business immediately prior to the acquisition of New China Fund by our Company.

With a view to expanding our business into the public fund management industry, on November 29, 2013, our Company acquired the 30.00% and 13.75% equity interests in New China Fund from Lantong Investment and Dazhong Environmental at considerations of RMB96,000,000 and RMB44,000,000, respectively. Such considerations were determined with reference to the appraised value of such equity interests in New China Fund and settled on December 4, 2013. Immediately after the completion of the acquisition, New China Fund was owned by New China Trust, our Company and Hangzhou Yongyuan as to 48%, 43.75% and 8.25%, respectively.

With a view to enhancing our market influence and achieving our strategic goals by leveraging New China Fund's fund management platform, on July 29, 2015, our Company completed the subscription for additional 57,500,000 shares of New China Fund, representing 14.87% equity interests in New China Fund, at a consideration of RMB97,750,000. Such consideration was determined with reference to the appraised asset value of New China Fund. As a result, New China Fund was owned by our Company as to 58.62% and became a non-wholly-owned subsidiary of our Company. For details of New China Fund, please refer to the paragraph headed "Our Major Subsidiaries — New China Fund" in this section.

Approvals from relevant government authorities

As advised by our PRC legal advisors, Guantao Law Firm, the aforementioned acquisitions are legally effective and binding on the relevant parties, and have been properly and legally completed and settled in accordance with the PRC laws and regulations, and all the relevant approvals and/or permits have been obtained from relevant government authorities.

OUR MAJOR SUBSIDIARIES

Hengtai Changcai

Hengtai Changcai, formerly known as Changcai Securities prior to acquisition by our Company, was established as a limited liability company in the PRC on January 10, 2002. Hengtai Changcai was acquired and became a wholly-owned subsidiary of our Company on July 16, 2009.

Upon completion of business integration between our Company and Hengtai Changcai in 2014 as approved by CSRC, on June 3, 2014, Hengtai Changcai qualified to engage in sponsoring business and became a professional investment bank, while it ceased to be engaging in brokerage business. Hengtai Changcai is currently mainly engaged in securities underwriting and sponsoring business.

As of the Latest Practicable Date, our Company held 100% equity interest in Hengtai Changcai.

Hengtai Futures

Hengtai Futures, formerly known as Shanghai Yongda prior to acquisition by our Company, was a limited liability company established in the PRC on December 20, 1992. Hengtai Futures was acquired and became a wholly-owned subsidiary of our Company on November 13, 2009. Hengtai Futures is currently mainly engaged in commodity futures brokerage, futures investment advisory and asset management business.

On May 1, 2015, our Company and Hengtai Capital entered into a capital increase agreement, pursuant to which Hengtai Capital agreed to subscribe for an additional RMB25,000,000 of the registered capital of Hengtai Futures in cash consideration of RMB50,000,000 (of which the premium part in the amount of RMB25,000,000 was recorded as capital reserves). After the completion of such capital subscription on June 30, 2015, the registered capital of Hengtai Futures was increased from RMB100,000,000 to RMB125,000,000, and held by our Company and Hengtai Capital as to 80% and 20%, respectively.

On September 16, 2015, Hengtai Futures was converted into a joint stock company with limited liability.

As of the Latest Practicable Date, our Company and Hengtai Capital held 80% and 20% equity interest in Hengtai Futures, respectively.

Hengtai Pioneer

Hengtai Pioneer was a limited liability company established by our Company in the PRC on January 25, 2013 with a registered capital of RMB100,000,000. According to a registered capital verification report issued by an Independent Third Party auditor, as of January 17, 2013, 100% of the registered capital of Hengtai Pioneer had been paid up by our Company. Hengtai Pioneer commenced its business on January 25, 2013 and is currently mainly engaged in alternative investment business.

As of the Latest Practicable Date, our Company held 100% equity interest in Hengtai Pioneer.

Hengtai Capital

Hengtai Capital was a limited liability company established by our Company in the PRC on June 3, 2013 with a registered capital of RMB200,000,000. According to a registered capital verification report issued by an Independent Third Party auditor, as of June 20, 2013, 100% of the registered capital of Hengtai Capital had been paid up by our Company. Hengtai Capital commenced its business on June 3, 2013 and is currently mainly engaged in private equity investment business.

As of the Latest Practicable Date, our Company held 100% equity interest in Hengtai Capital.

Hengtai Capital Equity

Hengtai Capital Equity was a limited liability company established by Hengtai Capital in the PRC on September 9, 2013 with a registered capital of RMB10,000,000. According to a registered capital verification report issued by an Independent Third Party auditor, as of November 11, 2013, 100% of the registered capital of Hengtai Capital Equity had been paid up by Hengtai Capital. Hengtai Capital Equity commenced its business on September 9, 2013 and is currently mainly engaged in management of private equity funds.

As of the Latest Practicable Date, Hengtai Capital held 100% equity interest in Hengtai Capital Equity.

Shanghai Yingwo

Shanghai Yingwo was a limited liability company established by Hengtai Pioneer in the PRC on July 2, 2013 with a registered capital of RMB10,000,000. According to a registered capital verification report issued by an Independent Third Party auditor, as of June 26, 2013, 100% of the registered capital of Shanghai Yingwo had been paid up by Hengtai Pioneer. Shanghai Yingwo commenced its business on July 2, 2013 and is currently mainly engaged in commodity and futures asset management business.

As of the Latest Practicable Date, Hengtai Pioneer held 100% equity interest in Shanghai Yingwo.

Hengtai Hongze

Hengtai Hongze was a limited liability company established by Hengtai Pioneer in the PRC on April 8, 2015 with a registered capital of RMB10,000,000. Hengtai Hongze commenced its business on April 8, 2015 and is currently mainly engaged in project investment and investment management.

As of the Latest Practicable Date, Hengtai Pioneer held 100% equity interest in Hengtai Hongze.

Hengtai Hengfu

Hengtai Hengfu was a limited liability company established by Hengtai Pioneer in the PRC on April 17, 2015 with a registered capital of RMB10,000,000. Hengtai Hengfu commenced its business on April 17, 2015 and is currently mainly engaged in economic and business consulting, information service and investment management business.

As of the Latest Practicable Date, Hengtai Pioneer held 100% equity interest in Hengtai Hengfu.

Shanghai Hongdian

Shanghai Hongdian was a limited liability company established by Hengtai Capital in the PRC on May 4, 2015 with a registered capital of RMB100,000,000. Shanghai Hongdian commenced its business on May 4, 2015 and is currently mainly engaged in investment management, industry investment, asset management, business consulting and corporate management consulting business.

As of the Latest Practicable Date, Hengtai Capital held 100% equity interest in Shanghai Hongdian.

Hengtai Hengzhong

Hengtai Hengzhong was a limited liability company established by Hengtai Pioneer in the PRC on July 16, 2015 with a registered capital of RMB10,000,000. Hengtai Hengzhong commenced its business on July 16, 2015 and is currently mainly engaged in investment management, asset management, project investment, investment consulting, corporate management consulting and finance consulting business.

As of the Latest Practicable Date, Hengtai Pioneer held 100% equity interest in Hengtai Hengzhong.

New China Fund

New China Fund was a limited liability company established in the PRC on December 9, 2004. New China Fund is currently mainly engaged in fund management business.

New China Fund was acquired by our Company as to 43.75% on November 29, 2013. On July 29, 2015, our Company completed the subscription for additional 57,500,000 shares at New China Fund, representing 14.87% equity interests in New China Fund at a consideration of RMB97,750,000. As a result, the registered capital of New China Fund increased by RMB57,500,000 to RMB217,500,000 and New China Fund was owned by our Company, New China Trust and Hangzhou Yongyuan as to 58.62%, 35.31% and 6.07%, respectively, and became a non-wholly-owned subsidiary of our Company after such capital increase.

As of the Latest Practicable Date, New China Fund was owned by our Company, New China Trust and Hangzhou Yongyuan as to approximately 58.62%, 35.31% and 6.07%, respectively. Apart from the interests in New China Fund, New China Trust and Hangzhou Yongyuan were Independent Third Parties as of the Latest Practicable Date.

New China Fushi

New China Fushi was a limited liability company established in the PRC on April 10, 2013. New China Fushi commenced its business on April 10, 2013 and is currently mainly engaged in asset management business.

As of the Latest Practicable Date, New China Fushi was owned by New China Fund, Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合夥)) and Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司), all being Independent Third Parties apart from their interest in New China Fushi, as to 60%, 20% and 20%, respectively.

New China Fushi became a non-wholly-owned subsidiary of our Company when New China Fund became a subsidiary of our Company on July 29, 2015.

Pioneer Movie

Pioneer Movie was a limited partnership established in the PRC by Hengtai Pioneer (as general partner) and New China Fushi (as limited partner, acting on behalf of a specialised asset management scheme named "New China Fushi — Xianfeng No. 1" established by New China Fushi) on September 25, 2013. At the time of its establishment, the registered capital was RMB33,000,000 which was contributed by Hengtai Pioneer and New China Fushi as to approximately 12.12% and 87.88%, respectively. As of October 14, 2013, 100% of the registered capital of Pioneer Movie had been paid up. Pioneer Movie commenced its business on September 25, 2013 and is mainly engaged in investment management and asset management.

On November 12, 2013, Hengtai Pioneer made an additional capital contribution of RMB10,000,000 to the registered capital of Pioneer Movie, which was increased from RMB33,000,000 to RMB43,000,000 accordingly. Such additional capital contribution has been fully paid up by Hengtai Pioneer.

As of the Latest Practicable Date, Hengtai Pioneer and New China Fushi held approximately 32.56% and 67.44% of the interest in Pioneer Movie, respectively. Pioneer Movie became a subsidiary of our Company on July 29, 2015.

INFORMATION ON EXISTING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned by 22 Shareholders, details of which were set out below:

				Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)	
No.	Name of Shareholder	Number of Domestic Shares (as of the Latest Practicable Date)	Shareholding Percentage of our total issued share capital (as of the Latest Practicable Date) (%)	Number of Domestic Shares	Shareholding percentage of our total issued share capital (%)	Number of Domestic Shares	Shareholding percentage of our total issued share capital (%)
1.	Baotou Huazi[(1)(4)]	308,000,000	14.03	308,000,000	12.07	308,000,000	11.83
2.	Qingyun Intercontinental	226,961,315	10.34	226,961,315	8.90	226,961,315	8.71
3.	Finance Street Xihuan Properties (SS)[(2)(3)]	225,000,000	10.25	213,236,796	8.36	211,472,315	8.12
4.	Huijin Jiaye	206,182,000	9.39	206,182,000	8.08	206,182,000	7.92
5.	Finance Street Investment (SS)[(2)(3)]	176,000,000	8.02	166,798,561	6.54	165,418,345	6.35
6.	Huarong Infrastructure (SS)[(2)(3)]	165,000,000	7.52	156,373,650	6.13	155,079,698	5.95
7.	Huifa Investment[(1)]	154,000,000	7.02	154,000,000	6.04	154,000,000	5.91
8.	Hongzhi Huitong[(1)]	154,000,000	7.02	154,000,000	6.04	154,000,000	5.91
9.	Hua Chen Trust Limited Corporation (華宸信託有限責任公司) ("**Hua Chen Trust**") (SS)[(1)(2)]	98,202,037	4.47	93,067,946	3.65	92,297,832	3.55
10.	Jinan Bojie Narong Information Technology Co., Ltd. (濟南博傑納榮信息科技有限公司) ("**Bojie Narong**")	81,000,000	3.69	81,000,000	3.17	81,000,000	3.11
11.	Zhongchang Hengyuan[(4)]	75,100,000	3.42	75,100,000	2.94	75,100,000	2.88
12.	Shanghai Yida[(4)]	60,768,000	2.77	60,768,000	2.38	60,768,000	2.33
13.	Tengye Holding Group Co., Ltd. (騰業控股集團有限公司) ("**Tengye Holding**")	59,000,000	2.69	59,000,000	2.31	59,000,000	2.27
14.	Weifang Keyu Technology Co., Ltd. (濰坊科虞科技有限公司) ("**Keyu Technology**")[(1)]	56,188,685	2.56	56,188,685	2.20	56,188,685	2.16
15.	Beijing Huacheng Hongtai Industrial Co., Ltd. (北京華誠宏泰實業有限公司) ("**Huacheng Hongtai**")[(1)]	54,555,375	2.49	54,555,375	2.14	54,555,375	2.10

No.	Name of Shareholder	Number of Domestic Shares (as of the Latest Practicable Date)	Shareholding Percentage of our total issued share capital (as of the Latest Practicable Date) (%)	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)		Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)	
				Number of Domestic Shares	Shareholding percentage of our total issued share capital (%)	Number of Domestic Shares	Shareholding percentage of our total issued share capital (%)
16.	Beijing Taihai[5]	31,000,000	1.41	31,000,000	1.21	31,000,000	1.19
17.	Harbin Xingye Industrial Property Brokerage Co., Ltd. (哈爾濱興業產權經紀有限責任公司) ("**Xingye Properties**") (SS)[1][2]	17,500,000	0.80	16,585,084	0.65	16,447,847	0.63
18.	Inner Mongolia Mengjili Economic and Technological Development Co., Ltd. (內蒙古蒙吉利經濟技術開發股份有限公司) ("**Mengjili**")[1]	17,500,000	0.80	17,500,000	0.69	17,500,000	0.67
19.	Inner Mongolia Kaide Luntai[1][5]	17,500,000	0.80	17,500,000	0.69	17,500,000	0.67
20.	Beijing Huifutong International investment Co., Ltd. (北京匯富通國際投資有限公司) ("**Huifutong**")	6,000,000	0.27	6,000,000	0.23	6,000,000	0.23
21.	Baotou Shenyin Industry Group Co., Ltd. (包頭市申銀產業集團有限公司) ("**Shenyin Industrial**")[1]	3,500,000	0.16	3,500,000	0.14	3,500,000	0.13
22.	Inner Mongolia Xiang Rong Investment Management Co., Ltd. (內蒙古祥嶸投資管理有限責任公司) ("**Xiangrong Investment**")[1]	1,750,000	0.08	1,750,000	0.07	1,750,000	0.07
	Total	2,194,707,412	100.00	2,159,067,412	84.63	2,153,721,412	82.69

Notes:

(1) Promoters of our Company.

(2) Finance Street Xihuan Properties, Finance Street Investment, Huarong Infrastructure, Hua Chen Trust and Xingye Properties are state-owned shareholders ("**SS**") and certain number of the Domestic Shares held by them shall be converted into H Shares and sold by them for the benefit of the NSSF under the Global Offering pursuant to the relevant PRC regulations relating to reduction of state-owned shares.

(3) The Finance Street Group is comprised of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, all being subsidiaries of SASAC Xicheng District. The Finance Street Group together held approximately 25.79%, 21.03% and 20.42% of our Company's issued share capital (i) as of the Latest Practicable Date; (ii) upon Listing (assuming no exercise of the Over-allotment Option) and (iii) upon Listing (assuming full exercise of the Over-allotment Option), respectively.

(4) Approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding. Tomorrow Holding has entered into an acting in concert agreement with another two of our Shareholders, namely, Zhongchang Hengyuan and Shanghai Yida. Please see paragraph headed "Acting in Concert Arrangement of Certain Shareholders" in this section for further information.

(5) Inner Mongolia Kaide Luntai is a controlling shareholder of Beijing Taihai, a Shareholder of our Company. Inner Mongolia Kaide Luntai and Beijing Taihai together held approximately 2.21%, 1.90% and 1.86% of our Company's issued share capital (i) as of the Latest Practicable Date; (ii) and upon Listing (assuming no exercise or full exercise of the Over-allotment Option) and (iii) upon Listing (assuming full exercise of the Over-allotment Option), respectively.

(6) The above table is prepared based on the 392,040,000 H Shares to be offered under the Global Offering (subject to the Over-allotment Option), including 35,640,000 Sale Shares (subject to the Over-allotment Option) which shall be converted from Domestic Shares and offered by Selling Shareholders pursuant to the relevant PRC regulations relating to reduction of state-owned shares.

(7) Save for those as described in notes (2) to (5) above, the existing shareholders of our Company have no relationship with each other.

(8) All existing shareholders of our Company, other than being our substantial Shareholders or associates of our Director or Supervisor as disclosed in this section, are Independent Third Parties to the best knowledge of our Directors.

1. Baotou Huazi

Baotou Huazi is a joint stock company established in the PRC with limited liability on November 30, 1998 and listed on the Shanghai Stock Exchange. It is mainly engaged in the sales and production of sugar and feed, and export of necessary materials and equipment. As of the Latest Practicable Date, approximately 46% of the equity interest in Baotou Huazi was held by public shareholders and approximately 54% of the equity interest in Baotou Huazi was indirectly controlled by Tomorrow Holding, a company primarily engaged in investment business.

2. Qingyun Intercontinental

Qingyun Intercontinental is a limited liability company established in the PRC on July 16, 2002. It is mainly engaged in the development and transfer of technology. As of the Latest Practicable Date, Qingyun Intercontinental was held (i) as to 70% by a PRC company controlled indirectly by Mr. Sun Yuanlin, father of Mr. Sun Chao who is one of our non-executive Directors; and (ii) as to 30% by another PRC company which was held as to 40% by Mr. Sun Chao. Mr. Sun Chao is the legal representative of Qingyun Intercontinental.

3. Finance Street Xihuan Properties

Finance Street Xihuan Properties is a limited liability company established in the PRC on December 14, 1992. It is mainly engaged in real estate development. Finance Street Xihuan Properties is a state-owned shareholder of our Company. 90% of the equity interest in Finance Street Xihuan Properties is held by Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資公司), which is in turn wholly-owned by SASAC Xicheng District.

4. Huijin Jiaye

Huijin Jiaye is a limited liability company established in the PRC on May 19, 2000. It is mainly engaged in project investment. 99.99% and 0.01% of the equity interest in Huijin Jiaye is held by Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司) ("**Shanghai Xishida**") and Ms. Pei Jingjing (裴晶晶女士), who is a supervisor of our Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司) ("**Shenzhen Zhongxin**") and Ms. Pei Jingjing (裴晶晶女士), respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司) ("**Shanghai Julu**"). 35% of the equity interest in Shanghai Julu is held by Ms. Pei Jingjing (裴晶晶女士). Ms. Pei Jingjing (裴晶晶女士) is the legal representative of Huijin Jiaye.

5. Finance Street Investment

Finance Street Investment is a limited liability company established in the PRC on May 29, 1996. It is mainly engaged in investment and asset management. Finance Street Investment is a state-owned shareholder of our Company and wholly-owned by SASAC Xicheng District.

6. Huarong Infrastructure

Huarong Infrastructure is a limited liability company established in the PRC on May 23, 2006. It is mainly engaged in city infrastructure investment. Huarong Infrastructure is a state-owned shareholder of our Company. Huarong Infrastructure is wholly-owned by Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which is in turn wholly-owned by SASAC Xicheng District.

7. Huifa Investment

Huifa Investment is a limited liability company established in the PRC on May 21, 1999. It is mainly engaged in economic information consulting.

8. Hongzhi Huitong

Hongzhi Huitong is a limited liability company established in the PRC on December 7, 1998. It is mainly engaged in investment management and technology development.

9. Hua Chen Trust

Hua Chen Trust is a limited liability company established in the PRC on March 20, 2003. It is mainly engaged in the provision of trust and investment service. Hua Chen Trust was a state-owned shareholder of our Company and was held (i) as to approximately 30.2% by SASAC Inner Mongolia; (ii) as to approximately 36.5% by Baotou Steel (Group) Co., Ltd. (包頭鋼鐵(集團)有限責任公司) which was owned as to approximately 73.77% by the People's Government of Inner Mongolia; and (iii) as to approximately 32.45% by China Datang Capital Holdings Co., Ltd. (中國大唐集團資本控股有限公司) which was ultimately wholly-owned by SASAC as of the Latest Practicable Date.

10. Bojie Narong

Bojie Narong is a limited liability company established in the PRC on July 31, 2003. It is mainly engaged in development and sales of computer software and hardware.

11. Zhongchang Hengyuan

Zhongchang Hengyuan is a limited liability company established in the PRC on February 26, 2001. It is mainly engaged in software development.

12. Shanghai Yida

Shanghai Yida is a limited liability company established in the PRC on March 20, 2001. It is mainly engaged in high-tech industry investment and management.

13. Tengye Holding

Tengye Holding is a limited liability company established in the PRC on June 7, 2005. It is mainly engaged in project investment and investment management.

14. Keyu Technology

Keyu Technology is a limited liability company established in the PRC on September 18, 2001. It is mainly engaged in investment and IT consulting.

15. Huacheng Hongtai

Huacheng Hongtai is a limited liability company established in the PRC on February 12, 2004. It is mainly engaged in investment and investment management.

16. Beijing Taihai

Beijing Taihai is a limited liability company established in the PRC on May 9, 2006. It is mainly engaged in real estate development. Beijing Taihai was controlled by Inner Mongolia Kaide Luntai, a shareholder of our Company, as of the Latest Practicable Date.

17. Xingye Properties

Xingye Properties is a limited liability company established in the PRC on May 10, 1996. It is mainly engaged in acquisition and transfer of business ownership. Xingye Properties was a state-owned shareholder of our Company and was ultimately controlled by the Finance Bureau of Xiangfang District, Harbin as of the Latest Practicable Date.

18. Mengjili

Mengjili is a joint stock company established in the PRC with limited liability on March 19, 1999. It is mainly engaged in development of infrastructure and public facilities.

19. Inner Mongolia Kaide Luntai

Inner Mongolia Kaide Luntai is a limited liability company established in the PRC on March 21, 2006. It is mainly engaged in coal and transportation business and real estate investment.

20. Huifutong

Huifutong is a limited liability company established in the PRC on July 5, 2004. It is mainly engaged in investment and asset management.

21. Shenyin Industrial

Shenyin Industrial is a limited liability company established in the PRC on March 11, 1998. It is mainly engaged in investment consulting.

22. Xiangrong Investment

Xiangrong Investment is a limited liability company established in the PRC on April 27, 2006. It is mainly engaged in asset management and leasing.

Acting in Concert Arrangement of Certain Shareholders

Prior to our acquisition of Changcai Securities, Tomorrow Holding had entered into certain acting in concert agreements with the then shareholders of Changcai Securities, including Zhongchang Hengyuan and Shanghai Yida, for the purpose of consolidating control over Changcai Securities. Over the course of our acquisition of Changcai Securities in 2009, Zhongchang Hengyuan and Shanghai Yida became direct shareholders of our Company. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of our Company, entered into an acting in concert agreement in 2009, pursuant to which they confirmed that they have been acting in concert in voting at the past shareholders' meeting of our Company since they became direct or indirect shareholders of our Company, and agreed to act in concert with respect to proposing and voting of resolutions at the shareholders' meeting of our Company thereafter. As of the Latest Practicable Date, Baotou Huazi, being controlled by Tomorrow Holding, was considered acting in concert with Zhongchang Hengyuan and Shanghai Yida.

In addition to the above-mentioned acting in concert arrangement, our current shareholder, Baotou Huazi, has been controlled by Tomorrow Holding since July 9, 2013. Our then shareholders, Shanghai Yili Industry Development Co., Ltd. (上海宜利實業發展有限公司) ("**Shanghai Yili**") and Baotou City Shichuang Economic and Technological Development Co., Ltd. (包頭市實創經濟技術開發有限公司) ("**Baotou Shichuang**"), were controlled by Tomorrow Holding during the Track Record Period and up to the Latest Practicable Date.

As of January 1, 2012, the beginning of the Track Record Period, approximately 22.93% of registered capital of Baotou Huazi was indirectly controlled by Tomorrow Holding and Tomorrow Holding was deemed to be indirectly interested in approximately 3.22% of our Company's then issued share capital, representing 22.93% of the interest in our Company's then issued share capital that was held by Baotou Huazi. Together with the entire of interests of our Company's then issued share capital held by Shanghai Yili, Baotou Shichuang, Zhongchang Hengyuan and Shanghai Yida, Tomorrow Holding was indirectly interested in approximately 19.63% of our Company's then issued share capital. As of July 9, 2013, when Baotou Huazi became controlled by Tomorrow Holding, Baotou Huazi, Shanghai Yili, Zhongchang Hengyuan and Shanghai Yida together held approximately 22.70% of our Company's then issued share capital. After completion of relevant share transfers in 2012 and 2013, Shanghai Yili and Baotou Shichuang ceased to be our shareholders. For further details of such share transfers, please see the paragraph headed "Major Shareholding Changes during the Track Record Period" in this section. Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida together held approximately 20.22%, 17.40% and 17.04% of our Company's issued share capital (i) as of the Latest Practicable Date; (ii) upon Listing (assuming no exercise of the Over-allotment Option); and (iii) upon Listing (assuming full exercise of the Over-allotment Option), respectively.

Non-competition Undertakings by Existing 5% Shareholders

To avoid any potential competition between our Company and our existing 5% Shareholders, each of Baotou Huazi, Qingyun Intercontinental, Finance Street Xihuan Properties, Huijin Jiaye, Finance Street Investment, Huarong Infrastructure, Huifa Investment, Hongzhi Huitong, Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding which held, directly or indirectly, more than 5% shareholding interests in our Company as of the Latest Practicable Date, has signed an non-competition undertaking (collectively, "**Non-competition Undertakings**").

Pursuant to the Non-competition Undertakings,

(a) each of Baotou Huazi, Qingyun Intercontinental, Huijin Jiaye, Huifa Investment and Hongzhi Huitong has undertaken that (i) it and its controlled entities do not currently engage in any business which competes with our business; and (ii) after the Listing, it and its controlled entities will not engage in any competing business that is the same as or similar with our business;

(b) each of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure has undertaken that (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies; and

(c) each of Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding has undertaken that, other than their shareholding interests in New Times Securities, (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acqusition of companies.

Shares Pledged by Certain Shareholders

As of the Latest Practicable Date, certain Domestic Shares held by some of our Shareholders, namely, Baotou Huazi, Qingyun Intercontinental, Huijin Jiaye, Hongzhi Huitong, Bojie Narong, Zhongchang Hengyuan, Huacheng Hongtai, Beijing Taihai, Mengjili, Inner Mongolia Kaide Luntai, Keyu Technology and Shanghai Yida, were pledged as securities in favour of financial institutions in the PRC for the purpose of obtaining funds for their own operation. All such pledge had been duly registered as pledge at competent authorities. All such financial institutions are Independent Third Parties regulated by the China Banking Regulatory Commission and have the right to enforce their security interest in the relevant Domestic Shares in the event of default of the repayment obligations by the relevant Shareholders.

Among these financial intuitions in the PRC, (i) New Times Trust will have security interest in 374,835,507 Domestic Shares, representing approximately 17.08% and 14.69% of our issued Shares before and after the completion of the Global Offering, respectively; and (ii) Xiamen International Bank will have security interest in 150,000,000 Domestic Shares, representing approximately 6.83% and 5.88% of our issued Shares before and after the completion of the Global Offering, respectively. Save for New Times Trust Co., Ltd and Xiamen International Bank, none of such financial institutions will have security interest in more than 5% of our issued Domestic Shares before and after the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

MAJOR SHAREHOLDING CHANGES DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Shareholders holding 5% or more equity interests in our Company from time to time undertook a number of share transfers as set out below:

Date of share transfer agreement	From	To	Number of Domestic Shares transferred (approximate % of then registered capital)	Consideration (RMB)	Determination of consideration	Settlement date
June 30, 2012	Shanghai Yili[(1)]	Qingyun Intercontinental	54,000,000 (2.46)	153,900,000 (2.85 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 50%	December 11, 2012
June 30, 2012	Times Shengheng[(2)]	Qingyun Intercontinental	36,000,000 (1.64)	102,600,000 (2.85 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 50%	December 11, 2012
December 5, 2012	Baotou Shichuang[(3)]	Qingyun Intercontinental	54,061,315 (2.46)	154,074,747.75 (2.85 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 50%	April 9, 2013
November 8, 2012	Shanghai Yida	Qingyun Intercontinental	35,000,000 (1.59)	99,750,000 (2.85 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 50%	April 9, 2013
November 26, 2012	Zhongchang Hengyuan	Qingyun Intercontinental	26,900,000 (1.23)	76,665,000 (2.85 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 50%	April 9, 2013
December 19, 2012	Beijing Detong[(4)]	Qingyun Intercontinental	21,000,000 (0.96)	77,490,000 (3.69 per Share)	Based on the net assets per Share at the end of 2011 of RMB1.9 with a premium of 94.2%	July 19, 2013
October 9, 2013	Times Shengheng	Huijin Jiaye	56,692,000 (2.58)	167,241,400 (2.95 per Share)	Based on the net assets per Share as of 30 June 2013 of RMB2.01 and future development of the industry and our Company	December 24, 2013

Date of share transfer agreement	From	To	Number of Domestic Shares transferred (approximate % of then registered capital)	Consideration (RMB)	Determination of consideration	Settlement date
October 9, 2013	Shanghai Yili	Huijin Jiaye	54,490,000 (2.48)	160,745,500 (2.95 per Share)	Based on the net assets per Share as of 30 June 2013 of RMB2.01 and future development of the industry and our Company	December 24, 2013

Notes:

(1) Shanghai Yili, one of our promoters, is a limited liability company established under the PRC laws on May 18, 2001 and is mainly engaged in, among others, development, manufacture and sales of computer, software, hardware and technology. Shanghai Yili was controlled by Tomorrow Holding as of the Latest Practicable Date.

(2) Times Shengheng is a limited liability company established under the PRC laws on October 19, 2000. It is mainly engaged in, among others, investment management, financial and information consulting, technology development and transfer. Times Shengheng was the controlling shareholder of Zhongchang Hengyuan as of the Latest Practicable Date.

(3) Baotou Shichuang, one of our promoters, is a limited liability company established under the PRC laws on June 26, 1998. It is mainly engaged in, among others, technology consulting, computer hardware assembly, production and sales. Baotou Shichuang was controlled by Tomorrow Holding as of the Latest Practicable Date.

(4) Beijing Detong refers to Beijing Detong Trading Co., Ltd. (北京德通經貿有限責任公司), now known as Beijing Detong Tiantai Investment Co., Ltd. (北京德通天泰投資有限公司), a limited liability company established under the PRC laws on June 18, 1998 and is mainly engaged in, among others, sales of tea, drinks and other commodities. Beijing Detong and its ultimate beneficial owner was an Independent Third Party as of the Latest Practicable Date.

All of the share transfers above were made based on independent business decisions made by relevant parties. Among the transferors as set out in the above table, except for Shanghai Yili, Times Shengheng, Baotou Shichuang and Beijing Detong, which ceased to be Shareholders when their entire shareholdings in our Company transferred to other Shareholders, all transferors continue to hold equity interests in our Company.

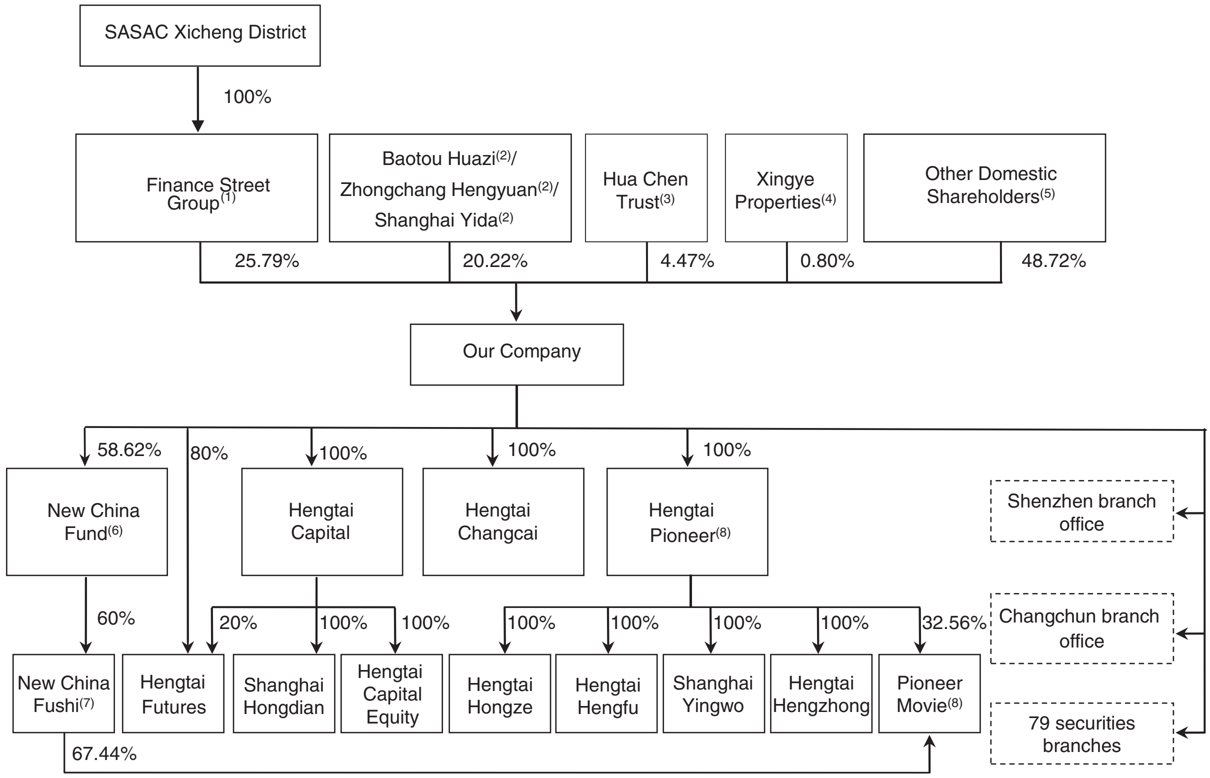
Lock-up Undertakings

According to the Notice on Issues Concerning the Initial Public Offering and Listing of Securities Companies (關於證券公司首次公開發行股票並上市有關問題的通知) (CSRC Institutional Department Letter [2008] No. 243) ("**Letter No. 243**"), which was repealed on May 22, 2015 by the CSRC, for securities companies without controlling shareholders or any shareholders actually controlling such securities companies, shareholders who acquired shares of such securities companies within three years immediately prior to the application for supervisory opinion concerning the listing of such securities companies to be issued by CSRC, shall be subject to a lock-up period of 48 months since the date CSRC approving the relevant acquisition of shares.

Prior to the repeal of the Letter No. 243, each of Qingyun Intercontinental and Huijin Jiaye has undertaken not to (i) transfer the Shares held by it to any other parties (including transfer of the Shares to our Company); or (ii) entrust any other parties to manage the Shares held by it for 48 months after December 31, 2012 and December 30, 2013, respectively, being the dates when the CSRC approved its last acquisition of Shares. The lock-up period for Qingyun Intercontinental and Huijin Jiaye will end on December 30, 2016 and December 29, 2017, respectively. Such undertakings remain valid after repeal of the Letter No. 243.

CORPORATE STRUCTURE

Immediately prior to completion of the Global Offering, the equity holding structure of our Group is detailed as below (entities within dotted lines are branch offices and securities branches of our Company):



Notes:

(1) The Finance Street Group is comprised of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, all being subsidiaries of SASAC Xicheng District and thus state-owned shareholders of our Company.

(2) Approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding, which has entered into an agreement to act in concert with another two of our Shareholders, namely, Zhongchang Hengyuan and Shanghai Yida.

(3) Hua Chen Trust was a state-owned shareholder of our Company and was held (i) as to approximately 30.2% by SASAC Inner Mongolia; (ii) as to approximately 36.5% by Baotou Steel (Group) Co., Ltd. (包頭鋼鐵(集團)有限責任公司) which was owned as to approximately 73.77% by the People's Government of Inner Mongolia; and (iii) as to approximately 32.45% by China Datang Capital Holdings Co., Ltd. (中國大唐集團資本控股有限公司) which was ultimately wholly-owned by SASAC as of the Latest Practicable Date.

(4) Xingye Properties was a state-owned shareholder of our Company and was ultimately controlled by the Finance Bureau of Xiangfang District, Harbin as of the Latest Practicable Date.

(5) Among Other Domestic Shareholders, Inner Mongolia Kaide Luntai is a controlling shareholder of Beijing Taihai, a Shareholder of our Company. These two companies together held approximately 2.21% of our Company's issued share capital as of the Latest Practicable Date.

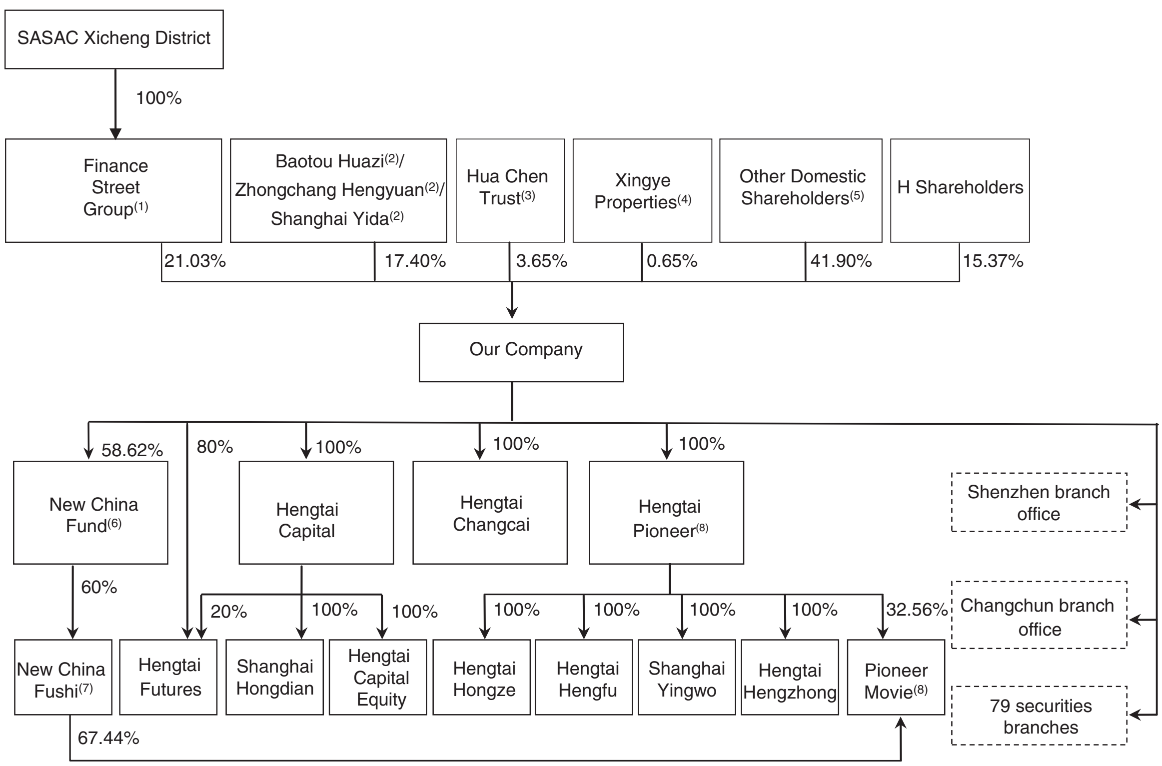
(6) New China Fund was owned by New China Trust, our Company and Hangzhou Yongyuan as to approximately 35.31%, 58.62% and 6.07%, respectively. Apart from their interests in New China Fund, New China Trust and Hangzhou Yongyuan were Independent Third Parties as of the Latest Practicable Date.

(7) New China Fushi was owned by New China Fund, Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合伙)) and Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司) as to 60%, 20% and 20%, respectively, as of the Latest Practicable Date.

(8) Pioneer Movie is a limited partnership established by Hengtai Pioneer (as general partner) and New China Fushi (as limited partner, acting on behalf of a specialised asset management scheme named "New China Fushi — Xianfeng No.1" established by New China Fushi).

In relation to the Listing, the Selling Shareholders, namely Finance Street Investment, Finance Street Xihuan Properties, Huarong Infrastructure, Hua Chen Trust and Xingye Properties will sell the Sale Shares pursuant to the letter issued by the NSSF (She baojijinfa [2015] No. 146) on September 15, 2015 and the relevant PRC regulations relating to reduction of state-owned shares.

The equity holding structure of our Group immediately following completion the Global Offering (assuming no exercise of the Over-allotment Option) is set out below (entities within dotted lines are branch offices and securities branches of our Company):



Notes:

(1) The Finance Street Group is comprised of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, all being subsidiaries of SASAC Xicheng District and thus state-owned shareholders of our Company.

(2) Approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding, which has entered into an agreement to act in concert with another two of our Shareholders, namely, Zhongchang Hengyuan and Shanghai Yida.

(3) Hua Chen Trust was a state-owned shareholder of our Company and was held (i) as to approximately 30.2% by SASAC Inner Mongolia; (ii) as to approximately 36.5% by Baotou Steel (Group) Co., Ltd. (包頭鋼鐵(集團)有限責任公司) which was owned as to approximately 73.77% by the People's Government of Inner Mongolia; and (iii) as to approximately 32.45% by China Datang Capital Holdings Co., Ltd. (中國大唐集團資本控股有限公司) which was ultimately wholly-owned by SASAC as of the Latest Practicable Date.

(4) Xingye Properties was a state-owned shareholder of our Company and was ultimately controlled by the Finance Bureau of Xiangfang District, Harbin as of the Latest Practicable Date.

(5) Among Other Domestic Shareholders, Inner Mongolia Kaide Luntai is a controlling shareholder of Beijing Taihai, a Shareholder of our Company. These two companies together will hold approximately 1.90% of our Company's issued share capital immediately upon Listing (assuming no exercise of the Over-allotment Option).

(6) New China Fund will be owned by New China Trust, our Company and Hangzhou Yongyuan as to approximately 35.31%, 58.62% and 6.07%, respectively, upon Listing. Apart from their interests in New China Fund, New China Trust and Hangzhou Yongyuan will be Independent Third Parties immediately upon Listing.

(7) New China Fushi will be owned by New China Fund, Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合伙)) and Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司) as to 60%, 20% and 20%, respectively, immediately upon Listing.

(8) Pioneer Movie is a limited partnership established by Hengtai Pioneer (as general partner) and New China Fushi (as limited partner, acting on behalf of a specialised asset management scheme named "New China Fushi — Xianfeng No.1" established by New China Fushi).

OVERVIEW

We are a full-service securities firm incorporated in Inner Mongolia with strategic presence in major cities in economically developed areas in China. We provide a wide range of financial products and services to individuals, corporations, financial institutions and government entities through our brokerage and wealth management, investment management, proprietary trading and investment banking businesses. Our principal business lines include the following:

- ***Brokerage and wealth management***: We engage in the trading of stocks, bonds, funds, options and warrants, as well as futures, on behalf of our customers. We also engage in capital-based intermediary business, such as margin financing and securities lending services and securities-backed lending. In addition, we provide wealth management services to individual and institutional clients, including sales of financial products and investment advisory services.

- ***Investment Management***: Our investment management business includes asset management, fund management, private equity investment and alternative investment.

- ***Proprietary Trading***: We engage in the trading of stocks, bonds, funds, derivatives and other financial products for our own account. We also conduct NEEQ market-making.

- ***Investment Banking***: We provide equity underwriting, debt underwriting and financial advisory services to our clients. We also provide financial services as chief agency broker to help companies enter into NEEQ for share quotation and transfer.

We differentiate ourselves from our major competitors by our innovative capabilities and high growth potential. We believe that many institutional and high-net worth investors in the PRC are increasing their allocations to asset-backed securities and alternative investments to diversify risks while maintaining high returns. We believe that the growing acceptance of these types of investments fuels the market for such products. During the Track Record Period, we successfully launched our asset-backed securities business and alternative investment business. We also acquired our fund management business through our acquisition of a majority interest in New China Fund.

New China Fund has received a number of awards and recognitions from leading industry publications, including:

- “Three-year Open-ended Hybrid Golden Funds” (三年期開放式混合型持續優勝金牛基金) in 2013 and 2015;

- “Golden Bull Progress Award” (金牛進取獎) in 2014; and

- "Three-year Flexible Allocation Golden Funds" (三年期靈活配置型金基金) in 2013 by Shanghai Securities News.

Investment management is a fast-growing segment of the financial services industry in the PRC, and our investment management business is well-positioned to take advantage of the growth. Our investment management business has grown rapidly, with AUM increasing from RMB14,705.7 million as of December 31, 2012 to RMB15,758.3 million as of March 31, 2015. In addition, our margin financing and securities lending business, asset management business and proprietary trading business also experienced strong growth during the Track Record Period.

We believe our "Internet Plus" strategy has allowed and will continue to allow us to leverage business platforms provided by leading Internet services companies to further develop our business. See "— Our Business Model — Brokerage and Wealth Management — Internet Finance" for further information. We are in the process of developing Internet finance channels in collaboration with Tencent (騰訊), including Beizhuanbao (倍賺寶).

We have received a number of awards and recognitions from leading industry publications, such as:

- the "Best Equity Asset Management Product" award (中國最佳權益類資管產品) by Securities Times (證券時報) in 2012;

- the "Securities Firm for Asset Management Service of the Year 2012" award (券商管理人 • 2012年度最佳獎) by Sinolink Securities (國金證券);

- the "Golden Bull Award for Securities Firm for Collective Asset Management Service" award (2012年度金牛券商集合資管計劃) by China Securities Journal (中國證券報) and jnlc.com (金牛理財網) in 2012; and

- "Best Securities Firm for Asset Management Service" award (中國最佳資產管理券商) by Securities Times in 2013.

We believe that our business mix and integrated capabilities help us diversify and stabilize our sources of revenue. We achieved significant growth and enhanced profitability during the Track Record Period. Our revenue and other income increased by 62.7% from RMB874.0 million in 2012 to RMB1,422.2 million in 2013, and further increased by 59.6% to RMB2,269.5 million in 2014, representing a CAGR of 61.1%. Our profit attributable to Shareholders increased by 257.6% from RMB111.6 million in 2012 to RMB399.1 million in 2013, and further increased by 63.9% to RMB654.1 million in 2014, representing a CAGR of 142.1%. Our revenue and other income increased by 187.2% from RMB385.4 million in the three months ended March 31, 2014 to RMB1,106.9 million in the three months ended March 31, 2015, while our profit attributable to Shareholders increased by 424.8% from RMB90.2 million in the three months ended March 31, 2014 to RMB473.4 million in the three months ended March 31, 2015.

We have grown by expanding the scope and geographic reach of our services and products, developing new client relationships, hiring new staff and cultivating our professionals through training and mentoring. As of the Latest Practicable Date, we serve our clients with over 1,645 staff, based in 79 securities branches, 13 subsidiaries and three branch offices in the PRC.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and distinguish us from our competitors:

As a full-service securities firm with strategic presence in China's economically developed areas, we are well-positioned to benefit from the significant growth potential of the PRC securities industry.

China has recently relaxed its regulatory requirements for and supervision over the securities industry and permits Chinese securities firms to engage in a broader scope of businesses without prior approval. In the meantime, the continual introduction of innovative policies by the PRC regulators has created more business opportunities for securities firms. In addition, as a result of China's strong economic growth in the past two decades, the number of affluent individuals in China and their demand for wealth management services have increased significantly. Further, the continual growth and transformation of China's economy are driving the growth in the financing needs of China's enterprises. As a result, it is expected that China's securities industry, in particular, capital-based intermediary business, NEEQ market-making and Internet finance businesses, will experience a period of rapid development.

In addition, the recent development of Internet finance also brings new opportunities and challenges to all business lines of securities firms, and promote business transformation and innovation, which in turn, will enable them to provide a more comprehensive portfolio of products and services through their Internet platforms.

As a full-service securities firm with strategic presence across major cities in China, we are well positioned to benefit from a positive capital market cycle in the PRC, and we believe that we will be able to capitalize on these industry opportunities to expand our business and further grow our revenue and profit.

We have a fast-growing investment management business with significant synergies with our other business lines.

We believe that our investment expertise, innovation capabilities and focus of resources have enabled us to build a fast-growing investment management business, with AUM increasing from RMB14,705.7 million as of December 31, 2012 to RMB15,758.3 million as of March 31, 2015. Our investment management business consists of asset management, fund management, private equity investment and alternative investment.

Our asset management business offers a wide range of products, including equity, fixed-income, derivatives and securitization products, which are marketed to different target client groups through public offerings or private placements. Our asset management business also consists of provision of financing and fund management services relating to real estate projects and artwork. We have commodity asset management and futures asset management, which provide innovative options for clients to capture market opportunities and achieve financial gains. As of March 31, 2015, we had completed three asset-backed securities transactions with a total issuance amount of RMB2.3 billion. We have received a number of awards and recognitions from leading industry publications, such as:

- the "Best Equity Asset Management Product" award (中國最佳權益類資管產品) by Securities Times (證券時報) in 2012;
- the "Securities Firm for Asset Management Service of the Year 2012" award (券商管理人 • 2012年度最佳獎) by Sinolink Securities (國金證券);
- the "Golden Bull Award for Securities Firm for Collective Asset Management Service" award (2012年度金牛券商集合資管計劃) by China Securities Journal (中國證券報) and jnlc.com (金牛理財網) in 2012; and
- "Best Securities Firm for Asset Management Service" award (中國最佳資產管理券商獎) by Securities Times in 2013.

As of March 31, 2015, New China Fund had 25 publicly-raised funds and 117 private equity funds, respectively, with an AUM of RMB26.1 billion and RMB39.5 billion, respectively. We currently own 58.62% equity interest in New China Fund, which is a fund management company principally engaged in publicly-raised fund management and private equity fund management. New China Fund's AUM increased from RMB11.7 billion for 2012 to RMB60.8 billion for 2014, and further increased to RMB65.7 billion for the three months ended March 31, 2015. In our private equity business line, we invest in equity, debt or equity-linked securities of private companies as well as equity investment funds, which in turn make investments in private companies. As of March 31, 2015, we had a total amount of private equity investment of RMB270.4 million. Our alternative investment business mainly consists of investments in TV series and movie production. We collaborate with industry experts to identify suitable investments and deliver returns for our investors.

Our innovation capabilities distinguish us from our competitors and we believe will continue to drive our growth.

Our innovation capabilities have helped us to develop a diverse portfolio of products and services, which, in turn, allow us to meet differentiated client needs, attract a broad base of retail and institutional clients, and continue to expand our business.

In June 2014, we established our first specialized asset management scheme. As of the Latest Practicable Date, we had completed nine specialized asset management schemes, and ranked first in terms of the number of deals filed with and approved by the AMAC. All of our specialized asset management schemes possess the characteristics of investment banking business and asset management business as they are special purpose vehicles established to meet the financing needs of our institutional clients and the investment purpose of our individual asset management clients.

In March 2015, we obtained the qualification to conduct Internet finance. We plan to develop Internet finance channels in collaboration with leading Internet companies. We have developed Beizhuanbao (倍賺寶) with Tencent to provide online margin financing, securities lending and securities-backed lending services. Beizhuanbao (倍賺寶) was launched on August 8, 2015 and is featured in the finance section of Tencent's website. We expect our collaboration with Tencent to further broaden our client base and enhance our competitive position as a result of the high user traffic of Tencent's website.

In addition, we also adopt an "Internet Plus" strategy, under which we plan to further enhance our integrated online electronic platform covering securities, banking, insurance, trust, fund and futures to meet the increasing wealth management requirements. We have established a business plan to be implemented from 2015 to 2017, including: (i) to reach and secure more clients through our collaboration with third-party Internet service providers and transform our conventional securities business into an online business model; and (ii) to provide clients with one-stop diversified and comprehensive online financial services, including payment, wealth management, investment and financing. We intend to strengthen our securities business by providing online securities services. In the meantime, we intend to develop customized wealth management and financing services to serve high-end individual customers and customers with financing needs. In addition, we intend to develop high quality public-raised fund products to be distributed online and to explore financial applications for online distribution of insurance and trust products.

A significant number of our new brokerage clients originate from the Internet or mobile applications, and approximately 10.4% of the AUM of New China Fund originated from online customers. We also collaborate with Beijing Guorong Shengyuan Technology Co., Ltd. (北京國融晟源科技有限公司) to provide information services regarding Hong Kong stocks on its one-stop securities trading platform Securities Master (金融界證券通), and clients could also open securities accounts with us on Securities Master. As of March 31, 2015, approximately 51,180 clients had opened accounts with us through these websites and applications. Further, approximately 414,500 clients had opened accounts with us through these websites and applications for the six months ended June 30, 2015, compared to approximately 35,000 clients opened accounts with us at traditional brokerage branches. The average assets (excluding margin financing and securities lending accounts) increased from approximately RMB18,900 for clients opened their accounts with us online in 2014 to RMB28,900 for clients opened their accounts with us online for the six months ended June 30, 2015. As of the Latest Practicable Date, 668,000 clients had opened accounts with us through these websites and applications.

In addition, we have developed an innovative online securities service Yinuobao (壹諾寶) which is available to all of our clients who open their accounts online. The system automatically applies any unused cash in our clients' accounts to purchase designated money market funds New China Yinuobao Money Market Fund (新華壹諾寶貨幣基金). Clients are able to redeem their funds to trade securities immediately. As of March 31, 2015, approximately 36,250 securities clients had activated this service, with an AUM of RMB191.1 million.

We have maintained effective risk management and internal control systems.

We have maintained effective risk management systems and internal controls, enabling us to identify, evaluate, mitigate and manage credit, market and operational risks in our business. Our multi-level risk management structure encompasses our Board, our risk control and supervisory committee, our senior management, our chief risk officer, our chief financial officer, our risk management department and other departments performing risk management functions as well as the risk management personnel in the business departments and at the branch level. We have also established a dynamic risk indicator based on our Net Capital, enabling us to conduct real-time monitoring of potential risks. In addition, we have formulated standardized sensitivity analysis and stress testing procedures for various risks across all business lines and conduct stress testing on a regular basis to assist us in optimizing our asset allocation and mitigating risks.

We have been focusing on enhancing our internal control and corporate governance and cultivating a corporate culture of compliance. We strive to identify and rectify internal control deficiencies in a timely manner and continuously improve our internal control system through quantitative risk management and operational risk control in order to ensure the healthy and stable growth of our business. We follow a thorough review and approval process with respect to the launch of each project and product at both company level and department- and branch-level, thus to ensure our well-established systems and mechanism work effectively and achieve the designated purpose. As a result of our effective risk management and internal control systems, we have never received any administrative sanction in our operating history. The CSRC assigned us a “BBB” regulatory rating from 2012 to 2014 and an “A” regulatory rating for 2015.

Our highly cost-effective business operations enable us to generate an industry-leading return on equity for our Shareholders.

We believe that our highly cost-effective business operations represent one of our key advantages over our industry peers. Salaries, welfare and benefits for personnel represent one of the largest cost components for securities firms. Our back offices and call centers are all located in Inner Mongolia, where salary levels are significantly lower than coastal regions in China. In addition, the unit cost for electricity in Inner Mongolia is also significantly lower than that in most areas in China. Our regional advantage allows us to reduce our cost of business operations and generate an industry-leading return on equity for our Shareholders. At the same time, our optimized business structure enable us to achieve high profitability with relatively low cost. We have our management office in Beijing. In addition, while we maintaining our back offices in Inner Mongolia to save staff costs and operating expenses, we strategically established presence in major cities of economically developed areas to target more high-net-worth customers. In the meantime, we also established online platform to reach our clients beyond the physical boundaries and lower our operating cost.

We have an experienced management team and a well-qualified professional workforce.

Our management team has extensive experience and an outstanding track record in the securities and financial services industry and have managed our Company successfully on a long-term basis. Their vision enables us to timely adjust our business strategies according to regulatory changes, client needs and market conditions. Our management team generally have over 15 years of experience in the securities and financial services industry. Our president, Mr. Niu Zhuang, has served as the chief financial officer of our Company for over eight years, and he has over three years of experience in corporate management.

Our mid-level management teams, including the executives at department- and branch-level, have an average of over 15 years of industrial experience and strong management and execution capabilities. In addition, a significant portion of our workforce came from the former securities divisions of large financial institutions in the PRC with a wealth of relevant industry experience. Our management team have broad authorization from our Board regarding investment decisions, which enables us to have an efficient decision-making process and to react to changes in market conditions in a timely manner.

We have formulated a market-oriented and performance-based employee compensation structure and implemented a standardized multi-level review mechanism, which emphasizes performance and business goals. We have adopted an effective human resources system to manage the performance-based reward and retention of our personnel.

BUSINESS STRATEGIES

We aim to become a leading securities firm in China. We intend to leverage our local advantages and capture the abundant opportunities from the further liberalization of capital markets in China. In particular, we plan to continue to strengthen our brokerage, investment banking and investment management businesses while further expanding our proprietary trading and capital-based intermediary businesses in order to achieve sustainable growth. To achieve our goals, we intend to pursue the following business strategies:

Continue to expand our securities branch network coverage and transform the revenue model of our brokerage and wealth management business

We plan to further strengthen our strong position in the brokerage and wealth management business and continue our expansion from a regional securities firm to a securities firm with nationwide presence, and continue to transform our securities branches from conventional brokerages to integrated financial service platforms. We intend to implement the following strategies:

- *Expanding branch network*: To develop and strengthen our wealth management business, we intend to further expand our branch network coverage to reach more major cities in economically developed areas, where there is relatively high concentration of high-net-worth customers. As of the Latest Practicable Date, we had received approvals from competent authorities to establish 55 additional securities branches, most of which are expected to be in major cities in economically developed areas.

- *Diversifying revenue sources*: We seek to further enhance our capabilities to provide our clients with a wide range of diversified services at each of our branches. We intend to strengthen our efforts to further grow our margin financing, securities lending, securities-backed lending, sales of financial products and investment advisory businesses. Specifically, we intend to increase the amount of funds earmarked for margin financing and securities lending to actively expand the scale of this business line. We also plan to expand the financial product portfolio we sell to include a broader range of self-developed and third-party financial products. In addition, we endeavor to enhance the professional skills and knowledge of our investment advisory team and offer exclusive investment advisory and wealth management services to attract more high-net-worth customers. Through these measures, we aim to transform our traditional brokerage revenue model, which is highly dependent on channel-based businesses, into a new business model focused on providing comprehensive wealth management services and products. Such transformation will allow us to stabilize our average brokerage commission rate, diversify our sources of income, integrate our various business lines and achieve our full-service development strategy.

- *Developing electronic securities platform*: We plan to further develop our electronic securities platform and extend our client reach beyond the physical boundaries of our conventional brokerage branches and source more clients online to reduce our operation costs. We intend to enhance our cooperation with recognized Internet service providers and further integrate our corporate website, third-party applications, online trading portal and other internal and external resources into this online platform.

Further, we intend to develop other value-added services, such as providing asset custodian services, clearing services and net value appraisal services for fund management companies. We also intend to enhance our collaboration with China UnionPay Merchant Services Co., Ltd. (銀聯商務有限公司), or UnionPay to allow our retail brokerage customers to use their account access cards as cash cards to make purchases. The cooperation framework agreement dated July 11, 2013 between UnionPay and us sets forth each party's rights and obligations relating to the account access cards services, including system maintenance, business development and profit sharing. In addition, the agreement further provides the parties' intention to collaborate in innovative business and cooperative promotion. Pursuant to the agreement, we will enter into specific contract with UnionPay regarding any other cooperation or business. The term of the framework agreement is three years, which will be renewed automatically upon expiration without any objection form either party.

Capture opportunities presented by the securities industry reform in China and further strengthen the regional advantages and innovative capabilities of our asset management business

Pursuant to the Decision of the State Council on Cancellation and Decentralization of Certain Administrative Examination and Approval Items (《國務院關於取消和下放一批行政審批項目的決定》) issued on January 28, 2014 with immediate effect, the CSRC no longer required administrative approval in advance for the following: subordinated debt issued by securities companies, annual foreign exchange risk exposure for licensed overseas futures companies, and special investment by securities companies.

We intend to capture opportunities resulting from the securities industry reform in China and further strengthen and grow our asset management business. We intend to implement the following strategies:

- *Securitization of leased assets*: We plan to search for high quality assets leased by lease finance companies, repackage and securitize the assets, and sell the asset-backed securities to our customers. We plan to leverage our securitization and distribution capabilities to provide liquidity to lease finance companies.

- M&A fund management platform: We plan to establish a wholly-owned subsidiary to launch and manage M&A fund and company that are to be established for specific M&A projects.

- *Expanding alternative investment to new markets*: We plan to expand our alternative investment business to new markets and seek to conduct acquisition when it is appropriate. As of the Latest Practicable Date, we had not identified any acquisition target or entered into any definitive agreement.

- *P-to-P financing platform*: We have established an indirectly wholly-owned subsidiary, Hengtai Hengfu to conduct P-to-P financing services. Through our P-to-P financing platform, our retail clients that are looking to invest their surplus cash are able to loan the funds to our institutional clients and individual clients that are looking for financing. We charge an introduction fee ranging from 1.2% to 7.2%, which is calculated as a percentage of the loan amount, for providing P-to-P financing services.

Continue to grow our proprietary trading business by relying on our strong research and investment capabilities

We believe our proprietary trading business has considerable growth potential. We intend to continue to diversify our investment portfolio to achieve higher rate of return and to reduce volatility. Specifically, we intend to implement the following strategies:

- In order to diversify our investment portfolio and effectively manage our risk exposure, in addition to investing in companies listed on the main boards of the PRC stock exchanges, we intend to invest in eligible companies listed on the SME Board and the ChiNext Board as well as those quoted on NEEQ based on prevailing market trends and our investment objectives. In particular, we intend to further expand our NEEQ market-making business. We will establish a balanced equity investment structure that focuses primarily on investing in the secondary market and is supplemented by our selective investments in connection with domestic IPOs. At the same time, we will strictly control our risk exposure by implementing internal control and risk management measures;

- With regard to fixed-income investment, we intend to leverage our established client base and develop a sales and trading business for asset-backed securities; and

- We intend to achieve higher investment returns through the development of sequenced trading and futures-stocks arbitrage models.

Seek to enhance return on equity by strategically increasing leverage

Our margin financing and securities lending business and securities-backed lending are essential to our rapid growth and future capital investment prospects. Based on the recent securities industry reform and relaxation of regulatory control of PRC capital markets, we expect the types of the securities that are eligible to such businesses will increase. These businesses help diversify our revenue sources, improve customer loyalty, supplement our traditional business segments and create synergies with our other business lines. We intend to further expand our margin financing and securities lending and securities-backed lending businesses by taking the following measures:

- Collaborate with Tencent to develop online margin financing and securities lending platform and closely track the market trends to attract more clients and enhance our profitability;

- Introduce, adjust and improve our credit trading risk management platform through which we can effectively and intelligently manage all types of customers, and at the same time, we can properly assess the various risk levels of eligible securities and asset-backed securities; and

- Apply a portion of the net proceeds from the Global Offering, our internal funds and other future sources of financing (including the issuance of subordinated debt, short-term commercial paper and corporate bonds) to actively expand the scale of our margin financing and securities lending and securities-backed lending businesses to enhance returns on our equity.

Further enhance our capital management, risk management, internal controls and information technology capabilities to improve our overall operational efficiency

As we develop new businesses, we intend to continue upgrading our middle- and back-office support by taking the following measures:

- Improving the efficiency of capital allocation among business lines by strengthening the monitoring of core risk control indicators, including Net Capital and risk-based capital;
- Establishing a risk management system that supports the development of new businesses through risk identification, risk allocation, risk-based performance evaluation and risk hedging;
- Integrating risk management mechanisms and building a unified risk management infrastructure to prevent risks before they occur, managing and controlling risks when they occur, and auditing and reviewing risks after they occur, thereby ensuring that risk management functions are integrated into our entire business operation for achieving a comprehensive risk management framework;
- Strengthening our compliance and audit capabilities as well as “Chinese walls” between various business lines; and
- Enhancing our IT system’s support for new businesses and technologies and developing and increasing Internet-based IT functions.

Continue to enhance our human resources management to attract, incentivize and retain talented professionals

Our success greatly depends on our ability to attract, incentivize and retain talented professionals. With a view to further maintaining and improving our competitive advantage in the market, we plan to implement the following human resources initiatives:

- Adopt a market-oriented human resources management mechanism and recruit senior management personnel globally;
- Promote outstanding professional personnel with strong leadership skills and international perspectives, and continuously optimize our personnel composition;
- Provide our staff with professional training as well as clear and diversified career development plans;

- Pursue and enhance our performance review mechanism and establish a market-oriented and performance-based remuneration system across our business lines; and

- Further incentivize and cultivate the loyalty of our employees through equity incentive programs, including employee stock ownership programs, subject to applicable laws and regulations.

OUR BUSINESS MODEL

We provide a wide range of financial products and services to individuals, corporations, financial institutions and government entities. Our principal business lines include the following:

Business Lines	Products/Services
Brokerage and Wealth Management	*Securities brokerage* *Capital-based intermediary business* *Futures brokerage* *Wealth management services*
Investment Management	*Assets management* *Fund management* *Private equity investment* *Alternative Investment*
Proprietary Trading	*Equity securities* *Fixed-income securities* *NEEQ market-making*
Investment Banking	*Equity financing* *Debt financing* *Financial advisory*

In allocating the amount of capital and resources to each business segment, we typically consider two factors, return on equity and strategic significance. On the one hand, since 2014, the capital committee, which is composed of Mr. Wang Haibing (王海兵), Mr. Niu Zhuang (牛壯), Mr. Zhao Peiwu (趙培武), Mr. Deng Hao (鄧浩) and Mr. Hu Sanming (胡三明), holds monthly meeting to decide the capital and resources allocation for the coming month based on the current return on equity of each business line. On the other hand, the committee will consider whether the development of a business line is in conformity of our overall strategy. For any business line with strategic significance, in addition to the profit contribution by such business line, we also consider the increases in market share and number of clients, and the prospects of such business for a two to three years period.

The following table sets forth our revenue and other income for each of our principal business lines and their respective percentages of our total revenue and other income for the periods indicated:

	Year ended December 31						Three months ended March 31			
	2012		2013		2014		2014		2015	
	Revenue	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*
							(unaudited)			
	(RMB in millions, except percentages)									
Brokerage and wealth management	524.9	60.1%	768.6	54.0%	1,159.5	51.1%	202.8	52.6%	610.2	55.1%
Securities brokerage	484.8	55.5%	592.0	41.6%	751.1	33.1%	137.4	35.7%	363.3	32.8%
Capital based intermediary business	1.6	0.2%	123.5	8.7%	354.5	15.6%	55.7	14.5%	226.6	20.5%
Futures brokerage	30.1	3.4%	41.1	2.9%	51.4	2.3%	9.5	2.5%	15.2	1.4%
Wealth management services	5.7	0.7%	9.7	0.7%	4.1	0.2%	0.2	0.1%	5.1	0.5%
Other income and gains	2.7	0.3%	2.3	0.2%	(1.6)	(0.1)%	—	0.0%	—	0.0%
Investment management	40.1	4.6%	116.2	8.2%	357.6	15.8%	15.6	4.0%	154.6	14.0%
Asset management	40.1	4.6%	107.9	7.6%	348.2	15.3%	17.1	4.4%	153.3	13.8%
Private equity investment	—	0%	8.3	0.6%	9.4	0.4%	(1.5)	(0.4)%	1.3	0.1%
Alternative investment[(2)]	—	0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Others	—	0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Proprietary trading	223.6	25.6%	433.9	30.5%	579.8	25.5%	145.2	37.7%	268.2	24.2%
Equity trading	5.2	0.6%	314.5	22.1%	272.7	12.0%	100.7	26.1%	166.7	15.1%
Fixed-income sales and trading	218.4	25.0%	119.4	8.4%	300.3	13.2%	44.5	11.5%	65.9	6.0%
NEEQ market-making	—	0.0%	—	0.0%	6.8	0.3%	—	0.0%	35.6	3.2%
Investment banking	79.7	9.1%	86.3	6.1%	149.8	6.6%	20.0	5.2%	70.7	6.4%
Equity financing	77.1	8.8%	32.7	2.3%	18.5	0.8%	2.0	0.5%	10.6	1.0%
Debt financing	0.9	0.1%	43.9	3.1%	99.6	4.4%	10.4	2.7%	42.2	3.8%
Financial advisory	1.7	0.2%	9.7	0.7%	31.7	1.4%	7.6	2.0%	17.9	1.6%
Others	5.8	0.7%	17.2	1.2%	22.7	1.0%	1.7	0.4%	3.3	0.3%
Total	874.0	100.0%	1,422.2	100.0%	2,269.5	100.0%	385.4	100.0%	1,106.9	100.0%

(1) Others primarily include interest income from our own deposits and deposits we hold on behalf of our brokerage customers, as well as other income and gains, such as government grants and rental income.

(2) Hengtai Pioneer generated a total revenue of RMB5.1 million and RMB10.8 million, respectively, for 2014 and the three months ended March 31, 2015, which primarily consisted of investment advisory fees and financial advisory fees and, as a result, is reported under our brokerage and wealth management segment and investment banking segment, respectively.

Brokerage and wealth management

Our brokerage and wealth management business primarily includes:

- *Securities brokerage*: We engage in the trading of stocks, funds, options and bonds on behalf of our clients;

- *Capital-based intermediary business*: We provide collateralized margin financing and securities lending services to our clients, which provide our client with financial leverage and thus, enable them to engage in short selling. We also provide securities-backed lending, where our clients pledge their securities to us as collateral and we use our funds to provide a loan to these clients at an interest;

- *Futures brokerage*: We engage in the trading of commodity futures and financial futures on behalf of our clients, and provide our clients with advisory services related to their futures investment; and

- *Wealth management services*: In addition to traditional channel-based securities brokerage business, we also provide other value-added services authorized by the PRC regulatory authorities, which include (i) the sales of financial products (mainly including asset management products developed by our asset management department and financial products from third-party fund companies) on a commission basis through our securities branch network; and (ii) providing investment advisory services to our brokerage clients.

As of March 31, 2015, we had 66 securities branches in Inner Mongolia, Jilin Liaoning, Beijing, Shanghai, Guangdong, Shandong, Zhejiang and Jiangsu. Through our extensive network, we provide brokerage services to individual and institutional clients for the trading of listed stocks, funds, bonds, futures, financial derivatives and other financial products. As of March 31, 2015, we had provided securities brokerage services to approximately 893,030 retail clients and approximately 1,190 institutional customers, as well as futures brokerage services to approximately 5,822 customers.

In November 2014, the CSRC and the SFC launched the Shanghai-Hong Kong Stock Connect, which allows eligible investors in China and Hong Kong to trade eligible securities listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. We obtained the qualification to trade securities through the Shanghai-Hong Kong Stock Connect in October 2014. We expect the Shanghai-Hong Kong Stock Connect to create further wealth management business opportunities for qualified PRC securities firms.

Effective from April 13, 2015, the CSDCC abolished the "one person one account" limit and allows one person to open up to a total of 20 securities accounts with different securities brokerage firms in China. While this policy change is likely to accelerate the growth in the number of individual securities accounts, it is also expected to create downward pressure on brokerage fee and commission rates due to increased competition.

The following table sets forth the segment revenue and other income from our securities brokerage, capital-based intermediary business, futures brokerage businesses and wealth management services for the periods indicated:

	Year ended December 31,						Three months ended March 31,	
	2012		2013		2014		2015	
	Revenue	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*
	(RMB in millions, except percentages)							
Securities brokerage	484.8	92.4%	592.0	77.0%	751.1	64.8%	363.3	59.5%
Capital-based intermediary business	1.6	0.3%	123.5	16.1%	354.5	30.6%	226.6	37.1%
Futures brokerage	30.1	5.7%	41.1	5.3%	51.4	4.4%	15.2	2.5%
Wealth management services	5.7	1.1%	9.7	1.3%	4.1	0.4%	5.1	0.8%
Other income and gains	2.7	0.5%	2.3	0.3%	(1.6)	(0.1%)	—	—
Total	524.9	100.0%	768.6	100.0%	1,159.5	100.0%	610.2	100.0%

Securities brokerage

We execute trades on behalf of our customers in various securities products, including:

- *Stocks*: stocks of companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as well as the eligible stocks listed on the Hong Kong Stock Exchange through the recently launched Shanghai-Hong Kong Stock Connect;
- *Funds*: listed funds, including open-end funds, closed-end funds and ETFs; and
- *Bonds*: bonds that are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, including treasury bonds, corporate bonds and convertible bonds.

The following table sets forth our securities brokerage business by product type in terms of trading turnover and market share for the periods indicated:

	Year ended December 31,						Three months ended March 31,	
	2012		2013		2014		2015	
	Trading turnover	Market share(1)	Trading turnover	Market share(1)	Trading turnover	Market share(1)	Trading turnover	Market share(1)
	(RMB in billions)	*(‰)*	*(RMB in billions)*	*(‰)*	*(RMB in billions)*	*(‰)*	*(RMB in billions)*	*(‰)*
Securities								
Stocks	279.6	4.4‰	370.6	4.0‰	580.6	4.0‰	336.0	4.1‰
Funds	2.2	1.3‰	2.7	0.9‰	3.6	0.4‰	3.2	0.7‰
Bonds	142.1	1.8‰	285.3	2.1‰	365.1	2.0‰	105.5	1.9‰
Total	423.9	2.9‰	658.6	2.8‰	949.3	2.8‰	444.7	3.1‰

(1) Market share is calculated based on total trading turnover of member securities firms of the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

We provide securities brokerage to individual clients and institutional clients, and accordingly, our securities brokerage business consists of retail brokerage and institutional brokerage. As of December 31, 2012, 2013 and 2014 and March 31, 2015, the trading turnover of our retail brokerage business represented 85.1%, 87.0%, 94.3% and 93.8% of our total securities brokerage trading turnover. As of March 31, 2015, we had approximately 893,509 retail brokerage customers and over 1,192 institutional brokerage customers, an increase of 8.2% and 9.0%, respectively, since the end of 2014. Our average securities brokerage commission rate in 2012, 2013 and 2014 and the three months ended March 31, 2015 was 0.129%, 0.138%, 0.129% and 0.112%, respectively. Our average commission rate in 2013 was higher than 2012, 2014 and the three months ended March 31, 2015 was primarily due to (i) the significant growth of our margin financing and securities lending business as we are generally able to charge higher average commission rate for clients that utilize margin financing and securities lending; and (ii) increased trading activities of our securities brokerage clients. For the same period, our average securities brokerage commission rate was higher than the industry average primarily because of the regional advantages our securities branches enjoy. Our securities branches are primarily located in Inner Mongolia and Jilin, where we have competitive advantages due to our brand recognition, long operating history in those regions, and a broad base of loyal customers. In addition, the average securities brokerage commission rate in Inner Mongolia and Jilin is higher than that for economically developed regions such as Beijing, Shanghai, Guangdong and Zhejiang because there is significantly less industry competition. During the Track Record Period, the average securities brokerage commission rate in the PRC securities industry ranged from 0.05% to 0.3%.

Historically, we have derived the largest portion of our revenue and other income from our securities brokerage business, which primarily consists of commission for executing and settling securities traded for our clients. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our brokerage and wealth management segment amounted to RMB524.9 million, RMB768.6 million, RMB1,159.5 million and RMB610.2 million, respectively, representing 60.1%, 54.0%, 51.1% and 55.1% of our total revenue and other income for those years, respectively. Segment revenue and other income from our brokerage and wealth management segment as a percentage of our total revenue and other income decreased during 2012, 2013 and 2014 primarily as a result of our efforts to diversify our securities platform by focusing on the expansion of other segments of our business, such as investment management and proprietary trading. Segment revenue and other income from our securities brokerage business as a percentage of our total revenue and other income increased for the three months ended March 31, 2015 primarily due to the continual improved market conditions and increased trading activities.

Capital-based intermediary business

Margin financing and securities lending

We have been actively developing our margin financing and securities lending business. We initiated our margin financing and securities lending business in July 2012 after obtaining the relevant qualification from the CSRC in June 2012. Our margin financing services involve taking qualified securities in our brokerage customers' securities accounts with us as collateral for financing their securities purchases, and thus providing funding flexibility and enabling them to improve investment returns through leverage. We also lend securities held on our own account to brokerage customers through our securities lending services, enabling them to take advantage of potential short selling opportunities in the market place. We typically specify in our agreements with margin financing and securities lending clients the maximum margin loan or securities lending amount, maturity date and interest rate for the funds and securities we lend to them.

The terms of our margin financing and securities lending are generally under six months, and we currently charge a premium of 3.0% and 5.0%, above the PBOC benchmark interest rate of six-month loans for financial institutions as annualized interest rate for our margin financing and securities lending services, respectively. As of December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the annualized interest rates we charged for our margin financing were 8.6%, and the annualized interest rates we charged for our securities lending were 10.6%. These interest rates may be subject to changes in the PBOC benchmark interest rates and the market conditions.

We have experienced substantial growth in revenue and profit in our margin financing and securities lending business since we initiated this business in 2012. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, revenue and other income from our margin financing and securities lending business amounted to RMB1.6 million, RMB123.5 million, RMB347.7 million and RMB217.4 million, respectively, representing

0.2%, 8.7%, 15.3% and 19.6% of our total revenue and other income during those periods, respectively. Revenue and other income from our margin financing and securities lending business consists primarily of interest income from margin financing and securities lending and commission income from margin trades by our customers. The following table sets forth the interest income and commission income from our margin financing and securities lending business for the periods indicated:

	Year ended December 31,						Three months ended March 31,	
	2012		2013		2014		2015	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Interest income	0.2	12.5	58.0	47.0	185.4	53.3	125.9	57.9
Fee and commission income	1.4	87.5	65.5	53.0	162.3	46.7	91.5	42.1
Total	1.6	100.0	123.5	100.0	347.7	100.0	217.4	100.0

The total margin loan amount for our margin financing and securities lending business, which represents the total value of margin loans and securities lent to customers, was RMB254.0 million, RMB13,009.0 million, RMB48,500.0 million, RMB34,873.0 million and RMB67,766.2 million for the years ended December 31, 2012, 2013, 2014, the three months ended March 31, 2015 and the period from April 1, 2015 to the Latest Practicable Date, respectively. During the Track Record Period and up to the Latest Practicable Date, we had conducted 359 mandatory liquidations in respect of margin trades of our customers with a total amount of RMB122.6 million, among which, 326 occurred after June 2015 with a total amount of RMB116.5 million regarding our margin financing and securities lending business.

As of March 31, 2015, we offered margin financing and securities lending services at 60 of our 66 securities branches in China. Our customers also have access to these services through our Internet financial services platform. As of March 31, 2015, 886 stocks and 16 ETFs were eligible for margin financing and securities lending in China, and we offered margin financing services and securities lending services for all 886 eligible stocks and 16 ETFs. We expect the types and quantities of securities eligible for margin financing and securities lending in China to expand and that institutional investors such as fund management firms and insurance companies will likely become eligible to engage in the margin financing and securities lending business.

We have an arrangement in place with CSFC or other authorized PRC financial institutions to borrow funds from them and in turn, lend such funds to our margin financing customers. This arrangement increases the amount of funds available to our margin financing business, which in turn, maximizes our return on equity. In April 2013, we entered into a margin refinancing agreement with CSFC, under which we can borrow up to RMB2,000.0 million for a term not exceeding six months. Our margin refinancing agreement expired in April 2014 and was automatically renewed in the absence of a termination notice from either party. As of March 31, 2015, the outstanding balance of our margin loans financed by CSFC was RMB1.44 billion. In return for the funds borrowed from CSFC, we agreed to pay an annual interest rate of approximately 6.3% and placed a 20.0% refundable deposit with CSFC using a combination of cash (not less than 15.0%) and securities, all or a part of which would not be returned to us in the event of our default. As of December 31, 2013 and 2014 and March 31, 2015, we incurred interest expenses in the amount of RMB17.5 million, RMB64.9 million and RMB17.8 million, respectively, for the funds we borrowed from CSFC.

The following table sets forth a summary of the key operating and financial information of our margin financing and securities lending business:

	For the year ended/As of December 31,			For the three months ended/ As of March 31,
	2012	2013	2014	2015
	(RMB in millions, except percentages)			
Margin trading volume...	427.9	25,559.7	78,811.1	56,583.6
Margin loan balance......	98.7	1,264.9	5,093.6	6,383.2
Market value of securities lent............	4.7	0.6	43.4	52.7
Collateral ratio[(1)]...........	368.3%	235.6%	239.5%	283.0%

(1) Collateral ratio is calculated as the ratio of the fair value of collaterals, which includes cash and securities held, to the client's margin balance, which is the sum of margin accounts receivables and securities lent.

The following table sets forth the breakdowns of the collaterals we received in our margin financing and securities lending business by type and market as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions, except percentages)			
Cash	9.4	62.4	539.8	1,016.1
Securities	403.6	2,909.3	11,733.7	17,041.0
Equity Securities	400.1	2,887.0	11,655.2	16,954.6
— Shanghai Stock Exchange	270.4	1,785.4	7,141.6	10,122.5
— Shenzhen Stock Exchange	129.6	1,101.6	4,513.6	6,832.1
Other Securities	3.6	22.4	78.5	86.4
— Shanghai Stock Exchange	2.9	18.7	24.7	38.2
— Shenzhen Stock Exchange	0.7	3.6	53.8	48.2

The following table sets forth a sensitivity analysis on the impact of changes in the value of the collateral on our collateral ratio regarding margin financing and securities lending business as of March 31, 2015 and as of the Latest Practicable Date:

	As of March 31, 2015			As of the Latest Practicable Date		
	Ending balance	20% decrease in market value	40% decrease in market value	Ending balance	20% decrease in market value	40% decrease in market value
	(RMB in millions except percentages)					
Balance of margin financing and securities lending ..	6,435.9	6,435.9	6,435.9	4,653.5	4,653.5	4,653.5
Fair value of collaterals	18,213.7	14,571.0	10,928.2	11,643.0	9,314.4	6,985.8
Collateral ratio	283.0%	226.4%	169.8%	250.2%	200.2%	150.1%

As of March 31, 2015, we had approximately 70,311 customers who met our internal requirements and were eligible to apply for margin financing and securities lending accounts, among which approximately 55,253 customers had opened accounts with us for such services and approximately 10,041 had executed transactions with us, representing 78.6% and 14.3% of our eligible customer pool, respectively. We expect to finance our additional capital requirements using a combination of sources, including, but not limited to, our cash and bank balances, cash flows from operating activities, funds from CSFC, proceeds from the issuances of our subordinated corporate bonds, and approximately 50.0% of the net proceeds from the Global Offering.

Margin financing and securities lending business is characterized by capital-intensive nature and associated market and credit exposure. Please see the section headed "Risk Factors — Risks relating to Our Business — We may suffer significant losses from our capital-based intermediary business and other businesses due to our credit exposures," and "— Internal Control Measures — Capital-based Intermediary Business — Margin Financing and Securities Lending Business" for further information. To mitigate the market and credit risks in our margin financing and securities lending business, we have established strict criteria for selecting new customers and a rigorous risk management system. Generally, we require our customers to have at least six-month continual trading history and a good credit history with us and a minimum balance of RMB500,000 in their brokerage accounts as of the time of their applications for margin financing and securities lending accounts. We also hold the securities acquired from margin financing or the funds received from short selling by our customers as collateral. We determine the credit limit we extend to a customer based on various factors, including the value of their total assets maintained with us and their creditworthiness.

In general, we grant a credit limit of RMB50.0 million to a single client who applies for a credit not over RMB50.0 million, and determine the exact credit amount we may grant to a single client that applies for a credit line exceeding RMB50.0 million based on the total value of such client's financial assets, total value of assets under our management and client's credit rating. In addition, the total credit amount we extend to a single customer may not exceed 4.0% of our Net Capital, and the credit amount to all of our customers may not exceed the credit cap determined by our Board and our margin financing and securities lending management committee, which may not exceed four times of our Net Capital. Meanwhile, we have also established a margin call risk management mechanism through which we monitor the value of our customers' collateral on a real-time basis. Please see "— Internal Control Measures — Capital-based Intermediary Business — Margin Financing and Securities Lending Business" for further information.

For our margin financing and securities lending services, only securities quoted on the Shenzhen Stock Exchange and the Shanghai Stock Exchange are eligible as collateral. The collaterals from our margin financing and securities lending clients typically include, among others, treasury bonds, ETFs, convertible bonds and certain types of stocks. As of December 31, 2012, 2013 and 2014 and March 31, 2015, the fair value of the equity securities collaterals from our margin financing and securities lending clients amounted to RMB371.4 million, RMB2,918.4 million, RMB11,756.7 million and RMB17,197.6 million, respectively. For each security that is qualified as collateral, we assess an individual discount rate that we apply to its market value when we determine the amount of margin loan to be granted. Such discount rates are capped by the relevant stock exchanges. The following table sets forth the applicable maximum discount rates as required by Shanghai Stock Exchange and Shenzhen Stock Exchange for various types of securities in our margin financing and securities lending business:

Type of securities	Discount rate
Treasury bonds	95.0%
ETFs	90.0%
Non-ETF listed securities investment funds and non-MOF bonds	80.0%
SSE 180 Index and SZSE 100 Index constituent stocks	70.0%
Non-ST stocks (excluding SSE 180 Index and SZSE 100 Index constituent stocks)	65.0%
ST stocks	0%

Securities-backed lending

To better meet our clients' needs for financing and liquidity, we launched securities-backed lending in 2013. We initiated this business to take advantage of opportunities arising from deregulation in the financial industry and fast-growing demand in financing from our clients.

In securities-backed lending, our clients pledge their securities to us as collateral and we use our funds to provide lending to our clients in return for an interest. We believe our securities-backed lending business helps our clients obtain short-term liquidity without a fire sale of their securities and also offers opportunities to mobilize their idle assets. The interest rate we charge for this service is generally comparable to that of our margin financing service and subject to market conditions. Subject to regulatory requirements and restrictions set forth in the Measures on Securities-backed Lending and Registration and Settlement Business (Provisional) (《股票質押式回購交易及登記結算業務辦法(試行)》), we plan to gradually expand our securities-backed lending business to better meet our clients' financing needs. As of December 31, 2013 and 2014 and March 31, 2015, the outstanding balance of our securities-backed lending was RMB360.0 million, RMB1,109.0 million and RMB1,401.0 million, respectively. The annualized average interest rate we charged was 7.4% for the years ended December 31, 2013 and 2014. According to our internal calculations, the aggregate market value of securities in our client accounts (excluding securities in open-ended funds and other financial products) amounted to approximately RMB7.4 billion as of March 31, 2015, which provided substantial amount of potential assets available for our securities-backed lending business. In addition, as of March 31, 2015, the aggregate market value of the securities held by us under our securities-backed lending was RMB7.4 billion.

Our securities-backed lending business can be divided into two categories, large loans and small loans. For large loans, we allow our clients to provide restricted stocks they own as collateral and require such restrictions expire before the expiry of our contract term. We determine loan amounts, which can be as high as 5.0% of our Net Capital, based on the credit worthiness of these publicly-listed enterprises and the personal credit history of our clients, including whether their historical use of funds exceeded their ability to make repayment. On the other hand, for our small loan customers, we generally cap loan amounts to not more than RMB3.0 million per customer and only accept freely tradable securities as collateral. For instance, we have developed and introduced our micro-loan programs, namely "Hengtai Xiaorong" (恒泰小融). Through these standardized securities-backed lending products, our clients pledge their securities held in their brokerage accounts to us for a short-term small loan, usually between RMB1,000.0 to RMB10.0 million, to subscribe for IPO shares in the A share market, trade other securities or obtain cash. We plan to continue to focus on product innovation and intend to continue to enhance our product development capabilities and to develop new securities products and services serving our business needs, subject to PRC regulatory requirements and restrictions.

The following table sets forth the breakdowns of the collateral we received in our securities-backed lending business by type and market as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in million, except precentages)			
Current[(1)]				
Equity securities	—	—	1,668	3,700
— Shanghai Stock Exchange	—	—	1,334	3,139
— Shenzhen Stock Exchange	—	—	335	561
Non-current[(2)]				
Equity securities	—	667	1,569	3,736
— Shanghai Stock Exchange	—	667	1,069	1,690
— Shenzhen Stock Exchange	—	—	500	2,046
Collateral ratio	—	185%	292%	531%

Note:

(1) Current collateral means the collateral pledged with us for a loan with a term less than 12 months.

(2) Non-current collateral means the collateral pledged with us for a loan with a term beyond 12 months.

The following table sets forth a sensitivity analysis on the impact of changes in the value of the collateral on our collateral ratio regarding securities-backed lending business as of March 31, 2015 and as of the Latest Practicable Date:

	As of March 31, 2015			As of the Latest Practicable Date		
	Ending balance	20% decrease in market value	40% decrease in market value	Ending balance	20% decrease in market value	40% decrease in market value
	(RMB in millions except percentages)					
Balance from securities-backed lending[(1)]	1,401	1,401	1,401	1,355	1,355	1,355
Market value of equity pledged	7,436	5,949	4,462	10,123	8,098	6,074
Collateral ratio[(1)]	531%	425%	319%	747%	598%	448%

(1) The balance from securities-backed lending include the balance for our securities-backed lending transactions conducted by our securities brokerage department and securities-backed lending transactions conducted through our securities brokerage department for our asset management department, some of which derive from off balance sheet business.

During the Track Record Period and up to the Latest Practicable Date, we had conducted three mandatory liquidations in respect of our securities-backed lending business with a total amount of RMB42,050.

Sources of Funds

During the Track Record Period, the sources of funding for our capital-based intermediary business primarily included:

- our operating cash;
- placements from other financial institutions;
- issuances of commercial paper and subordinated bonds; and
- financial assets sold under repurchase agreements.

Please see the section headed "Financial Information — Indebtedness" for further information.

Futures brokerage

We provide our futures brokerage services through our subsidiary, Hengtai Futures, which is a member of Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange and the China Financial Futures Exchange. As of March 31, 2015, we offered all of the futures products available in China, including 46 commodity futures, such as agricultural products, bullion, chemical products and metals, and two financial futures, namely, stock index futures and treasury-bond futures.

The following table sets forth our futures brokerage business by product type in terms of trading volume for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(transaction number in millions)			
Commodity futures	8.3	14.6	22.0	5.3
Financial futures	0.5	1.7	2.1	0.7
Total	8.8	16.3	24.1	6.0

In addition to Hengtai Futures, as of March 31, 2015, 52 of our 66 securities branches had been licensed to conduct futures IB business, which allow these branches to introduce potential clients to Hengtai Futures. As of March 31, 2015, we had approximately 5,822 futures brokerage customers, of which approximately 15.6% were introduced to Hengtai Futures through futures IB business.

According to the *Measures on Supervision and Administration of Futures Companies* (《期貨公司監督管理辦法》), in addition to traditional commodity futures brokerage and financial futures brokerage, a futures company may also engage in offshore futures brokerage, future investment advisory and asset management business. Accordingly, Hengtai Futures has expanded its business scope and now holds qualifications to provide comprehensive services, including futures brokerage and futures investment advisory. Hengtai Futures will apply for the qualification to provide asset management services. The futures investment advisory services currently offered by Hengtai Futures include risk management advisory and formulation of futures trading strategies.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our average futures brokerage commission rate was 0.001%, 0.0008%, 0.0008% and 0.0007%, respectively. As of December 31, 2012, 2013 and 2014 and March 31, 2015, revenue and other income from our futures brokerage business amounted to RMB30.2 million, RMB41.5 million, RMB51.9 million and RMB15.2 million, respectively, representing 3.5%, 2.9%, 2.3% and 1.4% of our total revenue and other income during those periods, respectively. Hengtai Futures' client base has grown rapidly in recent years. As of December 31, 2012, 2013 and 2014 and March 31, 2015, Hengtai Futures had approximately 2,256, 3,747, 5,377 and 5,822 clients, respectively. As of the same dates, Hengtai Futures' total margin balance for all clients amounted to RMB389.4 million, RMB320.5 million, RMB448.4 million and RMB595.6 million, respectively.

The following table sets forth the breakdown of Hengtai Futures' trading turnover, trading volume, and market share by futures product for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(RMB in billions, except percentages)			
Trading turnover	1,382.3	2,525.1	2,961.6	1,041.3
Turnover of commodity futures	1,024.1	1,278.9	1,383.3	303.8
Market share of commodity futures	0.3%	0.2%	0.2%	0.1%
Turnover of stock index futures	358.2	1,237.2	1,578.3	737.5
Market share of stock index futures	0.1%	0.2%	0.3%	0.3%

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(transaction number in millions, except percentages)			
Trading volume	8.8	16.3	24.1	6.0
Trading volume of commodity futures	8.3	14.6	22.0	5.3
Market share of commodity futures	0.3%	0.4%	0.5%	0.4%
Trading volume of stock index futures	0.5	1.7	2.1	0.7
Market share of stock index futures	0.02%	0.04%	0.04%	0.04%

According to the CFA, in terms of fee and commission income in 2014, Hengtai Futures had a market share of 0.4%, ranking 83th among all futures subsidiaries of PRC securities firms and among all PRC futures firms.

Wealth management services

In addition to traditional channel-based securities brokerage services, we also provide wealth management services to our securities brokerage clients based on their particular needs, which include the sales of financial products and investment advisory services.

Sales of financial products

We have been engaged in the business of selling on a commission basis third-party fund products, such as equity funds, money market funds and bond funds, since 2007. In November 2012, the CSRC promulgated regulations on securities firms' sale of financial products developed by other financial institutions, including wealth management products, structured notes, securitization products, trust schemes and insurance products. Beginning in 2013, the CSRC required securities firms to obtain qualification to sell third-party developed financial products and we were one of the first firms to obtain the qualification in 2013.

The sales volume of our self-developed asset management products was approximately RMB2,045.0 million, RMB1,703.2 million, RMB1,310.7 million and RMB514.3 million in 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Our sales volume of third-party financial products was RMB890.7 million, RMB519.8 million, RMB2,542.1 million and RMB1,496.0 million in 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. As of March 31, 2015, our sales volume for stock funds,bond funds and money market funds was RMB1,363.1 million, RMB1,445.3 million and RMB2,376.0 million, respectively. For the third-party fund products, we typically enter into sales agency agreements with the third-party fund managers, pursuant to which we sell the designated fund products, handle investor subscription and redemption and provide other complementary intermediary services. Under such sales agency agreements, apart from the subscription and redemption services, we are responsible for evaluating clients' risk tolerance level and keep relevant records, and disclosing to our clients risks and other relevant information relating to the product and the identity of the third-party that sells the product. Following the sale, we also communicate with our clients on a regular basis, and provide updated information regarding the product. The third-party institution and us shall independently be responsible for any loss suffered by our clients caused by such third-party or us according to the provisions of relevant agreements.

Based on the agency agreements between us and the third-party institutions, we generally are entitled to receive the following fees for sales of third-party fund products: (i) a subscription fee, which is calculated as a percentage (ranging from 0 to 1.5%) of the subscription amount of fund products; (ii) a redemption fee, which is calculated as a percentage (ranging from 0 to 0.375%) of redemption amount of fund products; (iii) a semi-annual customer maintenance fee, which is calculated as a percentage (ranging from 0 to 0.15%) of the average daily amount of fund products held by our customers; and (iv) a quarterly sales service fee, which is calculated as a percentage (ranging from 0 to 0.5%) of the average daily amount of fund products held by our customers.

During the Track Record Period, we did not find any incident of mis-selling or other improper conduct by our sales employees in selling our self-developed and third-party financial products, and none of these financial products has experienced default. As a result, we believe that our internal control measures relating to the sales of our self-developed and third-party financial products have been effective. In addition, we believe that continued enhancement of our internal control and risk management of the sales of self-developed and third-party financial products and the development of the Internet financial services platform will enable us to satisfy our clients' increasing appetite for diverse financial products and services.

Investment Advisory Services

In order to maintain customer satisfaction and loyalty, we have been providing investment advisory services to our clients since 2011. These services primarily include (i) providing securities and securities-related investment advice to our brokerage clients, for which we charge a an annual fee calculated as a percentage of the relevant investment amount of the client ranging from 0.3% to 2.8%; and (ii) providing simulated securities portfolio services on a subscription basis, for which we charge a monthly subscription fee ranging from RMB400.0 to RMB1,200.0. Our investment advisers follow our internal procedures and guidelines and provide investment advice to clients with prudence and care, and they work closely with our compliance and risk control department and research department to provide value-added services. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, 41, 47, 56 and 59 of our branches provided investment advisory services, respectively.

Fees generated from our investment advisory services for the year ended December 31, 2013 and 2014 and the three months ended March 31, 2015 amounted to approximately RMB9.9 million, RMB4.0 million and RMB1.2 million, respectively. In 2013, we had a total of

RMB9.9 million fee and commission income from investment advisory services, mainly from our collaboration with consulting companies to provide financial consulting services to trust companies. In 2014, we recorded RMB4.0 million fee and commission income for such services because some of the trust schemes we helped to establish in 2013 reached maturity in 2014. Our investment advisors all possess relevant financial knowledge and have obtained requisite Securities Investment Advisory Business (Investment Advisor) qualification granted by the SAC. As of March 31, 2015, we had a team of 274 registered investment advisors and we plan to recruit more qualified members based on our business needs.

Brokerage fee and commission income

Our income from brokerage business consists of fee and commission income that we received from customers who trade securities and futures through our trading platforms. In 2012, 2013 and 2014 and the three months ended March 31, 2015, our average securities brokerage commission rate was 0.129%, 0.138%, 0.129% and 0.112%, respectively. Our securities brokerage commission rate was higher in 2013 compared with 2012 and 2014 and the first three months of 2015 primarily because the significant growth of our margin financing and securities lending business in 2013 and the higher average commission rate we were able to charge brokerage clients that utilize margin financing and securities lending and increased trading activities of our securities brokerage clients. We expect the average securities brokerage commission rates in China to continue to decrease in the near future as more securities firms start developing and expanding online brokerage and finance businesses. Please see the section headed "Risk Factors — Risks Relating to Our Business — If the trading volume or commission rate for our brokerage business declines, our business, financial condition and results of operations would be materially and adversely affected" for further information.

To increase the competitive strengths of our securities brokerage business, we plan to implement the following measures:

- Transformation of our conventional channel-based brokerage business model to value-added wealth management business to optimize our revenue structure and diversify our source of income;

- Transformation of our securities branches from traditional brokerage branches to full-service securities and financial services platforms that provide integrated investment and financing services and improve overall client experience;

- Development of "light branches" to further extend client reach and increase operational efficiency;

- Increasing cross-selling efforts among different business lines and attracting more high-end individual customers;

- Further categorizing customers based on their risk profiles and wealth management needs in order to develop and provide more diversified and customized products and services; and

- Further enhancing our IT-based service capabilities, such as development of one-stop electronic service platform to offer comprehensive electronic securities services.

Clients

We believe our large and stable brokerage customer base is the foundation of our business and our further expansion. As of March 31, 2015, we had over approximately 893,030 retail brokerage clients and approximately 1,190 institutional brokerage clients in our securities brokerage business, 50.2% of which are active clients. As of the same date, we had approximately 5,822 clients in our futures brokerage business. The following table sets forth our brokerage business by type of client as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(in thousands)			
Securities brokerage clients				
Retail clients	762.2	791.7	825.8	893.0
Institutional clients	1.0	1.0	1.1	1.2
Futures brokerage clients	2.3	3.7	5.4	5.8
Total clients	765.5	796.4	832.3	900.0

	As of			As of			
	December 31, 2012	December 31, 2013	December 31, 2014	March 31, 2015	June 30, 2015	July 31, 2015	August 31, 2015
	(in thousands)						
Number of securities brokerage clients	763.2	792.7	826.9	894.2	1,273.0	1,395.7	1,475.3
— number of active clients	409.4	388.0	385.9	449.1	833.3	956.4	1,034.0
— percentage of active clients	53.6%	48.9%	46.7%	50.2%	65.5%	68.5%	70.1%

We attract high-end clients and cultivate client loyalty through our high-quality services tailored to our clients' differentiated needs. The following table sets forth our securities brokerage clients in terms of account age for the periods indicated:

	As of December 31,						As of March 31,	
	2012	(%)	2013	(%)	2014	(%)	2015	(%)
	(in thousands)							
Account Age								
— ten years and above	230.5	30.2%	240.0	30.3%	255.0	30.8%	256.8	28.7%
— five to ten years	169.1	22.2%	227.8	28.7%	284.2	34.4%	296.2	33.1%
— three to five years	139.5	18.3%	159.0	20.1%	162.1	19.6%	170.5	19.1%
— less than three years	224.1	29.4%	166.2	21.0%	125.8	15.2%	171.2	19.1%
Total	763.2	100.0%	792.8	100.0%	826.9	100.0%	894.7	100.0%

As indicated in the above chart, we successfully maintained client loyalty during the Track Record Period. As of March 31, 2015, approximately 61.8% of our retail brokerage clients had maintained business relationships with us for more than five years, representing an increase of 38.4% as of December 31, 2012, and approximately 28.7% of our retail brokerage clients have maintained business relationships with us for more than ten years.

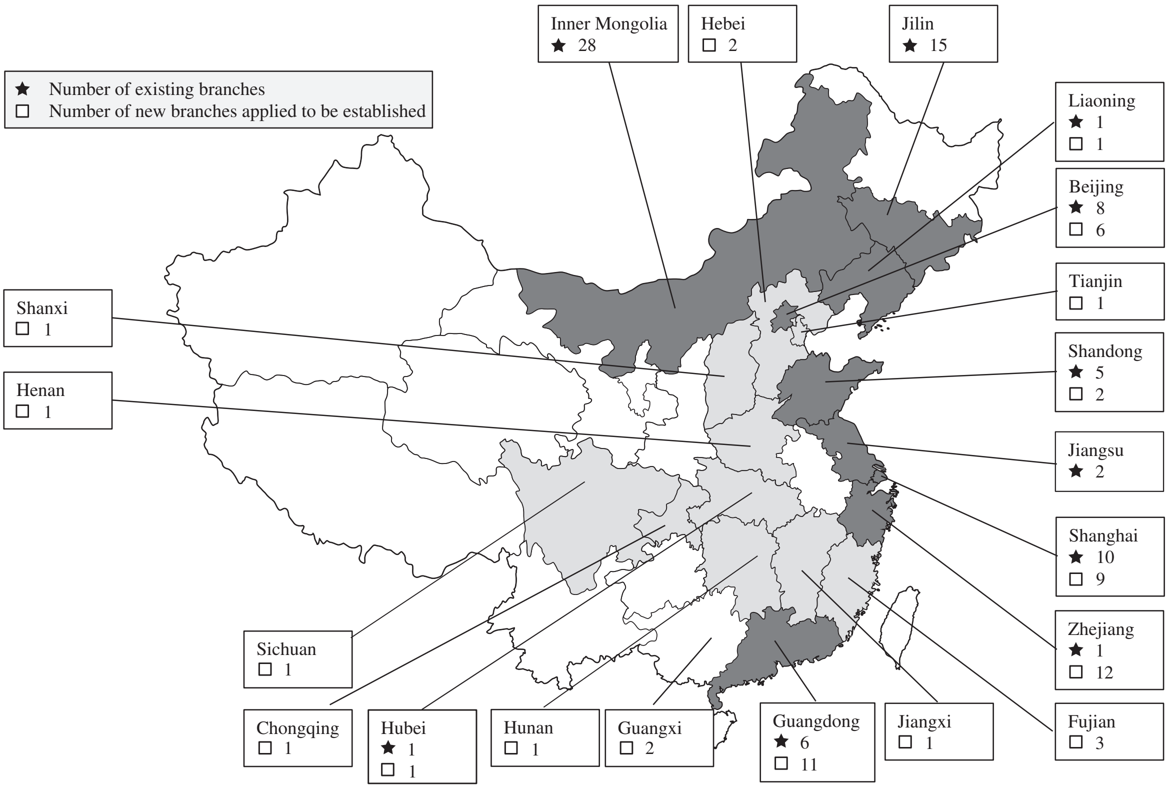
A large portion of our brokerage clients are individuals and corporations who opened their accounts with us in Inner Mongolia. As of December 31, 2012, 2013 and 2014 and March 31, 2015, 58.1%, 58.9%, 58.6% and 51.1% of our securities brokerage clients opened their accounts in our securities branches in Inner Mongolia, respectively, and 52.0%, 49.0%, 51.0% and 51.0% of the revenue and other income from our securities brokerage business originated in Inner Mongolia, respectively. Please see the section headed "Risk Factors — Risks relating to Our Business — We face the risks of concentration of customers and business in Inner Mongolia and Northeastern China" for further information.

Branch network and trading platforms

According to the IMSFA, we had the most extensive branch network coverage among all securities firms with a presence in Inner Mongolia in each of 2012, 2013 and 2014. As of the Latest Practicable Date, we had 28 securities branches in 12 leagues and cities in Inner Mongolia. In addition, we had a total of 36 securities branches in large cities in the affluent Guangdong, Shandong, Zhejiang and Jiangsu provinces, as well as in Beijing and Shanghai. As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had 42, 60, 64 and 66 securities branches, respectively. We are in the process of applying to establish more branches in economically developed areas, primarily major cities in the Yangtze River Delta and the Pearl River Delta, and had received approval to establish 55 additional branches as of the Latest Practicable Date. We expect to incur establishment cost of approximately

RMB1.3 million for each additional branch. We expect to finance our additional capital requirements related to branch network expansion through a combination of cash generated internally from our operations.

The following map sets forth the provinces and municipalities in the PRC covered by our securities branch network and the securities branches for which we had received establishment approval as of the Latest Practicable Date:



In March 2013, the CSRC relaxed the regulatory requirements for setting up new branches of securities firms and allows accounts to be opened remotely according to the *Supervisory Provisory Provisions on Branches of Securities Companies* (《證券公司分支機構監管規定》). With the deregulation of PRC government requirements on securities branches in terms of scale, region and on-site trading facilities, we began establishing "light branches" since 2013. A "light branch" is usually without physical trading floors, satellite connection or designated land line communication systems. It also has fewer on-site staff for enhanced operating efficiency. We have set up six "light branches" in 2013 in Inner Mongolia and four in 2014 in Beijing, Guangdong and Inner Mongolia. We believe "light branches" enable us to establish our presence and network coverage more quickly with minimum capital expenditure.

We provide clients with a variety of trading platforms. Our clients can trade at physical trading counters or terminals in our branches, or trade remotely via telephone, Internet or mobile devices (such as mobile phones and tablets). Online trading has become the primary trading method for our securities brokerage clients. In 2014, our online trading volume accounted for approximately 95% of our total securities brokerage trading volume.

We have established an Internet financial services platform, which provides online account opening, online trading, payment and other financial services and functions. This platform allows us to expand customer reach beyond the physical boundaries of our securities branches and lower our operating costs. We believe that together with our physical branches, our Internet financial services platform is complementary in delivering targeted customer sales and marketing, customer-friendly experience, increased range of products and service offering and enhanced transaction convenience. Please see the section headed "Risk Factors — Risks relating to Our Business — We face increasing risks as new business initiatives lead us to offer new products and services, transact with a broader array of customers and conduct business through new marketing platforms" for further information.

Internet Finance

In March 2015, we obtained the qualification to conduct Internet finance. We plan to develop Internet finance channels in collaboration with leading Internet companies. For example, we have developed Beizhuanbao (倍賺寶) with Tencent (騰訊) to provide online margin financing, securities lending and securities-backed lending services. Beizhuanbao (倍賺寶) was launched on August 8, 2015. The Beizhuanbao (倍賺寶) application integrates an option to apply for small amount loans through securities-backed lending services into securities brokerage account opening procedures. The clients will have access to our securities-backed lending business automatically when they open securities brokerage accounts with us. The system will automatically prompt for reply from the client whether they want to apply for loans when they entrust us to purchase securities and subscribe for IPO shares. The margin financing and securities lending services through Beizhuanbao (倍賺寶) currently is not available as we require our clients to have at least six-month continual trading history as of the time of their applications for margin financing and securities lending accounts. This Internet finance channel is featured in the finance section of Tencent's website.

As Beizhunbao (倍賺寶) currently only provides an option to apply for small amount loans through our securities-backed lending services, the risk management and internal control measures for securities-backed lending, in particular, for small amount loan securities-backed lending are applicable to Beizhuanbao (倍賺寶). We classify our clients into four levels (A, B, C or D) of credit ratings based on their age, educational background, financial status and investment experience and determine the loan amount to be granted in line with these credit ratings. We cap loan amounts to not more than RMB10.0 million per customer and only accept freely tradable securities as collateral. Clients can pledge their securities to us for a small amount loan to subscribe for IPO shares in the A share market, trade other securities or obtain cash. We apply different collateral ratios as alert level or liquidation level in terms of the different uses of such small amount loans by our clients:

Use of small amount loans	Alert level	Liquidation level
— subscribe for IPO shares	75.0%	50.0%
— trade other securities	130.0%	110.0%
— obtain cash	150.0%	130.0%

We monitor the collateral ratio of clients on a real-time basis. We send alerts to clients when their collateral ratio reaches the alert level, requesting that they provide additional collateral or repay any outstanding loan to increase their collateral ratio to a level above the alert level. Clients may also decide to repay all loans in advance upon receiving of such alerts. We send alert notices to client when their collateral ratio reaches the liquidation level, requesting that they provide additional collateral or repay any outstanding loan to increase their collateral ratio to a level above the alert level within two trading days, or repay all loans within two trading days. Any failure by a client to increase the collateral ratio to the requested level or repay all loans within the said period would lead to mandatory liquidation of client's trading position.

The cooperation agreement dated April 22, 2015 between Tencent (騰訊) and us sets forth that the parties will cooperate to provide margin financing and securities lending, and securities-backed lending services for a term of two years. Tencent (騰訊) is responsible for marketing and promotion and we are responsible for providing margin financing and securities lending, and securities-backed lending services. The agreement specifies the mechanism of our cooperation, the parties' rights and obligations, the profit sharing method, the intellectual property right and the confidentiality clauses. We expect our collaboration with Tencent to further broaden our client base and enhance our competitive position as a result of the high user traffic of Tencent's website.

In addition, we also adopt an "Internet Plus" strategy, under which we plan to further enhance our integrated online electronic platform covering securities, banking, insurance, trust, fund and futures to meet the increasing wealth management demands. We have established a business plan to be implemented from 2015 to 2017, including: (i) to reach and secure more clients through our collaboration with third-party Internet service providers and transform our conventional securities business into an online business model; and (ii) to provide clients with one-stop diversified and comprehensive online financial services, including payment, wealth management, investment and financing. We intend to strengthen our securities business by providing online securities services. In the meantime, we intend to develop customized wealth management and financing services to serve high-end individual customers and customers with financing needs. In addition, we intend to develop high quality public-raised fund products to be distributed online and explore financial applications for online distribution of insurance and trust products.

We have established an indirectly wholly-owned subsidiary, Hengtai Hengfu to conduct P-to-P financing services. Through our P-to-P financing platform, our retail clients that are looking to invest their surplus cash are able to loan the funds to our institutional clients and individual clients that are looking for financing and have posted such financing need on our platform. We charge an introduction fee ranging from 1.2% to 7.2%, which is determined based on the borrower's credit information and calculated as a percentage of the loan amount, for providing P-to-P financing services.

We established an indirect wholly-owned subsidiary, Hengtai Hengzhong, in July 2015 to operate our online private equity financing platform for companies quoted or to be quoted on the NEEQ.

This platform is expected to be launched in September 2015 subject to the completion of regulatory procedures. Through this private equity financing platform:

- individual or institutional investors that are seeking to invest in companies quoted or to be quoted on the NEEQ register with us as investors. They need to go through relevant procedures for identity verification, risk tolerance evaluation and meet certain requirements regarding risk tolerance level and asset scale;

- companies quoted or to be quoted on the NEEQ that are seeking for financing register with us as the financing parties. They need to go through relevant procedures for identity verification and sign agreements with us;

- information of the financing companies, including corporate information, total amount of such financing sought and the intended use of proceeds will be posted on our platform;

- investors who are interested in investing in certain financing companies submit their applications;

- financing companies complete the financing process with our assistance, including register with relevant regulatory authorities to reflect changes to the equity structure, instruct the custodian bank to transfer the funds raised to companies' account; and

- we charge a fee equal to approximately 5.0% of the funds raised as our service fee upon successful completion of the financing.

Under the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or Guiding Opinions, the CSRC is the competent regulatory authority for Internet crowdfunding. On August 3, 2015, the CSRC issued a notice to clarify the difference between the term "equity crowdfunding" under the Guiding Opinions, which refers to the public equity financing activities, and the term "equity crowdfunding" adopted by many institutions which refer to Internet private equity financing, and required relevant authorities to stop the using of the term "equity crowdfunding" for the latter situation to avoid any misunderstanding. For this purpose, on August 10, 2015, the SAC amended the term "private equity crowdfunding" used under the Administrative Measures on the Filing of Over-the-corner Securities Business (《場外證券業務備案管理辦法》) to "Internet private equity financing". The above-mentioned platform we plan to launch refers to the Internet private equity financing instead of the "equity crowdfunding" under the Guiding Opinions. Please see the section headed "Regulatory Environment — Other Regulations and Measures — Internet Private Equity Financing" for further information.

A significant number of our new brokerage clients originate from the Internet or mobile applications, and approximately 10.4% of the AUM of New China Fund originated from online customers. We also collaborate with Beijing Guorong Shengyuan Technology Co., Ltd. (北京國融晟源科技有限公司), or Guorong to provide information services regarding Hong Kong stocks on its one-stop securities trading platform Securities Master (金融界證券通), and clients could also open securities accounts with us on Securities Master. Pursuant to our online business cooperation agreement and customer account-opening and directing cooperation memorandum with Guorong, Guorong is responsible to incorporate a link for company's securities account opening on its or its affiliates' website, and direct the clients to open accounts, including stock accounts, wealth management accounts and fund accounts, with us through such link, and we are responsible to provide technical support for account opening and provide trading services for clients who open accounts with us through Guorong or its affiliates' website. In addition, we are responsible to disclose risks related to securities trading and execute required documentations with such clients regarding securities trading activities. Under the cooperation agreement, we need to pay technical service fee to Guorong accounted for 50.0% of the income generated from the clients' trading volume for a period of five years. Any dispute or loss arising out of the channel-based services provided by Guorong prior to trading connection shall be resolved and borne by Guorong, and any dispute or loss arising out of the trading instructions given by clients through Guorong's channel-based services shall be resolved and borne by us. The cooperation agreement and the cooperation memorandum shall be valid until terminated by both parties in writing, or by either party according to the terms of the cooperation agreement.

As of March 31, 2015, approximately 51,180 clients had opened accounts with us through these websites and applications. Further, approximately 414,500 clients had opened accounts with us through these websites and applications for the six months ended June 30, 2015, compared to approximately 35,000 clients opened accounts with us at traditional brokerage branches. The average assets (excluding margin financing and securities lending accounts) increased from approximately RMB18,900 for clients opened their accounts with us online in 2014 to RMB28,900 for clients opened their accounts with us online for the six months ended June 30, 2015. As of the Latest Practicable Date, 668,000 clients had opened accounts with us through these websites and applications.

In addition, we, in collaboration with New China Fund, developed an innovative online securities service Yinuobao (壹諾寶) which is available to all of our clients who open their accounts online in December 2013. The system automatically applies any unused cash in our clients' accounts to purchase designated money market funds New China Yinuobao Money Market Fund (新華壹諾寶貨幣基金). Clients are able to redeem their funds to trade securities immediately. Pursuant to the supplemental agreement regarding agency sale of open-ended securities investment fund between New China Fund and us, we are entitled to receive (i) a distribution service fee of 0.25% of the average daily amount of fund products held by our customers; and (ii) a customer maintenance fee of 0.033% of the average daily amount of fund products held by our customers. We are also entitled to receive a funds transfer fee (ranging from 0 to 1.5% of the net value of fund products), which equals the difference between the redemption fee for the current fund product held by our customer and the subscription fee for the new fund product to be subscribed by such customer. During the Track Record Period, the seven-day annualized yield of Yinuobao was between 0.317% to 4.947% for 2013, 1.668% to 9.22% for 2014 and 2.971% to 13.547% for the three months ended March 31, 2015. Yinuobao was able to generate relatively high seven-day annualized yield for certain seven-day periods primarily because (i) in addition to the treasury notes, commercial notes, fixed-term bank deposits, short-term government bonds, we also invest in short-term corporate bonds with relatively high yield; and (ii) we withhold 20% of the dividend income generated by the short-term bonds we invested in to be paid in one installment upon their redemption, which renders the seven-day annualized yield for that seven-day period immediately before maturity significantly higher than other periods. We are responsible to handle investor subscription and redemption and provide other complementary intermediary services as agreed, and for any losses suffered by our customers caused by our sales personnel in violation of provisions of the supplemental agreement or laws and regulations, or our failure to notify our customers of any unsuccessful trading in a timely manner. As of March 31, 2015, approximately 36,250 securities clients had activated this service, with an AUM of RMB191.1 million.

As of the Latest Practicable Date, we had not used quantitative trading in our Internet finance applications and platforms. In addition, as we did not use Hundsun's HOMS system which is under CSRC's investigation, such investigation has no impact on our operation or risk management.

On July 18, 2015, the PBOC, the CSRC together with other eight authorities issued the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》, which provide, among others, that (i) the development of Internet Finance platform, product and service innovation is strongly encouraged; (ii) the cooperation between financial institutions, including securities firms, fund management companies, trust companies, and Internet enterprises to develop Internet finance channels is strongly encouraged; (iii) the CSRC is the competent authority for the development of Internet equity crowdfunding business and Internet fund subscription business; and (iv) the relevant institutions and enterprises shall take measures to enhance Internet and information security and implement anti-money laundering procedures and prevent financial crime. Please see the section headed "Regulatory Environment — Other Regulations and Measures — Internet Finance" for further information.

Marketing and customer services

Our sales and marketing team consists primarily of our own investment advisors and client managers, and third-party securities brokerage agents. In addition to a base salary, we incentivize our investment advisors and client manager with performance-based bonus. The securities brokerage agents receive commissions and performance-based bonus. As of March 31, 2015, we had 286 investment advisors, 645 client managers and 521 securities brokerage agents. In light of the intense market competition, it is our primary focus to develop stable sources of customers in order to increase our market penetration. In addition, we intend to enhance the quality of the services we provide so that we can expand teams of capable and experienced wealth management professionals to provide various other value-added and differentiated services. We primarily source our customers through (i) cross-selling opportunities with third-party banks that we have had prior business relationships with; and (ii) promotions and advertisement through various media channel outlets, such as the press, Internet, television and radio, distribution of printed brochures and advertisements. In addition, we intend to further enhance our cooperation with local governments and SMEs through strategic cooperation agreements and enterprises conferences.

To better understand our clients and provide individualized products and services, we typically divide our customers into different categories based on their risk tolerance levels, anti-money laundering evaluation results and frequency of trading activities. In addition to research reports and market information which are accessible to all of our clients, we have designed several investment advisory service products which can be accessed by our clients at a fixed cost, such as Shen Sheshou (神射手) and Jin Xiangyu (金鑲玉), each of which combines different types of research, market information and services into one comprehensive service package, to better serve clients' needs. Apart from our website, we provide 24/7 real-time assistance through our customer service hotline "400-196-6188" including answering inquiries about financial products and services, trading rules and account status. The customer service hotline offers live assistance, voice-activated automated service and online service, depending on the needs of our customers. As of March 31, 2015, we had approximately 30 customer service representatives in our headquarters and securities branches within our network. We also provide brokerage clients with our investment analysis and recommendations of stocks, bonds, funds and other financial products via text messages and emails.

As of the Latest Practicable Date, we had not encountered any material client complaints. In addition, we have established strict procedures regarding client complaints handling and response.

Investment Management

Our investment management business includes asset management, fund management, private equity investment and alternative investment. We commenced our asset management business in 2011. We commenced private equity investment and alternative investment in 2014.

Asset management

Our asset management products and services primarily include:

- *Collective asset management scheme*: We manage client assets for a group of clients without customization while keeping client assets in designated accounts pursuant to applicable laws and in accordance with collective asset management contracts;

- *Targeted asset management scheme*: We manage each client's assets according to the specific terms of the contract between the client and us through a designated account; and

- *Specialized asset management scheme:* We customize asset management plans for institutional clients with specific investment needs, which generally involve asset-backed securitization and the structuring of assets that lack liquidity into tradable financial products.

Under the Administrative Measure on Client Asset Management Business of Securities Companies (《證券公司客戶資產管理業務管理辦法》), we may not make promise to clients that there is a guaranteed or minimum return or compensation by us in case of any losses. In addition, we are required to stipulate in our asset management contract that the clients bear the investment risks. We invest in some of our collective asset management schemes to boost customer confidence. As of March 31, 2015, the total carrying value of our interest in these collective asset management schemes that had been consolidated as structured entities was RMB561.8 million, all of which was invested in the subordinated tranche of these schemes. As both the manager and investor of the subordinated tranche, we agree with our clients that if the expected rate of return, the unit net value falls to a pre-agreed liquidation level, the asset management scheme will be liquidated, and the resulting funds will first be used to pay our clients' principal and expected rate and return. We are paid after our clients if there are remaining fund. As of March 31, 2015, we had established 284 asset management schemes and served approximately 2,353 asset management clients. Our asset management plans are primarily sold through our nationwide branch network and third-party institutions. In recent years, we received the following awards and recognitions for our asset management business:

- "Best Equity Asset Management Product" by Securities Times in 2012;
- "Securities Firm for Asset Management Service of the Year 2012" by Sinolink Securities;
- "Golden Bull Award for Securities Firm for Collective Asset Management Service" by China Securities Journal and jnlc.com in 2012; and
- "Best Securities Firm for Asset Management Service" by Securities Times in 2013.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, revenue and other income from our asset management business was RMB40.1 million, RMB107.9 million, RMB348.2 million and RMB153.3 million, respectively, representing 4.6%, 7.6%, 15.2% and 13.8% of our total revenue and other income for the same periods.

The following table sets forth the total AUM of our different asset management schemes for the periods indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Collective asset management scheme	1,767.2	11,264.7	3,446.8	4,188.3
Targeted asset management scheme	12,938.5	12,182.1	7,730.8	9,102.0
Specialized asset management scheme	—	—	1,544.9	2,346.4
Total AUM	14,705.7	23,446.8	12,722.5	15,636.7

As of March 31, 2015, we had 29 outstanding collective asset management schemes, which primarily focus on areas such as stock investments, fixed-income investments, hybrid investments and private placements. We charge annual management fees between 0.15% and 4.6% of the amount of AUM. We also charge performance fees and participation fee on some of our products and third parties' products. We set forth in our contract with clients that we are entitled to a specific percentage of performance fees if we achieve certain targeted investment returns. As we also engage in the promotion and sale of third parties' asset management products, we receive a designated rate of promotion fee and participation fee for our services. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we recognized management fees of RMB17.7 million, RMB48.1 million, RMB43.5 million and RMB10.7 million, respectively, and performance fees of RMB19.1 million, RMB35.2 million, RMB7.9 million and RMB0.8 million, respectively, for these collective asset management schemes. As of December 31, 2012, 2013 and 2014 and March 31, 2015, the total amount of AUM of our collective asset management schemes was RMB1,767.2 million, RMB11,264.7 million, RMB3,446.8 million and RMB4,188.3 million, respectively.

The following table sets forth a summary of our outstanding collective asset management schemes as of March 31, 2015:

Product name	Year of establishment	Type	AUM	Annual management fee	Performance fee	Funds contributed by us	Duration
			(RMB in millions)			*(RMB in millions)*	*(Years)*
Xianfeng No.2	2012	Equity-linked scheme	50.6	1.2%	20% when annualized return on investment exceeds 6%	25.1	3
Xianfeng No.3	2012	Hybrid scheme	38.9	1.2%	20% when annualized return on investment exceeds 6%	22.8	3
Chuangfu No.5	2013	Trust scheme	198.0	0.25%	—	—	4
Xianjin Tianli[1]	2013	Fixed-income scheme	76.0	0.7%	30% when annualized return exceeds 0.35+Y[2]	—	open
Wenjian Zengli	2013	Fixed-income scheme	130.7	—	80% when annualized return on investment exceeds 4.8%	75.0	2
Chuangfu No.9	2013	Fixed-income scheme	322.1	0.4%	—	—	3
Wenjian Youhua	2013	Fixed-income scheme	114.1	1.2%	20% when annualized return on investment exceeds 5%; 30% when annualized return on investment exceeds 10%	30.0	5

Product name	Year of establishment	Type	AUM	Annual management fee	Performance fee	Funds contributed by us	Duration
			(RMB in millions)			*(RMB in millions)*	*(Years)*
Chuangfu No.13	2013	Trust scheme	86.2	1.21%	—	—	2
Chuangfu No.15	2014	Trust scheme	66.9	4.25%	100% when annualized return on investment exceeds 8.2%	—	3
Chuangfu No.19	2013	Trust scheme	130.2	0.15%	100% when annualized return on investment exceeds the agreed return as stipulated in the annual announcement	—	5
Chuangfu No.24	2014	Fixed-income scheme	390.4	—	100% when any return generated on subordinated investment tranche	50.0	open
Chuangfu No.25	2014	Fixed-income scheme	385.7	—	100% when any return generated on subordinated investment tranche	50.0	open
Chuangfu No.27	2014	Trust scheme	65.0	0.5%	—	—	3
Zhiya Shouyi No.1 ...	2014	Fixed-income scheme	110.8	—	100% when annualized return on investment exceeds 9%	2.0	1$\frac{1}{12}$
Chuangfu No.31	2014	Trust scheme	149.1	3.19%	—	—	1
Chuangfu No.32	2014	Trust scheme	78.4	3.19%	—	—	1
Chuangfu No.33	2014	Trust scheme	61.4	3.19%	—	—	1
Chuangfu No.34	2014	Real estate project	82.5	3.88%	—	—	1$\frac{1}{4}$
Chuangfu No.36	2014	Equity-linked scheme	327.0	—	100% when any return generated on subordinated investment tranche	50.0	2

Product name	Year of establishment	Type	AUM	Annual management fee	Performance fee	Funds contributed by us	Duration
			(RMB in millions)			*(RMB in millions)*	*(Years)*
Chuangfu No.37	2014	Equity-linked scheme	345.4	—	100% when any return generated on subordinated investment tranche	50.0	2
Chuangfu No.20	2014	Trust scheme	31.1	4.48-4.6%	100% when annualized return on investment exceeds 8% for the first 12 months and exceeds the anticipated return for the rest 6 months	—	1½
Chuangfu No.41	2014	Trust scheme	97.4	2.98%	—	—	1
Chuangfu No.42	2014	Trust scheme	30.0	2.98%	—	—	1
Chuangfu No.38	2014	Trust scheme	115.2	3.19%	—	—	1
Chuangfu No.43	2015	Equity-linked scheme	561.3	—	100% when any return generated on subordinated investment tranche	100.0	2
Chuangfu No.48	2015	Trust scheme	100.4	3.19%	—	—	1
Chuangfu No.45	2015	Trust scheme	116.9	0.5%	—	—	1
Chuangfu No.46	2015	Trust scheme	247.5	0.5%	—	—	1
Zhiying No.1	2015	Fixed-income scheme	80.2	—	100% when annualized return generated on senior investment tranche exceeds the 7.2%	8.0	3

1. As of the Latest Practicable Date, the annual management fee for Xianjin Tianli collective asset management scheme had been changed to zero. In addition, we are entitled to receive performance fee at the rate of 50% when annualized return on investment exceeds 0.7% but does not exceed 2.5%, and 80% when the annualized return exceeds 2.5%.

2. Y refers to interest rate for current deposit as published by the PBOC.

Ten of our outstanding collective asset management schemes were established to provide financing and fund management services relating to real estate projects. We carefully determines each real estate project by choosing appropriate counterparties and property categories, such as national and local prominent estate developers. Our shareholder, Finance

Street Group, has been engaged in real estate development and investment since it was established. Its business involves many industries and primarily includes real estate development, investment and management, financial services and investment management. As a real estate developer in China, Finance Street Group has developed many office buildings, residence apartments, shopping malls and hotels in Beijing, and has expanded its business to many provinces in China. We believe by leveraging Finance Street Group's expertise in real estate investment and our large client base, we would be able to further expand our investment portfolio and enhance our returns.

We also offer targeted asset management schemes, through which we provide a customized investment plan to each of our customers based on their investment needs and the most suitable financial products available in the market, including equity. As of March 31, 2015, we had entered into 240 targeted asset management plan contracts, 33 of which were outstanding. We charge a management fee of between 0.07% and 4.2% of the total AUM of such schemes. In 2012, 2013 and 2014 and the three months ended March 31, 2015, we recognized management fees of RMB3.3 million, RMB22.7 million, RMB60.4 million and RMB12.4 million, respectively, for these targeted asset management schemes. As of December 31, 2012, 2013 and 2014 and March 31, 2015, the total amount of AUM of our targeted asset management schemes was RMB12,938.5 million, RMB12,182.1 million, RMB7,730.8 million and RMB9,102.0 million, respectively. As of March 31, 2015, we had established eight targeted asset management schemes in an aggregate AUM of RMB593.0 million in collaborating with Poly Art Investment Management Co., Ltd. (北京保利藝術投資管理有限公司) who possesses expertise for artwork appreciation and evaluation to provide management consulting services for artwork related financing projects.

In June 2014, we established our first specialized asset management scheme, Qian'an Reli Heating Charge Right Asset Management Scheme (遷安熱力供熱收費權專項資產管理計劃), which consisted of eight tranches of product, with a term ranging from approximately six months to six years and six months and expected return ranging from 6.6% to 9.0%. We charged a distribution fee of RMB11.93 million and a management fee of RMB0.07 million for this scheme. We established Baoxin Leasing No.1 Asset-Backed Asset Management Scheme (寶信租賃一期資產支持專項計劃), Zhenjiang Youxuan Xiaodai No.1 Asset-backed Asset Management Scheme (鎮江優選小貸1號資產支持專項計劃) and Baoxin Leasing No.2 Asset-Backed Asset Management Scheme (寶信租賃二期資產支持專項計劃) in December 2014, February 2015 and March 2015, respectively. We charged an aggregate distribution fee of RMB29.8 million and an aggregate management fee of RMB0.1 million for these three schemes. As of March 31, 2015, the total AUM of our specialized asset management scheme was RMB2.3 billion. As these specialized asset management schemes were designed to provide financing for the initial right holders of the subject asset, we mainly receive a distribution fee between 0.87% and 3.24% of the amount of AUM from the initial right holders other than an annual management fee like the collective asset management schemes and targeted asset management schemes. As of the Latest Practicable Date, we ranked first in terms of the number of deals filed with and approved by the AMAC.

In November 2014, the CSRC issued the *Administrative Measures on Asset Securitization of Securities Companies and Fund Management Company Subsidiaries* (《證券公司及基金管理

子公司資產證券化業務管理規定》), which further promotes and supports the development of the asset securitization business through simplifying regulatory process, providing business operation guidelines and other supporting policies. The CSRC abolished the pre-launch approval system for specialized asset management scheme and changed it to a post-launch filing system with the fund industry association. We believe the relaxation of regulatory control will lead to the rapid development of the asset securitization industry in China, which will also create significant market opportunities for our asset securitization business.

We conduct commodity asset management and futures asset management through Shanghai Yingwo (上海盈沃), a subsidiary of Hengtai Pioneer. In December 2013, Shanghai Yingwo launched its first futures asset management product with an AUM of RMB30.0 million to focus on investing in commodity futures arbitrage and hedge and achieved a return of 29.1% when terminated in December 2014. Shanghai Yingwo launched three other futures asset management products in April, May and September 2014, respectively with an AUM of RMB30.0 million, RMB61.6 million and RMB30.0 million, respectively. In addition, Shanghai Yingwo also conducts spot commodity trading by purchasing spot commodity or commodity futures at low prices and sell at high prices. As of March 31, 2015, the total amount of AUM of Shanghai Yingwo's futures asset management was RMB121.6 million. We launched a collective asset management scheme on March 30, 2015 to focus on investing in NEEQ-quoted securities. We established our indirect wholly-owned subsidiary Hengtai Hongze in April 2015 to form mezzanine fund and subscribe for follow-on offerings and the subordinated notes relating to asset-backed securities we design and issue. In addition, Hengtai Hongze will also seek investment opportunities in M&A projects and NEEQ investment funds.

We plan to dedicate additional resources in the future to expand our specialized asset management offerings to satisfy clients' investment needs and continue to diversify our asset management business.

We have formulated different marketing strategies and established various sales channels for our products. Our collective asset management products are generally promoted through our nationwide branch network or through third-party agency banks with which we have had prior business relationships. Our customer managers analyze our customers' needs in order to identify suitable candidates for our targeted and specialized asset management products.

Fund management

As of March 31, 2015, we held 43.75% equity interest in New China Fund, a PRC fund manager established in Chongqing in December 2004. New China Fund's operation and management center is in Beijing. After we invested in New China Fund in 2013, New China Fund's AUM increased from RMB25.5 billion for 2013 to RMB60.8 billion for 2014 and further to RMB65.7 billion for the three months ended March 31, 2015. With a view to enhancing our market influence and achieving our strategic goals by leveraging New China Fund's fund management platform, we entered into a capital increase agreement on February 26, 2015, under which we agreed to subscribe for additional 57,500,000 shares of New China Fund for a total cash consideration of RMB97.75 million. In addition to the synergies we expect to achieve from acquiring a majority ownership in New China Fund as described above, we also considered the significant improvement in its financial performance from 2013 to 2014 and believe that the consideration for the newly subscribed shares was at a fair price. Such subscription was completed on July 29, 2015. Upon the completion of such subscription, we hold 58.62% equity interest in New China Fund. Our strategic considerations include:

- to launch publicly-raised funds to invest in asset-backed securities in collaboration with our asset-backed securities business line;
- to launch real estate investment trust through New China Fund's platform by taking advantage of our strength in real estate financial area; and
- to launch public-raised funds to invest in NEEQ-quoted shares.

In addition to the above strategic considerations, we believe the further acquisition of equity interest in New China Fund will create great synergies with our wealth management business by enhancing our capabilities to provide customized wealth management products, providing more diversified fund products to meet clients' need and expanding our customer base.

As of March 31, 2015, New China Fund managed 25 publicly-raised funds with an AUM of RMB26.1 billion, which included nine equity funds, eight hybrid funds, six bond funds and two money market funds. In addition, as of the same date, New China Fund managed 117 private equity funds with an AUM of RMB39.5 billion.

New China Fund has achieved significant growth since its establishment in 2004 and received a number of awards and recognitions from leading industry publications, including:

- "Golden Fund — Company of the Year for Equity Fund Investment Returns" (金基金•股票投資回報公司獎) by Shanghai Securities News for three consecutive years from 2011 to 2013;
- "Golden Bull Progress Award" (金牛進取獎) in 2014 by China Securities Journal;
- "Three-year Open-ended Hybrid Golden Funds" (三年期開放式混合型持續優勝金牛基金) by China Securities Journal for 2013 and 2015; and
- "Three-year Flexible Allocation Golden Funds" (三年期靈活配置型金基金) in 2013 by Shanghai Securities News.

New China Fund also develops fund products in cooperation with large Internet companies. For example, New China Fund launched Xinhua Ali No.1 (新華阿里一號) Xinhua Axin No. 1 (新華阿鑫一號) on April 10, 2014 and December 2, 2014, respectively, in cooperation with a leading Internet finance company. Xinhua Ali No. 1 was the first capital guarantee funds launched through Internet in China.

To expand its business scope and develop a broad variety of wealth management products and explore new revenue sources, New China Fund established a wholly-owned subsidiary New China Fushi in 2013. After a capital increase completed in May 2015, New China Fund now holds 60.0% equity interest in New China Fushi. As of March 31, 2015, the total AUM managed by New China Fushi amounted to RMB30.8 billion. As an asset manager, New China Fushi establishes various asset management schemes to invest in secondary stock market by leveraging New China Fund's advantages, high quality real estate projects through debt, equity, beneficiary right investment and mezzanine financing.

New China Fund provides services to a broad range of individual and institutional customers, all of which are located in the PRC. In 2012, 2013 and 2014 and the three months ended March 31, 2015, revenue attributable to the five largest clients of New China Fund accounted for less than 10.0% of New China Fund's total revenue and other income. In addition, none of New China Fund's directors, supervisors, their respective associates or any shareholders holding more than 5.0% of New China Fund's share capital has interest in any of New China Fund's five largest clients as of the Latest Practicable Date.

New China Fund has no major suppliers due to the nature of our business and has no material long-term agreements with customers or suppliers.

As of March 31, 2015 and the Latest Practicable Date, New China Fund had 134 and 140 employees, respectively. All of New China Fund's employees are based in the PRC. The following table sets forth New China Fund's employees by business function as of the Latest Practicable Date:

	Number of Employees	Percentage
Principal Business	94	67.1%
Risk Management	1	0.7%
Legal and Compliance	3	2.1%
IT	7	5.0%
Other	35	25.0%
Total	140	100.0%

New China Fund's directors and our PRC legal advisors, Guantao Law Firm, have confirmed that, as of the Latest Practicable Date, there is no legal proceeding pending or threatened against New China Fund or its directors that could, individually or in the aggregate, have a material adverse effect on New China Fund's business, financial condition or results of operations.

We plan to further strengthen New China Fund's management and operation after we become the majority shareholder, including enhancing cooperation with institutional investors and Internet service providers, diversify its products portfolio and strengthen and expand the current research and investment team.

Private equity investment

We operate our private equity investment business through our subsidiary Hengtai Capital. We classify our private equity investment activities in the following two categories:

- Making direct equity investments, debt or equity-linked investments in private companies; and

- Investing in equity investment funds, which in turn, make investment in certain targeted private companies.

We make direct equity investment and earn capital gains by exiting from these investments through share transfers or IPOs. We make debt or equity-linked investments and earn interest income until maturity or capital gains after converting our debt investments into equity. As of March 31, 2015, we had made direct equity investment in eight companies with a total investment amount of RMB270.4 million. The following table sets forth a summary of key investments:

Investment Target Name	Year of Investment	Industry of Investment Target	Type of Investment	Investment Size	Equity Interest in Investment Target
				(RMB in millions)	
Shenzhen TXD Technology Co., Ltd. (深圳同興達科技股份有限公司)	2014	Manufacturing	direct equity investment	10.0	1.1%
Xinjiang Lihua Cotton Industry Co., Ltd. (新疆利華棉業股份有限公司)	2014	Agricultural	direct equity investment	50.0	6.7%
Xuchang Hengyuan Hair Products Co., Ltd. (許昌恒源發製品股份有限公司)	2014	Manufacturing	direct equity investment	20.0	2.0%
Heaven-sent Capital Management Co., Ltd. (矽谷天堂資產管理股份有限公司)	2014	Financial	direct equity investment	14.0	0.4%
Shandong TIeChina Telecommunications Co., Ltd. (山東泰華電訊有限責任公司)	2015	IT	direct equity investment	36.4	6.5%
Zhuhai Yinlong Energy Co., Ltd. (珠海銀隆新能源有限公司)	2015	Manufacturing	direct equity investment	100.0	2.5%

In 2015, we plan to further explore potential investment opportunities in Chinese companies that we believe are able to provide exit opportunities for our investment in the near future, such as IPOs, quotation on the NEEQ, or mergers and acquisitions. We also intend to increase the registered capital of Hengtai Capital after the completion of the Global Offering based on the overall business development needs.

Alternative investment

We currently operate our alternative investment business through our subsidiary, Hengtai Pioneer. Our alternative investment business mainly consists of investments in TV series and movie production.

We established Pioneer Movie through Hengtai Pioneer (as general partner), together with New China Fushi (as limited partner, acting on behalf of a specialised asset management scheme named "New China Fushi-Xianfeng No. 1" established by New China Fushi). Hengtai Pioneer intends to further expand our investment to the entire value chain of TV series and movie production and collaborate with our asset-backed securitization business to structure assets, such as box revenue share right and advertising right, into tradable financial products. As of March 31, 2015, we had invested in one TV series and one movie production with a total investment of RMB19.0 million.

In addition, Hengtai Pioneer provides financial advisory services to asset management department of our Group regarding its cooperation with real estate developers and culture companies to design and launch bond fund products to meet the specific capital needs for each specific project.

Hengtai Pioneer's revenue from alternative investment business mainly consists of financial advisory fee, investment advisory fee and returns on equity investment. Hengtai Pioneer generated a total revenue of RMB5.1 million and RMB10.8 million, respectively, for 2014 and the three months ended March 31, 2015, which represents 0.2% and 1.0%, respectively, of our total revenue and other income for 2014 and the three months ended March 31, 2015, respectively, which is reported in our brokerage and wealth management segment and investment banking segment, respectively.

Proprietary Trading

We commenced our proprietary trading in 2004. We use our own funds to engage in the trading of stocks, bonds, funds, derivatives and other financial products permitted by the CSRC. We also conduct NEEQ market-making. We emphasize prudent operation and value investment, and aim to achieve stable returns while managing risk rigorously by implementing a variety of trading strategies. We ranked the third in 2013 in terms of investment capabilities and average investment return among all securities companies in the PRC that engage in proprietary trading business, according to Investment Network and Wind Info.

Equity trading

We engage in market-making and proprietary trading of equity and equity-linked products and equity derivatives, including securities traded in the secondary market, issued through IPO or private placement and ETFs. We typically invest in two types of listed companies, one is blue chip companies such as companies of financial industry, the other is companies of strategic emerging industries, including TMT industry, pharmaceutical industry, environmental protection industry and military industry.

For our equity trading, we conduct in-depth analysis of the macro-economy and detailed research of the relevant industry sectors and listed companies in order to understand market trends and effectively capture investment opportunities in certain industries and companies. We maintain a pool of equity securities for our proprietary trading business. In selecting equity securities and determining our investment portfolio, we emphasize value investing to capture investment opportunities in listed companies with good results of operation, high-growth potential and good trading liquidity. We decide the timing to buy and sell particular equity securities to capture the investment margin based on our industry analysis, market cycles analysis, market tracking, changes in regulations and macro elements as well as behaviors of market participants.

We engage in trading of derivatives as part of our strategies to hedge the risks relating to the securities held by us for purposes other than proprietary trading. We are permitted to engage in derivatives trading to hedge our risks for proprietary trading business. However, we had not engaged in such hedging activities as of the Latest Practicable Date, primarily due to (i) limited availability of hedging options and strategies in China. There are only three index futures, including CSI 300 Index Futures (滬深300股指期貨), SSE 50 Index Futures (上證50股指期貨) and CSI 500 Index Futures (中證500股指期貨), and one index option which is SSE 50 Index Option; (ii) high risks associated with available hedging options and strategies, such as market risk, in the case of sudden market condition changes; and (iii) restrictions imposed by the CSRC on using stock index futures as a hedging option, including request to reduce the leverage ratio for index futures, scale limitation on the open position and increase in trading fees for index futures. Shorting stock index futures to hedge market decline risks in the stock market has been disallowed since July 2015.

As of the Latest Practicable Date, we had not engaged in arbitrage activities for our proprietary business, primarily due to (i) there are lots of institutional investor engaged in arbitrage activities, leading to an overall relatively insignificant average return achieved for arbitrage activities; (ii) with a view to achieving high investment returns, our limited personnel and resources are focusing on investments with more stable and higher returns; and (iii) as China's derivative market matures and there are more arbitrage options, we may consider to engage in arbitrage activities to hedge our risks.

Fixed-income sales and trading

We engage in proprietary trading of fixed-income products on China's interbank bond market and exchanges, include, among others, treasury bonds, policy financial bonds, central bank bills, medium-term notes, short-term commercial paper, enterprise bonds, SME private bonds and corporate bonds.

We principally invest in long-term bonds and mid-term notes that are rated AA or higher in China. The following table sets forth our investment position by ratings during the Track Record Period:

	For the years ended December 31,						For the three months ended March 31,	
Ratings	**2012**		**2013**		**2014**		**2015**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
	(RMB in millions, except percentages)							
AA or below	70.0	4.5%	130.0	7.1%	405.0	17.2%	240.0	9.7%
AA - AAA	1,054.1	68.3%	1,398.8	75.9%	1,463.9	62.1%	1,895.8	76.3%
AAA or above	420.0	27.2%	315.0	17.1%	490.0	20.8%	350.0	14.1%
Total	1,544.1	100.0%	1,843.8	100.0%	2,358.9	100.0%	2,485.8	100.0%

The following table sets of the investment balance for each type of our proprietary trading investment for the periods indicated:

	As of						
	December 31,			March 31,	June 30,	July 31,	August 31,
	2012	**2013**	**2014**	**2015**	**2015**	**2015**	**2015**
	(RMB in millions)						
Type of investment							
- Equity securities	928.9	758.2	816.2	978.1	922.3	867.2	621.1
- Debt securities[(1)]	1,544.1	1,843.8	2,672.8	2,758.6	2,764.3	4,429.3	4,656.3
- Derivatives and other investment	—	—	50.5	65.7	93.2	78.0	65.3
Total	2,473.0	2,602.0	3,539.5	3,802.4	3,779.8	5,374.5	5,342.7

Note:

(1) The difference between (i) the total amount of our investment in rated long-term bonds and mid-term notes and (ii) the total amount of our investment in debt securities is the amount of our investment in bond funds, which are not rated.

NEEQ market-making

In August 2014, we obtained the qualification to provide market-making services for shares quoted on the NEEQ, which is intended to provide liquidity to the NEEQ market and incentivize trading on the NEEQ. We had achieved significant growth since August 2014. As of March 31, 2015, we had provided market-making services to four companies quoted on the NEEQ. We have formulated rigorous selection standards with regard to industries, governance and equity structures and growth prospects for NEEQ-quoted companies that we believe are suitable for our market-making business.

Under our NEEQ market-making business model:

- We identify suitable companies that we believe have growth potential and market interest;

- We enter into talks, negotiations and eventually a market-making contract with an NEEQ-quoted company;

- We purchase treasury shares of such NEEQ-quoted company at a mutually-agreed price per share. As an intermediary between buyers and sellers for the shares of NEEQ-quoted companies, we are obligated to buy and sell once we establish bid and ask prices for such shares on the NEEQ market. With a view to meeting our future selling obligations, we usually purchase shares of such NEEQ-quoted company as our "treasury shares" in three ways: (i) participating in the private placement of such NEEQ-quoted companies; (ii) acquiring from existing shareholders of such NEEQ-quoted companies through share transfer agreement before the company getting quoted on the NEEQ; and (iii) acquiring from other market-makers for such NEEQ-quoted companies;

- We act as an intermediary for such NEEQ-quoted company, establish bid and ask prices for its shares (the bid-ask spread may not exceed 5%) and solicit buyers and sellers; and

- We sell the treasury shares to buyers and facilitate the completion of sales between other sellers of the company's shares and buyers.

We generate revenue from our NEEQ market-making business primarily from (i) the difference between our purchase price of the company's treasury shares and our selling price, which is generally higher than the purchase price; and (ii) the bid-ask spread we charge when we facilitate sale and purchase of the company's shares.

Under the Detailed Measures on Equity Transfer on the NEEQ (trial implementation) (《全國中小企業股份轉讓系統股票轉讓細則(試行)》) which govern the NEEQ market-making activities of securities companies, a securities company, acting as a market-maker, may obtain shares of a NEEQ-quoted company in four ways: (i) transfer from existing shareholders before the company getting quoted on the NEEQ; (ii) share offering; (iii) purchase from other market-makers in the NEEQ system; and (iv) other legitimate ways. Please see "Regulatory Environment — Regulation on Operations of Securities Companies — NEEQ Market-making Business" for further information.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our proprietary trading business amounted to RMB223.6 million, RMB433.9 million, RMB579.8 million and RMB268.2 million, respectively, representing 25.6%, 30.5%, 25.5% and 24.2% of our total revenue and other income for those periods.

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(RMB in millions, except percentages)			
Average cost of investment and trading	2,613.8	2,741.8	3,272.7	3,478.0
Stocks[1]	334.0	896.8	664.8	530.7
Funds[1]	48.3	61.3	328.5	351.3
Debt securities[1]	2,231.5	1,783.5	2,276.8	2,589.0
Derivative financial instruments[1]	—	0.3	2.7	7.0
Average rate of return from investment and trading[2]	9.34%	16.63%	10.33%	3.94%
VaR (95%, one-day)[3]	25.3	19.9	24.8	31.1

(1) Average cost of investment and trading is calculated by dividing the Company's aggregate daily costs of open trading positions by the number of days in the relevant period. These numbers did not include the value of securities managed by us under consolidated structure entities.

(2) Average rate of return from investment and trading is calculated by dividing the Company's aggregate net investment gains and other comprehensive income (less impairment loss) of available-for-sale financial assets (before income tax) by average cost of investment and trading.

(3) The one-day 95% VaR number used by us reflects the 95% probability that the daily loss will not exceed the reported VaR.

During the Track Record Period, we achieved relatively high average rate of return for our proprietary trading business primarily as a result of our highly leveraged investment in debt securities. The average rate of return for our proprietary trading is calculated as investment return divided by the original investment amount plus the interest expenses for our leverage financing. As a result, we were able to achieve relatively high average rate of return for our proprietary trading by maintaining a higher leverage ratio. We are able to obtain the financing to maintain a higher leverage ratio compared with our more established industry peers because the absolute amount of financing we require is smaller than what larger securities companies would need if they were to maintain the same leverage ratio. We began to reduce our leverage ratio at the end of 2014 in part to support the financing needs of our margin financing and securities lending business. Beginning in June, 2015, we further reduced the leverage ratio in our debt securities investments to below 100% as part of our risk management measures in light of recent market fluctuations.

We have implemented strict procedures to prevent mingling of own capital with clients' funds when we conduct our proprietary trading business. We established procedures to ensure that we only use our own funds which were transferred to our designated proprietary investment account directly by our Company's financial department. In addition, our account control procedures require that we obtain prior approval from the general manager of our proprietary trading department whenever we open a proprietary trading account and must subsequently notify the CSRC and the Shanghai Stock Exchange, Shenzhen Stock Exchange and NEEQ. All of our proprietary trading accounts are monitored on a real-time basis by our finance and accounting department to keep track of any gains or losses. To avoid insider-trading risks, securities of companies that are active customers of our investment banking business are put in a "prohibited pool" and our proprietary trading business is not permitted to trade in them.

To minimize risks and achieve stable returns, we update our investment strategy annually to determine the investment scale and risk exposure for our proprietary trading activities in light of our financial condition, stock research and market conditions. In addition to our annual investment strategy meeting, we have convened investment strategy meetings on a semi-annual basis to reassess and adjust our maximum risk exposure and investment scale as well as industry focus in our equity trading for the next quarter. In addition, we also call special meetings to adjust our investment strategies following any material changes in market conditions.

We have adopted more stringent stop-loss procedures, including imposing stop-loss point, usually 20.0% for a single equity security and index futures, respectively. Our maximum risk exposure in equity trading activities represents the maximum allowable loss (both realized loss and fair value loss) in our trading activities determined by our Board during a period. We are required to gradually reduce our investment positions to stop-loss when the loss on our equity investments exacerbates. When our investment loss approaches our maximum risk exposure, we will commence liquidating our equity positions to avoid reaching our maximum risk exposure. Our maximum risk exposure pre-determined by our Board was RMB100.0 million for 2014 and 2015.

With regard to our proprietary bond trading, we maintain strict control over our investment horizon, and most of our bond investments are mid-term bonds and long-term bonds which mature within three to seven years. To minimize credit risk, we invest primarily in long-term bonds and mid-term bonds that are rated AA or higher in China, as well as treasury bonds. Most of our bond investments are rated by reputable credit rating agencies in China, including China Chengxin International Credit Rating Co., Ltd. (中國誠信國際信用評級有限責任公司) and Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司). Any single bond investment of more than RMB50.0 million and any single stock investment of RMB20.0 million to RMB50.0 million will need to be specifically approved by our investment decision-making committee, which is composed of Mr. Hu Sanming (胡三明), Mr. Deng Hao (鄧浩) and Mr. Wang Haibing (王海兵). Members of our investment decision-making committee generally have over 10 years of experience in financial industry. Prior to joining our Group, Mr. Hu Sanming served as an actuary in China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司) from July 2003 to June 2005, as a portfolio manager in Taikang Asset Management Co., Ltd.

(泰康資產管理有限公司) from July 2008 to June 2009, as a senior investment manager in Union Asset Management Co., Ltd. (合眾資產管理有限公司) from July 2009 to March 2011 and as a general manager of equity investment department in China-UK Yili Asset Management Co., Ltd. (中英益利資產管理股份有限公司) from March 2011 to February 2015. Mr. Hu graduated from Jiangxi University of Finance and Economics (江西財經大學) with bachelor's degrees in economics and in law in July 2000 and graduated from Southwestern University of Finance and Economics (西南財經大學) with a master's degree and a doctor's degree in economics in June 2003 and July 2008, respectively. He was qualified as an associate member of China Associate of Actuaries (中國精算師協會) in March 2009. For further details of the biography of Mr. Deng Hao and Mr. Wang Haibing, please see the paragraph headed "Senior Management" in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus.

We engage in bond repurchase transactions in the interbank market or through stock exchanges. We enter into short-term resale agreements with counterparties (such as banks and other financial institutions), under which we are entitled to receive interest income by purchasing financial assets (such as bonds and notes) from the counterparty and agreeing to resell such assets back to the counterparty at predetermined prices on the maturity date of the agreement. Bond resale transactions enable us to mobilize our surplus cash during unfavorable market conditions by investing in liquid and low-risk financial assets. As of March 31, 2015, the aggregate carrying amount of the financial assets sold under the repurchase agreements amounted to RMB4,530.5 million, respectively.

Investment Banking

We provide equity and debt underwriting and sponsoring services through our wholly-owned subsidiary Hengtai Changcai. In addition, we provide financial advisory services regarding a broad range of transactions and financial services as the chief agency broker to assist companies in entering into NEEQ for share quotation and transfer. During the Track Record Period, we provided investment banking services to 42 clients.

As of March 31, 2015, we had acted as an underwriter in 46 transactions, with an aggregate offering amount of approximately RMB14.0 billion. In 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our investment banking business amounted to RMB79.7 million, RMB86.3 million, RMB149.8 million and RMB70.7 million, respectively, representing 9.1%, 6.1%, 6.6% and 6.4% of our total revenue and other income during those periods, respectively.

As of March 31, 2015, our investment banking business consisted of three equity financing teams and six debt financing teams. As of the Latest Practicable Date, 13 of our team members hold sponsor representative qualifications.

Equity financing

We obtained the required qualification to engage in equity financing business in 2003. Our equity financing business includes sponsoring and underwriting of IPOs and secondary offerings, principally rights issues and private placements. The CSRC suspended its review of all A Share offering applications in China in October 2012, and lifted the suspension in January 2014. As a result, we did not complete any IPO underwriting and sponsoring transactions from late 2012 to early 2014. We receive sponsor fees and underwriting commissions and fees based on the size and type of financing, duration of our engagement and complexity of the transaction as well as market conditions. Our underwriting and sponsors fees from our equity financing business amounted to RMB76.9 million, RMB32.4 million, RMB12.4 million and RMB10.5 million in 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively, representing 8.8%, 2.3%, 0.5% and 0.9% of the total revenue and other income of our investment banking business during the same periods, respectively.

During the Track Record Period, we completed two private placements, one rights issue and two IPOs, raising an aggregate amount of RMB2.9 billion.

The following table sets forth certain details of the equity financing transactions in which we acted as a lead underwriter and sponsor during the Track Record Period:

Year	Stock Exchange	Nature of offering	Issuer	Underwritten amount	Industry	Our role
				(RMB in millions)		
2012......	the Shenzhen Stock Exchange	IPO	Guangdong Canudilo Fashion & Accessories Co., Ltd. (廣東卡奴迪路服飾股份有限公司)	695.0	Textile and apparel	Lead underwriter and sponsor
2012......	the Shenzhen Stock Exchange	IPO	Shenzhen Huapengfei Modern Logistics Co., Ltd. (深圳市華鵬飛現代物流股份有限公司)	205.9	Logistics	Lead underwriter and sponsor
2012......	the Shanghai Stock Exchange	Rights issue	Gansu Qilianshan Cement Group Co., Ltd. (甘肅祁連山水泥集團股份有限公司)	765.2	Building materials	Lead underwriter and sponsor
2013......	the Shenzhen Stock Exchange	Private placement	Jiangmen Sugarcane Chemical Factory (Group) Co., Ltd. (江門甘蔗化工廠(集團)股份有限公司)	813.6	Chemical	Lead underwriter and sponsor
2013......	the Shanghai Stock Exchange	Private placement	Henan Taloph Pharmaceutical Stock Co., Ltd. (河南太龍藥業股份有限公司)	400.0	Pharmaceutical	Lead underwriter and sponsor

Debt financing

In our debt financing business, we underwrite fixed-income securities, such as enterprise bonds, SME private bonds and corporate bonds. We also distribute bonds issued by a variety of entities, including enterprise bonds issued by local governments or financing entities incorporated by local governments, and corporate bonds. During the Track Record Period, as a lead or co-lead underwriter, we completed 24 debt financing transactions, with a total amount underwritten of RMB10.5 billion. Our debt financing business has expanded rapidly.

The following table sets forth certain details of some of the debt financing transactions in which we acted as a lead or co-lead underwriter during the Track Record Period:

Year	Issuer	Underwritten amount	Industry	Type
		(RMB in million)		
2012	Tongliao City Investment Group Co., Ltd. (通遼市城市投資集團有限公司)	2,000.0	City construction and investment	Enterprise bonds
2013	Zhongchang Hengyuan Holdings Co., Ltd. (中昌恒遠控股有限公司)	150.0	Information technology	SME private bonds
2013	Tongliao City Investment Group Co., Ltd. (通遼市城市投資集團有限公司)	1,000.0	City construction and investment	Enterprise bonds
2014	Hongze Guyan Water Resources Investment Co., Ltd. (洪澤縣古堰水利投資有限公司)	150.0	Infrastructure	SME private bonds
2014	Hongze Guyan Water Resources Investment Co., Ltd. (洪澤縣古堰水利投資有限公司)	150.0	Infrastructure	SME private bonds
2014	Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限責任公司)	250.0	Transportation	SME private bonds
2014	Haikou Meilan International Airport Co., Ltd. (海口美蘭國際機場有限責任公司)	250.0	Transportation	SME private bonds
2014	Sanya Phoenix International Airport Co., Ltd. (三亞鳳凰國際機場有限責任公司)	500.0	Transportation	SME private bonds
2014	Dalian Bonded Area Hongjia Logistics Co., Ltd. (大連保稅區弘佳物流有限公司)	100.0	Logistics	SME private bonds
2014	Zhejiang Enyou Manufacturing and Trading Co., Ltd. (浙江恩悠工貿有限公司)	200.0	Manufacturing and trading	SME private bonds
2014	Hongze County Sanhe New Village Construction and Development Co., Ltd. (洪澤縣三河新農村建設發展有限公司)	150.0	Construction	SME private bonds
2014	Tongliao City Investment Group Co., Ltd. (通遼市城市投資集團有限公司)	1,190.0	City construction and investment	Enterprise bonds
2014	Guangxi Baise Development and Investment Group Co., Ltd (廣西百色開發投資集團有限公司)	700.0	City construction and investment	Enterprise bonds
2015	Liuyang Urban Construction Group Co., Ltd. (瀏陽市城市建設集團有限公司)	750.0	City construction and investment	Enterprise bonds
2015	Ningxiang County Urban Development & Investment Co., Ltd. (寧鄉縣城市建設投資集團有限公司)	585.0	City construction and investment	Enterprise bonds
2015	Loudi Economic and Technology Development, Investment and Construction Co., Ltd. (婁底經濟技術開發投資建設有限公司)	800.0	City construction and investment	Enterprise bonds

We charge underwriting commissions and fees on debt financing transactions based on comparable market fee rates, the size of financing and market conditions. In 2013 and 2014 and the three months ended March 31, 2015, the average commission rate we charged for debt financing was 0.8%, 1.4% and 2.9%, respectively.

Financial advisory

We commenced providing financial advisory services in 2003. We provide our clients with various financial advisory services regarding a broad range of transactions, including, among others, public offering, M&A, asset restructuring and refinancing transactions. We charge advisory fees based on the type and size of the transactions as well as specific terms of each assignment.

Our fee and commission income for financial advisory services was RMB1.7 million, RMB6.1 million, RMB24.6 million and RMB14.3 million for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively, representing 0.2%, 0.4%, 1.1% and 1.3% of our total revenue and other income for the same periods.

During the Track Record Period, we served as the financial advisor in 25 transactions. We list below some key transactions:

- In 2013, we acted as a listing company's independent financial advisor in relation to its acquisition of 100.0% of equity interest in a mining company from seven counterparties;

- In 2014, we acted as Shanghai Ace Co., Ltd. (上海愛使股份有限責任公司)'s independent financial advisor in relation to its aquisitions of a technology company from three counterparties and the issuance of additional 91,900,310 shares to finance the aquisition; and

- In 2015, we acted as Henan Taloph Pharmaceutical Stock Co., Ltd. (河南太龍藥業股份有限公司)'s independent financial advisor in relation to its acquisition of 100.0% of equity interest in a Beijing medical technology company from two individuals and 49.0% of equity interest in a Hangzhou pharmaceutical company from a pharmaceutical investment management company, and the issuance of additional shares to finance the acquisitions.

In addition to financial advisory services related to public offering, M&A, restructuring and refinancing, we act as a chief agency broker and provide private companies with recommendation services to assist these entities to enter into the NEEQ (also known as the "New OTC Board") for share quotation and transfer. We charge advisory fees, which are determined by mutual agreement based on negotiations, for our recommendation services in line with market standards. During the Track Record Period, we recommended four private companies for share quotation on the NEEQ. We received fees of RMB0.6 million and RMB4.4 million for 2013 and 2014, respectively, for the recommendation services we provided. Most of our clients that we have recommended for NEEQ are SMEs with high growth potential and operate primarily in the technologies sector. In July 2014, we obtained relevant qualification to conduct market-making activities on NEEQ, which are carried out by our proprietary business.

We intend to continue to expand our NEEQ recommendation services to help SMEs enter into NEEQ for share quotation and transfer, and thereby, providing needed liquidity for their operations and growth through private placement on NEEQ. In particular, we intend to seek companies in the finance sector with growth potential to recommend for share quotation and transfer on the NEEQ. Through our offering of diversified follow-up services, including financing and M&A, as well as the implementation of rigorous screening standards for new customers, we hope to establish long-term business relationships with our potential clients.

RESEARCH

We established our research center in Shanghai to better service our customers in Inner Mongolia and elsewhere in China. Our research team covers macro-economic analysis, industry sectors and listed companies, investment strategies, financial innovation and QFII-related services. Our research team provides valuable support to each of our business lines, such as our proprietary trading, asset management and investment banking businesses. In addition, our research team provides research reports and regular updates to our brokerage customers, assisting them in identifying and evaluating investment opportunities.

As of March 31, 2015, our research team consisted of 10 research analysts, of whom three held doctorate degrees, four held master's degrees and the remaining held bachelor's degrees. In addition, eight of our research analysts hold professional qualification in securities investment consulting. In addition, our research analysts attend professional training programs to enhance their research expertise. In addition, we offer in-house training programs at the corporate and department levels to encourage our research analysts to continuously enhance their research expertise. We organize numbers of professional training courses annually for our research personnel. At the department level, we also invite third-party professionals to hold lectures periodically. Training expenses for our research personnel accounted for 0.7%, 0.7%, 0.3% and 0.1% of our labor cost for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

MAJOR CLIENTS AND SUPPLIERS

We provide services to a diverse base of individual and institutional clients. Our major clients are mainly financial institutions, large-, medium- and small-sized enterprises, institutional investors and individual clients. Substantially all of our clients are located in the PRC, primarily Inner Mongolia. Please see the section headed "Risk Factors — Risks relating to Our Business — We face the risks of concentration of customers and business in Inner Mongolia and Northeastern China" for further information.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, revenue attributable to our five largest clients accounted for less than 10.0% of our total revenue and other income. To the knowledge of our Directors, none of our directors, supervisors, their respective associates or any shareholders holding more than 5.0% of our issued share capital has any interest in any of our five largest clients as of the Latest Practicable Date.

We have no major suppliers due to the nature of our business.

We have no material long-term agreements with customers or suppliers.

INFORMATION TECHNOLOGY

IT System

Our IT system is of vital importance to our operations as it performs transaction handling, customer service and risk management functions. In order to meet the developing needs of corporate governance and risk management, a specialized IT department has been established to be responsible for formulating and implementing IT policies, establishing IT standards, managing and supervising the IT divisions of our various branches and providing technological support to them.

Our Information technology headquarters primarily perform the following functions:

- *Operation monitoring*: Our IT operation monitoring team monitors the operation of our business activities, such as brokerage, asset management, proprietary trading and margin financing and securities lending, through our integrated transactional, account and unusual trades monitoring modules, enabling us to monitor sales and trading, account opening and changes in employee authorization levels in our branches.

- *Maintenance*: Our IT maintenance team performs comprehensive maintenance, malfunction resolution, service centers and emergency handling functions.

- *Systems support*: Our IT systems support team is responsible for the planning, design, establishment and maintenance of our application systems to ensure their safety, functionality, reliability and efficiency. It is also responsible for the systems management and upgrades.

- *Research and development*: Our IT research and development personnel are responsible for conducting thorough analyses on new technologies and developing in-house applications and systems.

- *Internet safety and security*: The IT safety and security team is in charge of the establishment and management of our technology facilities, including computer rooms, Internet environment, operating systems and data center.

- *Integrated management*: Our integrated management team's key functions include, among others, personnel management, file management and IT systems procurement management.

We have established the following principal IT systems and platforms to support our business operations, risk control and management:

- *Centralized trading system*: Our centralized trading system is our core business system for our securities brokerage business that connects all of our branches and our clients in China and enables us to process and share data and information across our entire company, providing timely and accurate data for our business management, risk monitoring and support for decision-making.

- *Centralized account management system*: A comprehensive system that consolidates and manages all our clients' account information, including procedures and standards for clients' account opening.

- *Centralized administrative system*: Our centralized administrative system enables us to conduct effective human resources administration.

- *Online trading system*: Our online trading system is a business platform that provides online trading and market information updates to our clients through the Internet and various mobile devices.

- *Mobile applications*: Our mobile applications include Hengtai Jinyu Guanjia (恒泰金玉管家), Hengtai Zhangcai (恒泰掌財) and Hengtai Futures Zhangshang Caifu (恒泰期貨掌上財富). These mobile applications enable us to provide our clients with more convenient trading and wealth management services, covering account opening, transaction execution, securities and futures trading, sale of financial products, account management, notice and research reports circulation.

- *Risk monitoring and management system*: Our risk monitoring and management system monitors the operations of our various business units, including trading activities of our securities brokerage business, and effectively manages associated risks by issuing real-time risk warnings.

- *Client relationship management*: The client relationship management system provides support for our client services, product promotion and sales and marketing efforts.

We utilize systems and equipment developed by third-party IT providers and place strong emphasis on maintaining and upgrading our IT equipment on a timely basis. We believe IT infrastructure and information systems are essential for the effective management and successful development of our business and strive to improve our IT infrastructure and applications.

We rely primarily on third-party developers or providers for our IT equipment, system and software. In 2012, 2013 and 2014 and the three months ended March 31, 2015, we incurred IT-related expenditures of RMB20.5 million, RMB42.9 million, RMB47.0 million and RMB4.3 million, respectively, for the purchase of IT systems and software and RMB25.0 million, RMB29.7 million, RMB31.5 million and RMB7.5 million, respectively, for the maintenance of IT systems and software.

IT Risk Management

We monitor our various trading activities, such as brokerage and margin financing and securities lending, on a real-time basis, and monitor post-settlement transactions, customer accounts and financial risk control indicators to manage our risks. We also utilize quantitative benchmarks to calculate and analyze various risk management measures, such as the scale of high-risk businesses, investment concentration, stop-loss thresholds and risk limits.

We have utilized various IT safety controls, including firewalls, data encryption and intrusion detection, client identity verifications, SSL certificates and mobile number-linked passcodes, to enhance our information safety and ensure smooth operation of our IT system, especially our online trading portal and electronic securities platform. In order to reduce risks from system failures, we have adopted measures to back up data for our key systems on a real-time basis. In addition, we maintain data recovery centers in Shanghai. During the Track Record Period, we did not experience any IT-related incident or failure.

MANAGEMENT OF LIQUIDITY AND LEVERAGE RATIO

The management of liquidity and leverage ratio is essential to the success of our business. Our liquidity management emphasizes on ensuring sufficiency of liquidity and safety of capital, while actively capturing opportunities to increase return on short-term funds. We seek to improve our return on equity by determining a leverage ratio suitable for our business.

We have established a comprehensive budget system to forecast our cash flows and estimate our funding requirements for business expansion and other investments. In order to meet our short-term cash flow needs, we conduct repurchase transactions in both the exchange market and interbank market. In order to meet our Net Capital requirements, we have also adopted strict liquidity management measures, which require us to conduct stress testing on our overall liquidity and other financial indicators before making any capital investments.

In addition to liquidity management, we also actively manage our capital structure and financing channels. We intend to actively broaden our debt financing channels to increase our financial leverage. We also intend to continue to improve our capital structure through margin and securities refinancing, issuances of corporate bonds and short-term commercial paper, as well as other financing channels.

In September 2013, our Shareholders authorized us to issue short-term commercial paper not exceeding 60.0% of our Net Capital. On April 25, 2014, the PBOC approved that we may, issue short-term commercial paper with an aggregate outstanding balance of up to RMB2.1 billion within a one-year period. We issued the first tranche of short-term commercial paper in a principal amount of RMB700.0 million on May 26, 2014, with a term of 91 days and an interest rate of 4.9%, in the national interbank bond market through a bidding process. As of March 31, 2015, we had issued six tranches of short-term commercial paper in a total principal amount of RMB4.0 billion, and we had fully paid the first four tranches of short-term commercial paper in a total principal amount of RMB2.8 billion. We used the proceeds raised from the short-term commercial paper for replenishing our working capital.

In addition, at a shareholders' meeting on October 28, 2014, our shareholders authorized us to issue long-term subordinated bonds up to RMB1.5 billion based on our liquidity needs and subject to regulatory approval. We issued the first tranche of subordinated bonds in a principal amount of RMB1.0 billion on November 11, 2014, with a term of five years and an interest rate of 6.9%. We issued the second tranche of subordinated bonds in a principal amount of RMB300.0 million on December 16, 2014, with a term of five years and an interest rate of 6.54%. We issued the third tranche of subordinated bonds in a principal amount of 200.0 million on January 30, 2015, with a term of five years and an interest rate of 6.7%. We retain the right to redeem these three tranches of subordinated bonds at the end of the third year as of their issuance, respectively.

In April 2015, we issued another tranche of short-term commercial paper with an aggregate face value of RMB700.0 million and an interest rate of 4.65% per year.

Between April 1 and June 29, 2015, we issued beneficiary certificates with an aggregate principal amount of RMB1,795.3 million with interest rates ranging from 6.0% to 7.1%, which are repayable within a period between 90 days to two years. On July 20, 2015, we repaid beneficiary certificates in an aggregate principal amount of RMB200.0 million with an interest rate of 7.1% and a maturity period of 90 days.

On June 29, 2015, we issued subordinated perpetual bonds in the principal amount of RMB1.5 billion. The subordinated perpetual bonds have floating interest rates. Interest is payable on an annual basis. The initial interest rate is 6.80% per year, which will remain unchanged in the first five years following the issuance of the bonds. At the end of the first five-year term following the bonds' issuance, we have the option to extend the term of the bonds or redeem them. Holders of the bonds do not have the right to request us to redeem the bonds. If we choose to extend the term of the bonds after the first five years, the interest rate will become the initial interest rate plus 300 basis points, which will remain in effect for as long as the bonds shall remain outstanding. We are allowed to defer due and payable interest payment to the next interest payment date for an unlimited number of times. If we choose to defer interest payment, for as long as there is any deferred interest payment not yet paid in full, we are not permitted to pay dividends to ordinary shareholders or decrease our registered capital.

We have formulated a series of internal control policies regarding the principles, structure and duties of managing our own funds, and the budgeting, financing, usage and risk management of our own funds. We have also established a multi-level authorization mechanism and formulated policies regarding management, approval and appropriation procedures for the use of our own funds. These policies are established to form a comprehensive fund management system, to further enhance our funds management, improve our funds allocation and operation efficiency and control our liquidity risk.

RISK MANAGEMENT

Overview

We establish the risk management system to reasonably allocate risk-based capital, limit risks to a tolerable level, thus maximizing our enterprise value and laying a solid foundation for our sustainable and healthy development. To be specific, we establish the risk management system to ensure compliance with laws and regulations, facilitate the implementation of our business strategies and developmental targets, prevent and control risks in a prudent manner and allocate resources reasonably to encourage sustainable development. Based on the effectiveness of our risk management and internal control system, the CSRC rated us "BBB" for three consecutive years from 2012 to 2014 and "A" for 2015. Please refer to the section headed "Regulatory Environment" for further information.

Our risk management system has the following characteristics:

- *Comprehensive and dynamic monitoring*: In light of regulatory requirements and our business needs, we have established a set of comprehensive risk control indicators to monitor, warn, report and manage the risks in our business. We have also developed a Net Capital-based risk monitoring system, by which we monitor our asset changes on a real-time basis. In addition, we are able to use the Net Capital-based risk monitoring system to analyze, evaluate, warn and report the risks in our business.

- *Efficient stress testing system*: We implement regular and *ad hoc* stress testing for the risks we face, and we have established an efficient working mechanism for stress testing, which enables us to determine reasonable capital allocations between different business lines, and prioritize capital for our key businesses.

Risk Management Principles

Our risk management principles include:

- *Comprehensive coverage*: Our risk management system should address each of the principal risks faced by our businesses, include all of our business departments and employees and cover the entire process of each business transaction;

- *Legal compliance*: Our risk management strategy shall be in compliance with relevant laws and regulations, the CSRC rules and our Articles and in line with our business scale, scope and long-term development strategies;

- *Efficiency*: Each of our branches, departments and employees should communicate and coordinate effectively among each other while streamlining the management process to address risk management issues in a timely manner; and

- *Separation of powers and independence*: Risk management functions are performed by independent departments to maintain checks and balances as well as a high degree of independence and authority.

Going forward, we intend to analyze and learn from the recent market volatility, and continue implementing prudent investment strategies and further enhancing market and regulatory policy research and study. In addition, we intend to further improve our overall risk management capabilities in the following areas:

- amend our business management rules and risk management measures for margin financing and securities lending business in line with the recent market development and regulatory requirements, and strengthen our risk identification and risk pricing abilities. We started to build client credit risk assessment system in August 2015 which is expected to be completed by the end of 2015. Through this system, we conduct quantitative risk analysis of our margin financing and securities lending clients in terms of investment experience, risk preference, asset status, age and profession and implement differentiated management for clients of different risk tolerance levels, and grant various credit amount by using different pricing standards;

- enhance the management of securities pool for our proprietary trading business to optimize investment portfolio, and test and inspect the quantitative module of risk indicators to increase the accuracy for market risk evaluation. We use VAR limits, standard deviation (標準差) and tracking error (跟蹤誤差) for risk assessment and evaluation. We have since August 2015 started backtracking inspection of VAR indicators and correcting and improving standard deviation and tracking error to increase the accuracy for market risk evaluation;

- improve the market risk monitoring functions of our IT system and increase data accuracy and efficiency to strengthen our risk identification capabilities. In July 2015, we reassessed the market risk monitoring functions of our IT system through the examination and testing of system threshold value (系統閥值) and risk indicators and continued to improve the monitoring function of our system by adding market risk indicators such as VAR value breach rate (VAR值突破率) and daily trading volume of securities traded through NEEQ market-making in our real-time monitoring system and requesting our system developer to optimize the calculation process of risk indicators by assigning different colors for different alert levels that established according to calculation results of various indicators and increasing the calculation frequency of certain risk indicators, such as increasing the calculation frequency of net capital from monthly to daily to increase the data accuracy. In August 2015, we conducted assessment and analysis of the data source and implemented overall management of data sources for market risk monitoring system, trading system and evaluation system through the centralized collecting and managing of market risk-related trading data and market information data by our IT system, and carried out cross-examination between data of different systems to increase the data accuracy;

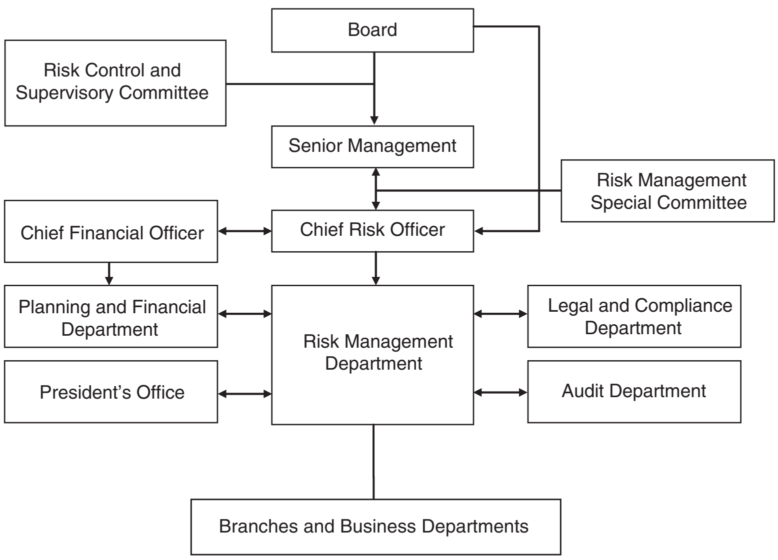
- strengthen the market risk monitoring and alerting functions of our risk management department by adding market risk indicators such as VAR value breach rate (VAR值突破率) and daily trading volume of securities traded through NEEQ market-making in our real-time monitoring system and increasing the calculation frequency of certain risk indicators, such as increasing the calculation frequency of net capital from monthly to daily and improve the communications between the business department and senior management by increasing the number of times for sending risk alerts and risk reports; and

- enhance the risk warning and response mechanism. We use various indicators such as VAR limits, standard deviation (標準差) and tracking error (跟蹤誤差) for risk warning. To enhance our risk and response mechanism, we have since August 2015 started (i) backtracking inspection of VAR indicators to improve our module, (ii) reassessment of relevant market risk indicators such as VAR limits, standard deviation and tracking error; and (iii) input of relevant market data into our system to conduct comparison between our risk indicators and market data. These work are expected to be completed in October 2015. Based on the improved risk warning mechanism, we plan to send risk alert to relevant departments when risk indicators reach the warning level, and request such departments to take measures correspondingly.

Risk Management System

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 our operational needs, we have established a risk management structure which includes the Board, the risk control and supervisory committee, the senior management, the chief risk officer, the chief financial officer, the risk management department and other departments performing risk management functions, the risk management personnel in the business departments and at the branch level.

The organizational structure of our risk management is illustrated below:



Board

The Board is at the highest level in our risk management structure and is ultimately responsible for establishing an effective risk management environment. Its main responsibilities include:

- developing and determining the overall risk management strategies and targets, risk management policies and internal control systems;
- developing and determining the overall risk preference and risk tolerance policies and defining and establishing the risk exposure management system in accordance with our business strategies and shareholder risk tolerance level;
- authorizing risk management responsibilities to other functional departments; and
- overseeing and reviewing the risk management work at the senior management level.

Risk Control and Supervisory Committee

The Board also performs its risk management duties through the risk control and supervisory committee, which is responsible for:

- formulating and submitting the overall risk management policies for Board's review and approval;
- reviewing and determining our risk management rules and monitoring the implementation of such rules;
- analyzing limits for major risks, and reviewing and evaluating the judgment criteria for major decisions, risks, events and businesses; and
- formulating our stress testing policies and facilitating the establishment and implementation of such policies.

As of March 31, 2015, our risk control and supervisory committee comprised three members and was led by Mr. Ju Jin (鞠瑾). These members had an average of over nine years' working experience in financial and securities industry and two of them held master's or higher degrees.

Senior Management

The senior management performs risk management responsibilities through the risk management special committee, which is responsible for:

- formulating risk control policies to be implemented by our branch offices and subsidiaries;
- reviewing our risk control rules and procedures;
- reviewing and evaluating the risks for new product, new business and major investment and issuing the risk evaluation report;
- establishing and improving the dynamic risk monitoring system and issuing dynamic project risk analysis report;
- evaluating the existing risks and our risk management capabilities, and preparing recommendations to improve our risk management and internal control;
- reviewing risk management incidents reported by business departments where the President in charge deems a risk control meeting is necessary;
- implementing Board's risk management strategies, targets and policies;
- implementing the risk tolerance policies and risk quota authorized by the Board, allocating risk quota to business departments, and supervising and inspecting the implementation of risk quota and risk tolerance policies by the business departments; and
- establishing emergence plan for major risk disposal.

As of March 31, 2015, our risk management special committee comprised four members and was led by Ms. Yu Fang (于芳). These members had an average of over ten years' working experience in financial and securities industry and one of them held master's or higher degrees.

Chief Risk Officer

Our chief risk officer Ms. Yu Fang (于芳) is appointed by the Board to be in charge of our overall risk management and compliance. Ms. Yu Fang (于芳) also holds the position of chief compliance officer. The chief risk officer is a member of our major decision-making team and responsible for:

- making independent, prudent and timely judgment with respect to our overall risk management work;

- collaborating with each business department to manage risks and facilitating the cultivation of our risk management culture;
- leading and organizing the formulation of overall risk tolerance and risk preference policies and risk quota;
- leading and organizing the development and update of risk management system;
- reporting to the Board, the Supervisory Committee, the risk control and supervisory committee and our senior management with respect to our asset quality and risk management work;
- organizing the implementation of risk management measures according to the Board and senior management's resolutions and work requirements; and
- communicating with regulatory authorities regarding our risk management work.

In addition, the chief risk officer has the right to attend relevant meetings to ensure full awareness of relevant information, and request relevant business departments to provide information related to their operation and management plan and execution status. Furthermore, the chief risk officer may request the legal and compliance department or audit department to conduct inspection on potential or existing risk issues, and report the inspection result to the Board and senior management or relevant regulatory authorities. Shareholders and directors of our Company may not directly give orders to the chief risk officer or interrupt her work.

Risk Management Department and Other Related Departments at Headquarters

Risk Management Department

The risk management department is composed of one general manager, one deputy manager and five risk management personnel, who are responsible for reviewing and evaluating the risks of various businesses, as well as supervising the daily risk management activities of our branches and business departments. It is primarily responsible for:

- drafting overall risk management implementation plan and annual work plan and assisting the draft of the overall risk tolerance and risk preference policies and risk quota;
- facilitating the establishment of risk management information system, determining the applicable parameter and standards and collecting and managing risk information;
- reviewing risk management rules, procedures, product plans and manuals, pricing methods, transaction strategies and models submitted by business departments;
- monitoring risks of subsidiaries, branches and business departments, and timely addressing the issues discovered;

- reporting the risks identified during risk management in a timely manner, making risk management recommendations and assisting, guiding and overseeing the risk management performance of various branches and business departments;
- conducting risk management performance review to prevent high risk activities; and
- organizing the analysis of major risk and formulation of solutions.

Our risk management department is led by Mr. Zhang Song (張松), who has worked in the risk management department with a total working experience of over 21 years in the securities industry. As of March 31, 2015, the risk management department had seven staff. Members of our risk management department generally have over eight years of experience in the securities industry and were qualified to engage in general securities business.

Legal and Compliance Department

Our legal and compliance department assists the chief risk officer in:

- formulating our compliance policies and facilitating the implementation of such policies and relevant PRC regulations;
- providing compliance recommendations and advice to our management, business departments and branches;
- supervising and inspecting the legal aspects of our business operations and compliance;
- supervising our departments and branches in adjusting and optimizing our internal management systems and business process according to changes in applicable laws, regulations and standards; and
- organizing the implementation of an anti-money laundering and "Chinese Wall" rules and submitting regular and *ad hoc* reports to the regulatory authorities.

Our legal and compliance department is also led by Mr. Zhang Song (張松). As of March 31, 2015, the legal and compliance department has eight members with an average of 14 years of relevant experience. One of them hold a master's or a higher degree and the remaining hold a bachelor's degree. In addition, six of them have passed the Exam on Compliance Management Capability of Securities Companies (證券公司合規管理人員勝任能力考試), and two of them have passed the PRC National Judicial Examination (國家司法考試).

Audit Department

Our audit department is responsible for, by the way of internal audits, reviewing and evaluating 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 capital, as well as issuing remedial advice to the relevant departments and branches.

Our audit department is led by Ms. Yang Xia (楊霞), who has over 33 years of relevant experience. As of March 31, 2015, this department had 12 members with an average of 17 years of relevant experience. 11 of them hold a bachelor's degree. Three members of our audit department are also professional accountants.

Other Departments Performing Risk Management Functions

Our other departments performing risk management functions at our headquarters include the planning and financial department, the human resources department, the IT department and president's office. In addition to providing back-office support to our various subsidiaries, branches and business departments, they also perform risk management responsibilities such as identification, evaluation and monitoring liquidity risk, human resources attrition risk, IT risk and external investment risk.

Risk Management at Business Department and Branch Level

The general manager of each branch and business department is responsible for the branch and business department's overall risk management work, operation safety and compliance management. In addition, we have a compliance manager at each business department and branch who is responsible for risk identification and compliance management of the branch.

Monitoring and Management of Major Risks

We monitor and manage the credit risk, market risk, liquidity risk, compliance and legal risk and operational risk in our businesses.

Credit Risk

Credit risk refers to the risk resulting from the failure of a debtor or counterparty to timely perform its contractual obligations.

To minimize the credit risk, we have adopted the following measures:

- *Frontline initial risk management*: Each business department and branch performs the initial risk assessment regarding customer credit report, payment method, credit limit and collection. Our risk management department monitors the relevant credit risk together with each business department and branch to control our overall risk exposure;

- *Due diligence*: We conduct thorough and in-depth due diligence on each counterparty according to our well-established due diligence mechanism and prepare a comprehensive due diligence report, which forms the basis of our investment decision;

- *Market monitoring*: Our risk management department monitors the markets daily for our fixed-income investments, margin financing and securities lending, securities-backed lending and other businesses, and collaborates with each business department to manage collateral. Please see "— Internal Control Measures — Capital-based Intermediary Business — Margin Financing and Securities Lending Business" and "— Internal Control Measures — Capital-based Intermediary Business — Securities-backed Lending" for further information;

- *Counterparties management:* For counterparties with high credit risks, our business department ends or reduces the scale of our business transactions with them or requires such counterparties to provide additional credit support. If a counterparty fails to meet our credit policies or credit limits due to material changes in its credit-rating, our business department performs analysis in a timely manner and proposes solutions to lower the relevant credit risks. Our risk management department monitors the credit risk for relevant businesses, and jointly with various business departments, establishes a "blacklist" database for counterparties with bad credit history; and

- *Credit-rating management*: We have an internal credit-rating management mechanism for our debt securities trading. Our own rating system is primarily based on the ratings of leading rating agencies in the market. Prior internal approvals are required for investments in debt securities that do not meet our rating thresholds. Approvals at different levels are required for investments exceeding or below certain investment amounts.

Market Risk

Market risk refers to the possibility of loss or decreasing in income resulting from the overall or partial change of the market, including the risk of price fluctuation in equity-based assets, interest rate risk and exchange rate risk. Our market risk mainly exists in our proprietary trading business.

We have established an integrated risk management system, which consists of risk management rules, IT system, indicator systems, authorization mechanism, monitoring and reporting procedures to monitor and manage our market risk.

- risk management rules: we have established and implemented internal rules on market risk management and market risk indicator monitoring. In addition, the risk management rules for each of our business lines also include provisions relating to market risk identification, evaluation and monitoring.

- IT system: we started to develop our IT system in 2014 and have basically completed the market risk management module, enabling us to effectively monitor and calculate market risk for each of our business lines.

- indicator systems: we have established strict scale control system, including the overall scale control and stop-loss point control. We also regularly evaluate and analyze the market risk based on various quantitative indicators, such as risk value, risk exposure and risk sensitivity.

- authorization mechanism: we have established a decision-making and authorization system with different authority levels having different investment authorization limits.

- monitoring and reporting: our risk management department has designated specialized personnel to be in charge of monitoring the risk exposure of relevant business lines and sending risk alert to relevant business departments, and reporting to our chief risk officer, risk management special committee and the Board when necessary, and taking measures independently to address to such risks.

Specifically, to minimize market risk, we have adopted the following measures:

- Our risk management department monitors the implementation of market risk exposure limits. If our market risk exposure has reached warning levels, our risk management department reports to the relevant business department, management personnel in charge of the business department, our chief risk officer and the senior management of our Group. The relevant business department is required to address the issue within a set period of time and report the results to our risk management department. In addition, our risk management department will follow up on the results.

- Our risk management department designates personnel to monitor on a real-time basis the percentage that the investment amounts of our equity, fixed-income, derivatives and other products represent compared to our Net Capital. They also focus on risk indicators such as industry concentration and portfolio positions.

- We assess market risks thoroughly prior to engaging in an innovative business line. Proprietary trading on our own account may proceed only after our risk management department conducts a stress test and proposes a market risk exposure plan.

- Our risk management department establishes a work process for our investment business to monitor the markets daily, reports regularly, and calculates risks of specific positions, portfolios and risk profile of an investee company.

- We use pre-determined stop-loss points to control risks relating to equity investment. When a stop-loss point is reached, our risk management department sends a risk alert to the relevant business department, and the business department will address the risk and report back to the risk management department.

In light of the significant market volatility beginning in the second quarter of 2015, we have closely monitored market developments and adjusted our operations accordingly in order to control and minimize our risk exposure. We have prudently controlled the scale of our proprietary trading business in equity securities and enhanced our investment portfolio to focus on quality investments with relatively low risk exposure. We reduced our holding in equity securities in June 2015 and up to July 8, 2015 when the CSRC issued its requirement for securities companies not to further reduce their equity holdings. Our trading volume for equity securities decreased from RMB426.4 million for June 2015 to RMB231.1 million for July

2015 and increased to RMB372.5 million for August 2015, and our trading volume for debt securities increased from RMB13,284.5 million for June 2015 to RMB24,705.8 million for July 2015 and further increased to RMB26,157.8 million for August 2015 primarily as a result of our efforts to enhance our investment portfolio to focus on quality investments with relatively low risk exposure. Our proprietary trading volume increased from RMB72,550.4 million for the five months ended August 31, 2014 to RMB97,316.1 million for the five months ended August 31, 2015, primarily reflectingour increased proprietary trading activities. We have been increasing our holding in debt securities since late June 2015. As a result of these proactive measures to manage our market risks, the Beta-coefficient of our investment portfolio has been consistently under one, which means that our investment portfolio is less volatile compared with the overall market. Our strict adherence to our risk management and internal control policies help to ensure our risk exposure is under control, particularly when market indices are on the decline.

As for our margin financing and securities lending business, we require clients to provide security deposit for their margin financing and securities lending. Under the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange and Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange, the security deposit amount required for margin financing and securities lending may not be less than 50.0%, which is calculated by dividing the security deposit amount by the margin trading volume. We stipulated in our internal rules for margin financing and securities lending that the security deposit amount shall not be less than 50.0%. In practice, we generally require our clients to provide 60.0% of security deposit for their margin trading. On June 15, 2015, we increased the security deposit amount required for margin financing from 60% to 70% of the loan amount, which reduced the leverage undertaken by our customers and lowered our risk exposure. When the market is experiencing unusual volatility, our risk management department monitors market risks more closely and report to our chief risk officer and management team of our Group more frequently to ensure members of our management team are fully aware of market developments in order to manage and respond to our risk exposure in a timely manner.

Liquidity Risk

Liquidity risk refers to the risk of whether the assets can be liquidated to repay debts in a foreseeable period without value depreciation.

In order to minimize liquidity risk, we have adopted the following measures:

- Our risk management department imposes liquidity risk exposure limits based on the scale, nature, complexity, liquidity risk preferences and market developments relating to each business line, and monitors the implementation of these risk management measures closely. We also monitor any impact that credit risk, market risk and operational risk may have on liquidity risk, and require reporting to our chief risk officer when any material adverse change in credit, market or operational risk indicators may affect liquidity. Our risk management department conducts semi-annual liquidity risk stress tests to analyze our ability to withstand short-term and long-term liquidity pressure.

- Our planning and financial department monitors and analyzes the matching of our assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of our capital resources, high-quality liquid assets and market liquidity. When anything abnormal is detected, our planning and financial department reports to our chief financial officer, chief risk officer and risk management special committee, and at the same time strengthens the management of our liquidity during operating hours to maintain adequate liquidity position and related financing arrangements. Our planning and financial department establishes effective emergency plans for liquidity risks, taking into consideration the scale, nature, complexity, risk levels and organizational structure of our business and results from stress tests, to ensure we are able to meet liquidity requirements in emergencies.

Compliance Risk and Legal Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, self-discipline penalties and loss of property or reputation among securities firms because the business activities or employee conduct violate laws, regulations or rules.

We have established an effective sound compliance risk management system and compliance management organizational system. In order to promote the compliance management of the securities industry, we set up the legal and compliance department at an early stage, actively explored various models of compliance management and conducted effective management through compliance review, monitoring, examination, supervision and training. In addition, we have formulated and implemented comprehensive procedures for responding to and settling complaints and disputes. We have also established internal policies on engagement of external attorneys in the course of our operation or dealing with disputes and legal proceedings when necessary.

Operational Risk

Operational risk refers to the risk of financial loss resulting from the improper operation in transactional processes or the management system.

- Our risk management department is responsible for establishing operational risk indicators and exposure limits and monitors our Group's operational risk on a real-time basis. When an operational risk is detected, our legal and compliance department sends a risk alert to the relevant department or branch to address the risk and provide feedback.

- Each business department and branch is required to report all operational risks discovered in their business operations.

- Each business department and branch is required to strictly adhere to internal operational procedures in conducting business operations, and establish relevant positions and perform internal review process according to internal control requirements.

- Each business department and branch is required to conduct regular and specific training on operational risks to employees.

The CSRC issued the Opinions on the Cleanup and Rectification of Illegal Securities Business Activities on July 12, 2015. In response, we organized relevant departments, including client accounts management department and asset management department to conduct an overall self-inspection of external systems that have access to our information system and clients' accounts in July 2015. As of the Latest Practicable Date, we had completed the self-inspection and had not found any non-compliance in terms of external system access and client account opening. In addition, we enhanced our risk management by (i) implementing different security measures for different external access system, such as designated line system, VPN system and Internet; (ii) standardizing the external access and interface management and strengthening the testing before external access to our information system; and (iii) strictly complying with the identity verification procedures for securities account opening, including conducting identity verification to ensure the identity consistency between the bank account and securities account, prohibiting the provision of client's bank account and securities account for others to use, and informing clients of the regulatory requirements on opening securities accounts under real names and consequences for any non-compliance.

INTERNAL CONTROL MEASURES

We have implemented a series of risk management and internal control measures to manage the specific risks relating to our business activities.

Securities Brokerage Business

In order to ensure that our securities brokerage business and branch operations are in compliance with the relevant laws and regulations and to standardize the operations of our securities brokerage business, we have formulated comprehensive internal rules and guidelines for our securities brokerage business. As of March 31, 2015 and the Latest Practicable Date, we did not experience any unauthorized trade or serious trade error committed by our employees or other misconduct committed by our representatives, agents and clients that had a material adverse effect on our business, financial condition or results of operations.

The key risks we monitor for our brokerage business include credit risk, operational risk and compliance risk. We manage these risks primarily through the following measures:

- *Three-level internal control system*: We have established a three-level internal control system comprising the compliance inspection, real-time monitoring and on-site auditing by legal and compliance department and audit department, integrated management of sales, operation center, information technology center and electronic trading system by brokerage business department and the direct compliance and financial administration by our Group through compliance managers at various branches.

- *Standardizing management of service counters*: We have strict rules for verifying client identity, preserving information, as well as opening and reexamining client accounts, among other measures, and have established supervision and inspection mechanisms for opening and re-examining client accounts.

- *Understanding the risk profile of our clients*: We evaluate the risk profile of our clients based on a combination of factors, such as their financial condition, investment experience and investment preferences. In addition, we use our proprietary risk tolerance assessment system and our proprietary risk tolerance questionnaire to assess the risk tolerance of our clients, and in order to match the needs of our clients with the financial products.

- *Third-party custody of client funds*: In accordance with the relevant laws and regulations regarding the custody of client funds, we require brokerage branches to maintain accounts with qualified commercial banks and authorized financial institutions to hold client deposits. We also prohibit our sales and marketing personnel and our back office personnel from managing customer accounts or handling customer deposits to minimize the occurrence of improper trading.

- *Real-time monitoring system*: Through our IT system, we are able to monitor client transactions on a real-time basis and detect unusual and irregular trading activities. Our dedicated personnel conduct real-time monitoring of our branches with respect to account openings, security of funds, authority limits of tellers and irregularities in client trading.

- *Centralized management*: To prevent misappropriation of client funds, we have centralized client transactions and client data backup, and have centralized the management of the securities brokerage trading systems of our branches with respect to authority limits and parameters. In order to enhance the security of clients' funds, we settle and clear client funds centrally through our headquarters.

- *Segregation of front and back offices*: We supervise and manage the front office and the back office of our branches separately. We have a dedicated internal control team to manage the authority limits and duty assignment for our employees. The auditing, settlement and risk management personnel of our back office are prohibited from participating in sales and marketing, managing client accounts or handling client deposits.

- *Segregation of businesses*: We require our securities brokerage business to be segregated from other businesses with conflicts of interest, such as research and proprietary trading. Key functions, such as account-opening, withdrawal and transfer of funds, accepting delegation from clients and clearing and settlement should be properly segregated. We separately handle and manage our customers' funds and our own funds. Our IT system for our securities brokerage business and other businesses with conflicts of interest are mutually independent or physically separated. We also maintain the confidentiality and segregation of sensitive information in our securities brokerage business. We take measures to prevent the securities brokerage staff from improperly releasing clients' information, inducing clients' transactions, or taking unfair advantage of the clients' information for the improper interests of our other business departments or their employees.

- *Regular and special audits and compliance inspections*: Our audit department, legal and compliance department and risk management department conduct regular and special audits and inspections on our brokerage business department and branches with respect to their internal controls, legal compliance, daily operations, financial and accounting management and business performance.

- *Highlighting risks to investors*: We continue to strengthen investor education and improve the risk highlighting functions of our trading system in order to improve investors' risk awareness and risk management capabilities, for example, if an investor fails to provide complete information to prove his identification and risk tolerance status, we alert such investor relevant risks by requesting him to read and sign risk disclosure letter related to potential non-compliance.

- *Mechanisms for follow-up calls and handling client complaints*: We have established a coordinated client service platform to make follow-up calls for some clients. Meanwhile, we prominently display information about the hotlines, email addresses and faxes that handle client complaints at our website and our branches, to ensure the concerns of our clients are handled properly and in a timely manner.

Capital-based Intermediary Business

Margin Financing and Securities Lending Business

The key risks we monitor in our margin financing and securities lending business include credit risk, interest rate risk, operational risk and compliance risk. We also manage the market risk and liquidity risk related to this business. To monitor and manage these risks, we have established a centralized internal control system, which is similar to the internal control system for our securities brokerage business and includes centralized management, separation of businesses, and front and back offices, real-time monitoring, and multi-level authorization.

- *Risk reserves*: To respond to any default incidents that may happen, we annually retain 0.5% of the balance from our margin financing and securities lending business as risk reserves. As of March 31, 2015 and the Latest Practicable Date, we had not encountered any material default by our margin financing and securities lending clients that requires the use of such reserves.

- *Scale control*: The real-time monitoring system to control the scale of our margin financing and securities lending business is based on predetermined parameters benchmarking against our Net Capital. We seek to prevent our business from excessively concentrating on any single client or stock. In general, we conduct our margin financing and securities lending business in accordance with the following predetermined parameters: (i) the scale of business from any single client of margin financing may not exceed 4.0% of our Net Capital (which is lower than the maximum of 5.0% required by the PRC regulatory authorities); (ii) the scale of business from any single client of securities lending may not exceed 4.0% of our Net Capital (which is lower than the maximum of 5.0% required by the PRC regulatory authorities); and (iii) the market value of any single stock collateral we receive from clients may not exceed 20% of such stock's total market capitalization.

- *Multi-level credit review system*: To manage client credit, we have set up a multi-level review system that involves both the various branches and the relevant department of our headquarters. Our branches are responsible for the preliminary review of credit information provided by our clients in order to understand clients' identities, properties owned and income, investment experience and risk appetite. The credit information of eligible clients will then be reviewed by our margin financing and securities lending department in our headquarters.

- *Stringent client selection*: We will not accept applications for margin financing and securities lending from clients who fail to satisfy the following criteria: (i) providing relevant information as required; (ii) having at least six-month continual trading history with us; (iii) depositing transaction settlement funds under a third-party custody; (iv) meeting our minimum account assets requirement of RMB500,000; (v) possessing adequate experience in securities investment; (vi) having the appropriate level of risk tolerance and having no material default record; and (vii) not being our Shareholders and affiliated persons. We determine clients' credit ratings and credit limits based on the credit information they provide.

- *Client classification based on credit ratings*: We classify our clients into eight levels of credit ratings, on which we determine the credit lines of the clients. We reject any applications for margin financing and securities lending from clients who fail to obtain the lowest credit rating. We track and assess the credit condition of clients engaging in margin financing and securities lending business on an ongoing basis. In case of any material change in client credit condition, we will re-evaluate his or her credit rating and decide whether to continue granting credit or to adjust the credit limit for the client.

- *Real-time monitoring*: We monitor the collateral ratio of clients engaging in margin financing and securities lending business on a real-time basis and close out the client's position if necessary. The collateral ratio is calculated as the ratio of the client's total account balance, which includes cash and securities held, to the client's margin balance, which is the sum of margin loans extended, the securities sold short and any accrued interests and fees. We send alerts to clients whose accounts are under the alert level (i.e. client accounts with collateral ratio below 150% but not lower than 130% upon day-end clearing). We send margin calls to clients whose accounts are under the liquidation level (i.e. client accounts with collateral ratio lower than 130% upon day-end clearing) restricting them from conducting margin financing and securities lending activities and other securities purchase activities requesting them to increase their collateral ratios to 150% or above within the next two business days, failure of which will result in mandatory liquidation of their trading positions.

In response to the Detailed Rules for the Implementation of Margin Trading of the Shanghai Stock Exchange and the Detailed Rules for the Implementation of Margin Trading of the Shenzhen Stock Exchange which took effect on July 1, 2015, we have started to draft amendments to our internal rules and procedures for our margin financing and securities lending business in July 2015, and submitted them for internal review and approval by our senior management or our Board. These amendments are expected to be approved in early October 2015. These amendments mainly include:

- Clarification of account-opening criteria: (i) individual or ordinary institutional investors must have at least six-month continual trading history with us, with an average daily securities asset of not less than RMB500,000 for the 20 trading days immediately preceding their application to engage in margin financing and securities lending with us; (ii) professional institutional investors are not required to meet the requirements under (i) above; and (iii) no credit transaction account can be opened for our shareholders or affiliates.

- Management of credit period extension: The credit periods of our margin financing and securities lending are generally under six months and may be extended for a term of not over six months as applied by our clients. We make decision as whether to grant such extension based on the clients' credit ratings and mandatory liquidation records.

- Amending provisions on the concentration and discount rate for collaterals to reduce risk exposure of certain securities, including:

    - adding provisions on the concentration of collaterals to limit clients' buying of certain securities. The limits are based on their collateral ratio and concentration level in certain securities (where the collateral ratio is greater than or equal to 180%, the concentration level in a single security may be up to 80%; where the collateral ratio is lower than 180%, the concentration level in a single security shall be lower than 80%; where the collateral ratio is lower than 170%, the concentration level in a single security may not exceed 70%; and where the collateral ratio is lower than 165%, the concentration level in a single security may not exceed 60%). We impose these limits to diversify our clients' collaterals and mitigate the impact of market risk by reducing the overall volatility of clients' collaterals; and

    - adding provisions on the dynamic discount rate for collaterals (where the price of a single security increases more than 100% for the most recent month, the discount rate for such security shall be lowered by 10%; where the fluctuation range of a single security exceeds 100% for the most recent month, the discount rate for such security shall be lowered by 5%; and where the exchange rate (换手率) of a single security exceed 200% for the most recent month, the discount rate for such security shall be lowered by 5%) to minimize the market risk by controlling and reducing the percentage of a security with high volatility in clients' collaterals.

- Determination of acceptable collaterals based on the collateral's fluctuation range and turnover rate within a month period.

- Revising the alert level of collateral ratio from 150.0% to 140.0%.

- Limit the use of funds raised by selling securities borrowed: Prior to the settlement of securities lending transactions, the investor may only use the funds raised by selling securities borrowed to: (i) purchase securities to repay securities borrowed; (ii) pay relevant interest or expenses related to margin financing and securities lending and cash compensation for equity interest related to securities lending; (iii) purchase or subscribe for the cash management products of securities companies, money market funds or other securities with high liquidity as permitted by the stock exchanges; and (iv) other purpose as permitted by the CSRC or stock exchanges.

The Shanghai Stock Exchange and the Shenzhen Stock Exchanges amended the Detailed Rules on August 3, 2015 with immediate effect. The amendments provide that an investor may repay any securities borrowed with securities to be purchased by such investor (買券還券) or through return of the same securities the investor currently holds (直接還券) no earlier than the next trading day after selling the securities borrowed from a securities company. In compliance with such amendments, we require that our clients may only repay any securities borrowed from us from the next trading day after selling the securities borrowed from us, and we further amended our internal control rules relating to securities lending to reflect such changes. The amendments to our internal control rules are expected to take effect in early October 2015 upon approval by our senior management or our Board.

Based on our risk management system, only certain basic risk management and internal rules regarding our main business lines are subject to the approval of our Board, including the Measures for Managing Margin Financing and Securities Lending Business (融資融券業務管理辦法). The amendments to the internal rules and procedures for margin financing and securities lending business in response to the recent regulatory changes are reflected in various rules related to margin financing and securities lending. Where the Measures for Managing Margin Financing and Securities Lending Business (融資融券業務管理辦法), which are the basic risk management and internal control rules regarding our margin financing and securities lending business, are affected, approval from the Board shall be obtained, otherwise only approval from the senior management is required. This approval procedure is in line with our risk management system and the regulatory requirements.

Securities-backed Lending

We monitor and manage liquidity risk, credit risk, operational risk and market risk with respect to our securities-backed lending business. We have established a stringent client selection and credit assessment system.

- *Multi-level credit review system*: Similar to our margin financing and securities lending business, our branches are responsible for the preliminary review of credit information provided by our clients in order to understand clients' identities, properties owned and income, investment experience and risk tolerance levels. The credit information of eligible clients will then be reviewed and monitored by our credit business department in our headquarters.

- *Stringent client selection*: We will not accept applications for securities-backed lending from clients who fail to satisfy the following criteria: (i) providing relevant personal information and materials as required; (ii) depositing transaction settlement funds under a third-party custody; (iii) meeting our minimum account assets requirement of RMB2.0 million for large loans; (iv) having no material default record and having "low" risk for money laundering; (v) having the appropriate level of risk tolerance; and (vi) having no mortgage or security imposed on the collateral. We determine credit ratings and credit limits based on the credit information they provide.

- *Client classification based on credit ratings*: We classify our clients into five-level (A, B, C, D or E) of credit ratings. We track and assess the credit condition of clients engaging in securities-backed lending on an ongoing basis. In case of any material change in the credit condition, we will re-evaluate client's credit rating and decide whether to raise the alert level or liquidation level, or request to repurchase their securities.

- *Real-time monitoring*: We monitor the collateral ratio of clients engaging in securities-backed lending on a real-time basis. The collateral ratio in securities-backed lending business was N/A, 185.0% and 292.0% for 2012, 2013 and 2014, respectively. We send alerts to clients whose accounts are under the alert class (generally with a collateral ratio below 150.0% for unrestricted stock and restricted stock, 130.0% for funds, treasury notes and enterprise bonds), requesting that they monitor their securities-backed lending accounts and take remedial measures if their collateral ratios continue to drop. Once their accounts drop down to the liquidation class (generally with a collateral ratio below 130.0% for unrestricted stock, restricted stock and funds, 120.0% for treasury notes and enterprise bonds), we send alert notices to clients, requiring them to either repay the loan we lent in part or in full and/or provide additional collateral, failure of which may lead to the mandatory disposal of securities pledged.

Futures Brokerage Business

We conduct our futures brokerage business primarily through our subsidiary, Hengtai Futures. Hengtai Futures has established its own internal control system, and has appointed a chief risk officer and established a settlement and risk control department and compliance and audit department to be responsible for its risk management. Hengtai Futures manages the risks related to the futures brokerage business through the following measures:

- *Account management*: During the process of opening an account, Hengtai Futures requires a strict review of the client's identity. After fully disclosing relevant risks associated with futures transactions to the clients, Hengtai Futures provides training and fully evaluates the suitability of the clients, and subsequently sits down with the client to sign the futures brokerage contract and other risk-disclosure documents. In order to ensure the services provided match the clients' interests, Hengtai Futures stipulates that strict procedures be followed in evaluating a client's creditworthiness.

According to the evaluation results, Hengtai Futures classifies the clients into different types, and provides suitable services and risk management measures accordingly.

- *Client margin deposit management*: Hengtai Futures requires client margin deposits to be segregated from its own funds and manages them in separate accounts. It adjusts the required margin deposit ratio in a timely manner based on the client's creditworthiness and market conditions. If a client fails to maintain the required margin deposit ratio, that client will be required to deposit additional amounts or close out the position.

- *Electronic execution supported by manual operation*: While clients could complete all tradings electronically through our website or mobile application Hengtai Futures Zhangshang Caifu (恒泰期貨掌上財富), Hengtai Futures also provides manual support in case of any system failure.

- *Trading*: Hengtai Futures has established various policies to regulate futures trading. For example, it prohibits employees from making non-compliant entrustment arrangements, promising profits, or participating in futures trading. In addition, Hengtai Futures maintains multiple backups of clients' trading order records and in multiple forms of media.

- *Real-time monitoring*: Hengtai Futures conducts real-time risk monitoring during the trading process, focusing on risky accounts and abnormal trading, such as opposite positions in a sharply volatile market and positions close to an adjustment period. In addition, Hengtai Futures provides real-time warnings on abnormal trading and other irregularities.

Wealth Management Services

In order to manage the risks associated with the agency sale of third-party financial products, we adopt the following internal control measures:

- Implementing centralized management of sale of third-party financial products and prohibiting any sale without authorization by brokerage business department;

- Conducting a review of the third-party financial institution's background, such as its capital base, business scale, shareholding structure, operating history and internal controls and qualifications to issue financial products;

- Performing a detailed product analysis, including its risk exposure, expected return, source of future cash flow, collateral ratio, guarantees, use of funds and investment strategies;

- Evaluating the risk profile of the financial products and reviewing the risk profile of our clients based on their identification, financial condition, investment experience, investment preferences and risk tolerance, and determining the suitable groups of investors for such financial products;

- Providing product training to our sales employees and requiring them to market and sell third-party financial products only to eligible clients matching the product's risk profile;

- Requiring sales employees to provide sufficient product information, including detailed risk disclosure, to clients; and

- Collecting feedback from clients to monitor any improper conduct by our sales employees.

In order to manage the risks associated with our investment advisory services, we have adopted the following internal control measures:

- *Centralized personnel administration*: the sales department of our brokerage business department, jointly with our human and resources department, are responsible for the recruitment, registration and qualifications administration of investment advisory personnel;

- *Evaluation of risk profile of our clients:* we evaluate clients risk profile (including their identifications, financial conditions, investment experience and risk preference and tolerance) and retain an electronic copy of such risk profile;

- *Risk disclosure:* we disclose relevant risks related to specific investment in written form and ask the clients to confirm in writing; and

- *Written contract:* we enter into a written contract with our clients in relation to our investment advisory services.

Investment Management Business

Asset Management Business

Our Board is the highest decision-making and risk management authority for asset management business. Our strategy and investment committee, risk control and supervisory committee and audit committee under the Board are responsible for establishing the investment principles, reviewing annual investment strategy and plan and determining the overall stop-loss points, and the overall risk control, respectively. These departments cooperate with the risk management personnel of our asset management business to monitor these risks in order to ensure the effective performance of our entrusted duties, the accurate disclosure of risk-related data, our prudent business growth and the protection of our investors' interests.

The internal control and risk management measures of our asset management business primarily include the following:

- *Multi-tier management, authorization and decision-making mechanism*: We have established a four-level management, authorization and decision-making mechanism, consisting of our strategy and investment committee, asset management special committee, senior management in charge and asset management department, and covering decision-making, project execution, supervision and reviewing.

- *Management of trading procedures*: (i) we assign different personnel to issue investment orders and execute trades. Investment managers issue electronic trading orders through the trading system in accordance with the authorization by the asset management special committee and the scope of investment specified in asset management contracts. Traders strictly follow such orders in executing trades, and the trading system will automatically reject trades that do not comply with the orders, and also reject the operations without orders. Both the issuance and the execution of trading orders are recorded in the system; (ii) for asset management schemes invested in equity securities, we implement stop-profit and stop-loss mechanisms in accordance with contracts, product schemes and relevant regulatory rules; and (iii) the asset management business establishes a securities pool and makes investments within the scope of the securities pool. The establishment and maintenance of the securities pool is required to be conducted in accordance with pre-determined criteria and analysis mechanisms.

- *Segregation of businesses*: We require the asset management business to be segregated from our proprietary trading, securities underwriting, securities brokerage and other securities businesses in order to prevent insider trading and avoid conflicts of interest. A senior executive is prohibited from managing both the asset management and proprietary trading businesses simultaneously. These two business departments may not be led by the same individual. A chief investment manager may not be involved in both the asset management and proprietary trading businesses simultaneously. The investment manager of a targeted asset management plan may not act as the investment manager of any other asset management business. The accounts of our targeted asset management plans may not trade with our proprietary trading accounts, and our various asset management accounts may not trade with each other. We require the asset management business to segregate duties that may generate conflicts of interest, such as investment operations, transfer and allocation of funds, account management, settlement and clearing, and accounting, among other functions.

- *Opening independent accounts*: We entrust client assets with qualified commercial banks or the CSDCC. We provide asset management services to our clients through designated accounts. The asset management business is managed through designated fund accounts, securities accounts and trading accounts.

- *Due diligence on client identity*: We conduct due diligence on client identity to understand the client's assets, income, securities investment experience, investment preferences, risk awareness and risk tolerance level. We also timely examine whether the source and usage of the assets being managed is legitimate so.

- *Risk disclosure*: We require our client development personnel to disclose our business qualifications to our clients, explain the asset characteristics, investment scope, investment restrictions, risk-return characteristics and other aspects of the asset management contracts, and disclose risks to our clients proactively.

- *Real-time risk monitoring*: Our risk management personnel have established risk-monitoring thresholds within our trading system in accordance with the relevant legal and regulatory requirements, in order to supervise, monitor, identify and report the irregularities and non-compliance incidents in trade execution, shareholding structure, stop-loss and stop-profit.

We centralize the management of our clients' assets and prohibit any department, subsidiary or branch from conducting asset management business without our consent. In addition, we have formulated Measures on Information Isolation for our asset management business. Further, our legal and compliance department has established a stock pool control system which monitors the investment by asset management business and proprietary business on a real-time basis where conflicts of interest exit.

Fund Management Business

New China Fund has established stringent risk management and internal control systems based on applicable PRC regulations. By adhering the principle of unified leadership, classified implementation, centralized reporting and independent supervision, New China Fund has established a four-level risk management mechanism, consisting of its (i) board's risk control committee; (ii) supervisory officer; (iii) supervisory and audit committee; and (iv) frontline risk management functions at each branch or department, and covering sales, investment decisions, information disclosure, IT system, accounting system and auditing system. The internal control and risk management measures of New China Fund primarily include the following.

- *Review of investment management policies and investment decision procedures*: The board's risk control committee, jointly with the supervisory officer, conduct strict review of New China Fund's investment management policies and investment decision procedures to ensure legal compliance.

- *Determination of fund allocation plans*: Under the leadership of the general manager, the investment decision committee reviews and determines the fund allocation plans and plans for bulk-held stocks (重倉股).

- *Effective implementation of risk control measures*: The risk control committee is responsible for implementing the investment management and risk control measures and establishing investment-forbidden stock pool. In addition, the risk management committee retains veto right against any investment decision of investment decision committee.

- *Risk alert and analysis*: The supervisory and audit committee and financial engineering department conducts inspection and audit of New China Fund's investment and issues internal risk alert and analysis.

- *Investment management*: The investment management committee is responsible for selecting stock pool, identifying investment opportunities and formulating investment portfolio.

- *Centralized trading platform*: After reviewing the legal compliance status of the trading orders, specific transactions will be completed through New China Fund's centralized trading platform.

Private Equity Investment Business

We engage in the private equity investment business through our subsidiary Hengtai Capital, which has an investment decision-making committee that can make decisions on any equity investment and debt investment as authorized by our Company. In addition, Hengtai Capital has designated one compliance and risk control personnel to evaluate, monitor and manage the risks associated with our private equity investment activities. Any investment with total investment less than RMB500 million or own capital less than RMB20.0 million is subject to approval by Hengtai Capital's investment decision-making committee and President's office of our Group. Any investment with total investment over RMB500.0 million or own capital over RMB20.0 million is subject to the review by Hengtai Capital's investment decision-making committee and President's office of our Group, and approval by the Board of our Group.

Hengtai Capital has established strict risk management and internal control systems according to relevant PRC laws and regulations and our general internal control policies, covering project approval, due diligence review, transaction negotiation, investment decision-making, investment transaction, post-investment management and exit of investment. Hengtai Capital has established five lines of defense, namely, (i) president's office/Board; (ii) the executive director; (iii) investment decision-making committee and review committee; (iv) general manager; and (v) compliance and risk control department:

- *President Office/Board*: The president office and Board of our Group hold meetings for the final review and approval of any investment approved by Hengtai Capital's investment decision-making committees.

- *Executive director*: The executive director is responsible for implementing Group decisions regarding Hengtai Capital and determining the annual investment plan to be implemented by the general manager.

- *Investment decision-making committee and review committee*: The investment decision-making committee of Hengtai Capital is responsible for decision-making and risk control. It is responsible for reviewing private equity investments or exiting from them, evaluating risk exposures of Hengtai Capital's operation and management. Any investment decision is subject to the unanimous consent of all committee members. The review committee is responsible for reviewing any investment plan and making initial judgment regarding the feasibility of the project, and deciding on whether the proposed project should move to investment decision-making committee.

- *General manager*: The general manager of Hengtai Capital is responsible for the organization and implementation of the investment activities.

- *Compliance and risk control department*: The compliance and risk control department of Hengtai Capital is responsible for evaluating the risks associated with investment projects, conducting analysis and evaluations for investment review, decision-making, implementation, post-investment management, exiting the project, and implementing risks monitoring.

Alternative Investment

We conduct alternative investment through our subsidiary Hengtai Pioneer. Hengtai Pioneer has established strict procedures to be followed in relation to project or product approval, including but not limited to, preliminary analysis, feasibility study and due diligence review, project proposal meeting, investment committee approval, Hengtai Pioneer approval and Hengtai Securities approval. In addition to the general project approval procedures, Hengtai Pioneer has also adopted measures to control industry-specific risks. Further, Hengtai Pioneer plans to expand its investment to the entire value chain of TV series and films production, thus reducing the risk exposure due to the strict review by the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局).

Proprietary Trading

The key risks we monitor in our proprietary trading business include market risk, credit risk, liquidity risk, operational risk and compliance risk.

Our Board determines the overall investment scale and risk limits (maximum risk exposure) associated with our equity and debt securities investments on an annual basis. Within such prescribed limits, our proprietary investment decision executive committee adjusts our actual trading activities based on market conditions and our investment strategies. Our board may make further resolution to reduce or increase the overall investment scale if there is any volatile changes in general market conditions. We have established strict stop-loss procedures for our equity securities trading and fixed-income securities trading and our risk management department conducts real-time monitoring of our trading position by setting various risk indicators and limits in our IT system, which will automatically generate warning alerts when the limit is reached. Then our risk management department sends warnings or stop-loss alerts when our investment position reaches the specified threshold. If there is any emergency or unexpected event caused by the sudden market condition changes may cause significant risk to our investments, our trading department formulates a proposal based on its professional judgment and submits such proposal to our senior management for approval, and take prompt responsive measures upon obtaining such approval. If there is any emergency or unexpected event caused by our own operation failure which may cause significant risk to our investments, an emergency management team will be established to formulate contingency plans and procedures for handling such emergency or unexpected event.

- *Four-level investment decision-making and risk control structure*: We have established a four-level decision-making and risk control governance structure to manage the risks associated with our proprietary trading business, which include (i) the Board and its strategy and investment committee; (ii) our proprietary investment decision executive committee; (iii) the vice president in charge of our proprietary business; and (iv) our proprietary trading department and the resident compliance and risk management personnel.

- *Comprehensive internal governance rules*: We have formulated a set of comprehensive internal governance rules with respect to our decision-making procedures, trade executions, risk control, fund management and fixed-income business, and established separate management systems regarding internal rules, business, accounts, fund and transactions.

- *Dynamic monitoring and risk management*: We have established a dynamic monitoring and supervision system to conduct risk control in terms of investment scale, investment categories, investment returns and legal compliance.

- *Segregation of businesses and information isolation*: We require the proprietary trading business to be completely segregated from our asset management, securities underwriting, securities brokerage and other securities businesses in terms of management, business department, employees, information, accounts, settlement and financial accounting, thus to prevent insider trading and avoid conflicts of interest.

To better control our risk exposure with respect to our proprietary trading business, we implement the following measures:

For equity securities:

- Maintaining a pool of equity securities for our proprietary trading business based on market conditions and research;

- Maitaining a prohibited pool of equity securities which are underwritten or sponspored by Hengtai Changcai, thus to manage risks of insider trading and avoid conflicts of interest;

- Monitoring our securities holdings on a real-time basis, including our trading positions, unrealized profit or loss, risk exposure and trading activities;

- Establishing various monitoring metrics and applying various methods, such as scenario analysis, stress testing and sensitivity analysis, to determine and control our risk exposure in securities investments;

- Establishing a stop-profit and stop-loss mechanism that sets pre-determined points to stop profit or loss. Our stop-loss procedures for equity investment include a pre-determined point (i) on an overall basis which is 10.0% of the investment scale approved by our Board. We are required to reduce our investment positions when our investment loss approaches 10.0%, and liquidate our investment positions when our investment loss reaches 10.0%, and we may not make any investment after such liquidation unless approved by the Board; and (ii) on each individual stock which is usually 20.0% of the purchase price for such stock, specifically:

- for investment of or under RMB10.0 million, when our investment loss for a single equity security reaches 10.0%, our legal and compliance department shall require equity trading department to decide how to response. If our equity trading department decides to increase our position to reduce our investment cost per share, consent from vice president in charge shall be obtained. When our investment loss for a single equity security reaches 15.0%, the equity trading department must liquidate our investment position immediately;

- for investment over RMB10.0 million and under RMB20.0 million, when our investment loss for a single equity security reaches 10.0%, our legal and compliance department shall require equity trading department to decide how to response. Any responsive measures are subject to approval by the vice president in charge. When our investment loss for a single equity security reaches 20.0%, the equity trading department must liquidate our investment position immediately; and

- for investment of or over RMB20.0 million, when our investment loss for a single equity security reaches 10.0%, our legal and compliance department shall require equity trading department to decide how to response. The vice president in charge shall submit responsive measures to our investment decision-making committee for approval. When the stock price drops below the 60-day average price line for a three continuous days and our investment loss for a single equity security reaches 20.0%, our legal and compliance department may liquidate our investment position immediately without approval of our investment decision-making committee; and

- Establishing dynamic risk limits under which we are required to reduce or liquidate our investment holdings based on mark-to-market fair value changes.

For fixed-income securities:

- maintaining a pool of fixed-income securities that are selected in accordance with our strict criteria regarding issuers' enterprise type and industry, credit rating information and financial conditions, and bonds issued;

- classifying the selected fixed-income securities into different grades and only investment in securities above specified grade is permitted;

- Controlling the investment horizon of our fixed-income securities investment. Most of our bond investments include mid-term and long-term bonds which mature within three to seven years;

- Monitoring the credit rating of the bond issuers. We principally invest in long-term bonds and mid-term notes that are rated AA or higher in China;

- Setting the limit on investment in a single bond based on its offering scale and our internal credit classification for such bond; and

- Setting stop-loss procedures based on the interest rate sensitivity analysis and future cash flow simulated analysis, including (i) when our investment loss for a single type of investment reaches or exceeds 3.0% of the purchase price, the transactional department manager shall submit written alert to the investment manager and general manager of our proprietary trading department in a timely manner, which shall issue definitive decision regarding the risk alert and send to our legal and compliance department for record; (ii) when our investment loss for a single type of investment reaches or exceeds 5.0% of the purchase price, in addition to the procedures specified in (i) above, the investment manager of our proprietary trading department shall submit a written analysis and proposal, and the proprietary department shall hold a meeting to formulate relevant responsive measures. Continual holding of such investment is subject to the consent of the vice president in charge; and (iii) when our investment loss for a single type of investment reaches or exceeds 7.0% of the purchase price, in addition to the procedures specified in (i) and (ii) above, the continual holding is subject to the approval of our investment decision-making committee. Unlike the proprietary equity investment, we are not required to reduce or liquidate our investment positions because we are able to receive the agreed dividend income and our principal if we continue holding such investment until its maturity.

- Setting the limit on aggregate investment of debt securities with our own funds not exceeding 80% of our Net Capital.

For derivatives:

- establishing limit on our investments in securities futures(including stock index futures), together with investment in equity securities shall not be more than our Net Capital;

- setting the investment authorization requirements for investments in derivatives as follows: proprietary investment decision executive committee may not authorize any investment in derivatives in exceeding 100.0% of the scale approved by the Board; the vice president in charge of our proprietary business may not authorize any investment in derivatives in exceeding 50.0% of the scale approved by the Board; proprietary trading department may not authorize any investment in derivatives in exceeding 30.0% of the scale approved by the Board; and investment manager may not authorize any investment in derivatives in exceeding 10.0% of the scale approved by the Board.

Investment Banking Business

We carry out equity and debt financing business through our subsidiary Hengtai Changcai. Hengtai Changcai focuses on preventing legal risks, financial risks and operational risks resulting from poor management, ambiguity of powers and duties, and failure of diligence. Hengtai Changcai controls and manages these risks through the separation of front-, middle- and back-office involving project approval and implementation, quality control and pricing, and auditing and compliance support.

- *Project approval*: Hengtai Changcai implements strict procedures for approving investment banking projects. The form for project approval must undergo the requisite project inception and quality control procedures. After the quality control department reviews the project approval reports, a project approval meeting will be held to decide whether we can underwrite or participate in a particular project. In addition, the capital market department also conducts pre-review of underwriting method, plan and price where securities underwritten is involved. And after the approval becomes effective, the business department may officially form a team to execute the project.

- *Due diligence*: Hengtai Changcai conducts thorough due diligence regarding each project by following internal procedures and industry practice involving review of due diligence materials, on-site visits, attendance at meetings and interviews with issuers and relevant parties.

- *Management of project quality*: In order to ensure project quality, the internal review group of Hengtai Changcai, which is comprised of sponsor representatives, senior management and external experts, conducts internal reviews of the project and decides whether to submit applications to competent authorities. Our internal compliance managers may observe the internal review meeting and issue compliance opinions, but have no right to vote. Before the internal review meeting, the project team is responsible for the project investigation and analysis, and the quality control department is responsible for the projects review and other preliminary work. In addition, the investment banking business team and sponsor representatives report issues timely and propose solutions through timely reporting.

- *Management of project agreements*: The compliance and audit department and the quality control department are responsible for reviewing agreements relating to the investment banking business.

- *Review by regulatory authorities*: The project team usually authorizes the project manger in charge of the project to carry on filing and application procedures with the CSRC and other competent authorities after the quality control department conducts pre-review of all application materials.

- *Ongoing supervision and guidance*: Hengtai Changcai designates dedicated personnel to provide ongoing supervision and guidance to issuers after their listing or to M&A clients after the completion of the transactions. Such personnel are required to file reports with relevant regulatory authorities in accordance internal rules and relevant laws and regulations.

Chinese Wall

A Chinese Wall is a barrier to ensure that material non-public or sensitive information obtained by one division of our business is not released to our other divisions without proper authorization. A Chinese Wall aims to isolate those persons who make investment decisions from those who are privy to material non-public information which may influence those decisions.

As a securities firm with a diversified range of businesses, we inevitably face situations where two or more interests conflict. We recognize the importance of managing such conflicts of interest in order to protect the interests of our clients. Therefore, we have established Chinese Walls in different business lines to prevent and minimize potential conflicts of interest by controlling the flow of material non-public information and ensuring compliance with relevant rules and regulations. Specifically, we have implemented the following measures:

- We operate departments with conflicts of interest, such as investment banking, proprietary trading, asset management and research departments in physically segregated offices. In addition, We set access control for business departments with sensitive information, and restrict employees from entering into other departments with conflicts of interest;

- Once we are engaged by a corporate client for equity underwriting or financial advisory services, our proprietary trading and research departments are restricted from conducting any securities trading, stock research or other business activities involving such investment banking client, its securities and its material related parties and their securities. In addition, our research department cannot issue a research report on an investment banking client until 40 days after the announcement of the pricing of the client's IPO, or ten days after the announcement of the pricing of the client's secondary offering;

- We separately manage the funds and securities accounts associated with our proprietary trading, asset management, margin financing and securities lending and other businesses with conflicts of interest;

- The IT systems for our different businesses with conflicts of interest are mutually independent or logically separated; and

- None of our senior management members is in charge of two or more departments with conflicts of interest simultaneously, and none of our employees is allowed to undertake multiple duties with conflicts of interest.

We adopt an authorization process that allows certain employees to conduct temporary "wall-crossing" with the permission and under close scrutiny of the employee's own department, the department requiring the "wall-crossing" and our legal and compliance department. Our legal and compliance department sends a "wall-crossing" code of conduct to the "wall-crossing" employees and requires them to sign a commitment letter with us and prevent them from releasing or improperly using any sensitive information obtained during a "wall-crossing" period. We supervise and manage the conducts of employees who perform duties such as compliance, internal audit and finance, and require them to maintain strict confidentiality of any sensitive information obtained in carrying out their duties. In addition, we have built an information segregation system that enables classified management of business activities that may be affected by sensitive information to achieve front-end control of conflicts of interest.

We believe that our information segregation system and Chinese wall mechanism have been effective in preventing insider trading and managing conflicts of interest during the Track Record Period.

Segregation of Duties

To minimize the opportunity for collusion and improper trading, we assign the duties and functions within our various business departments to different teams of employees. No employees may perform work simultaneously for two or more departments with conflicts of interest.

No employees in the business departments may work simultaneously in the subsidiaries with conflicts of interest. No employees in the departments with supervision and inspection functions may work simultaneously in business departments. In addition, departments with conflict of interests cannot share the same meeting rooms, computers, printers, fax machines and other office equipment.

Conflicts of Interest

Conflicts of interests may arise where two or more interests within our business legitimately exist but are in competition or conflict, and may arise among (i) our various operating units; (ii) our clients and us; (iii) our various clients; (iv) our employees and us; or (v) our clients and our employees.

We have adopted the following specific measures to prevent conflicts of interest:

- Research personnel may not provide false or misleading information;

- Investment analyses, forecasts or recommendations provided to the public, different clients and various departments regarding the same issue and at the same time, and must be objective, fair and honest, and may not contain contradictory views;

- Research results and information may not be disclosed to other personnel or institutions without prior authorization; and

- Information briefs, news updates and information systems which are only intended for internal use cannot be disclosed to the public by any methods.

One of the fundamental objectives of Chinese Walls is to manage conflicts of interest. We have adopted a series of measures and methods to manage conflicts of interest. We first adopt measures of information segregation to avoid conflicts of interest. If it becomes difficult to avoid conflicts of interest even with Chinese Walls, such conflicts of interest must be disclosed. If such conflicts of interest cannot be managed effectively through disclosure, we may adopt measures such as imposing restrictions on business activities. When we impose restrictions on business activities, we shall endeavor to prioritize the client's interest and treat the different clients fairly.

During the Track Record Period, we did not experience any material failure to protect confidential information coming from or related to our clients.

Anti-Money Laundering

Money laundering activities refer to various activities intended to hide or alter the illegal source of money. We are committed to formulating and implementing appropriate policies and procedures to prevent money laundering and terrorist financing and to ensure compliance with all relevant legal and regulatory requirements. We require our employees to conduct stringent identification regarding clients applying to open new accounts. In addition, our account management system categorizes the money laundering risk of each client, enabling us to manage clients at various levels of money laundering risk differently.

We have also established an anti-money laundering committee which is composed of the President and the managers of various departments. Our anti-money laundering committee is responsible for implementing competent authority requirements relating to anti-money laundering, manage and supervise our Group's anti-money laundering work, reviewing anti-laundering rules and resolving key issues identified, and reporting to competent authority with respect to suspicious money laundering activities.

We have developed and established a reporting system for large-size transactions, suspicious transactions and information and anti-money laundering activities. Compliance officers at our various branches are responsible for real-time monitoring of suspicious activities through the reporting system, and reporting to our legal and compliance department of our money-laundering risk and anti-money laundering activities. We submit reports about our anti-money laundering information and activities pursuant to the relevant regulatory requirements, and conduct money-laundering risk assessment for new businesses and products.

In 2012, we were awarded "National Leading Enterprise in Anti-money Laundering" (全國反洗錢工作先進集體). We have never engaged in or knowingly assisted any money laundering activities. For risks associated with money laundering activities, please see the section headed "Risk Factors — Risks Relating to Our Business — We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis" for further information.

MARKET AND COMPETITION

Inner Mongolia has considerable potential for securities industry development. As of December 31, 2014, the securitization ratio (total market capitalization of listed companies divided by nominal GDP) in Inner Mongolia was 22.8%, far behind the national average of 58.3%. Inner Mongolia government authorities have placed strong emphasis on the development of local capital markets and intend to facilitate corporate financing by qualified corporations through IPOs, secondary offerings and bond offerings and to build a Regional OTC Board to promote a multi-tiered capital market system.

We are the largest securities firm headquartered and registered in Inner Mongolia. As of March 31, 2015, there were 27 PRC securities firms with a business presence in Inner Mongolia. According to the SAC, we ranked No. 1 in Inner Mongolia in terms of network coverage, fee and commission income, client base, operating profit and trading turnover in 2014.

As of December 31, 2014, there were 120 securities firms in China. The PRC securities industry is highly regulated and PRC securities firms are subject to extensive regulatory requirements applying from various perspectives, including business licenses, scope of products and services and Net Capital. Competition in the securities industry in Inner Mongolia and China has been and is likely to remain intense. In 2014, in terms of revenue and profit, the top five securities firms in China commanded an aggregate of 23.4% and 27.3% of the total market share in China, respectively.

In 2014, we ranked 44th and 30th among all PRC securities firms in terms of total revenue and other income and revenue generated from asset under management, respectively, and accounted for 0.6% and 1.0% of total revenue and other income and revenue generated from asset under management of all PRC securities firms, respectively. As we expand beyond Inner Mongolia, we also compete with other regional or national securities firms that operate in the same regional markets as us. Our competition is based on a number of factors, including the range of products and services offered, pricing, geographic and network coverage, customer service, brand recognition, financial strength and marketing and sales capacities, and employee compensation.

Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience and more advanced information technology systems, wider geographic coverage and the ability to offer more financial products and services than us. In addition, with the deregulation in China's securities industry, more competitors are seeking to enter or expand in the market. We believe that the financial service industry in China is becoming increasingly competitive. Should we fail to compete successfully against our competitors, our business, financial position, results of operations and prospects may be materially and adversely affected. Please see the section headed "Risk Factors — Risks Relating to Our Business — If we are unable to compete effectively against competitors in our business lines, our business, financial condition, results of operations and prospects may be materially and adversely affected" for further information.

INTELLECTUAL PROPERTY RIGHTS

Our Company was established in Inner Mongolia in 1998. We changed our name to "恒泰证券有限責任公司" (Hengtai Securities Limited Liability Company) in 2002 and then to "恒泰证券股份有限公司" (Hengtai Securities Co., Ltd) in 2008, and have since been carrying on business under the names of "恒泰证券"/"Hengtai Securities" and/or its variations in the PRC. Our Company was also registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 2, 2015 and has altered our name registered thereunder on April 27, 2015 to (i) 恒泰证券股份有限公司 (恒泰證券股份有限公司") and (ii) 恒投證券 (as an approved name of our Company for carrying on buisiness in Hong Kong), also known as (iii) HENGTAI SECURITIES CO., LTD and (iv) HENGTOU SECURITIES (as an approved name of our Company for carrying on buisiness in Hong Kong).

As of the Latest Practicable Date, we had registered one copyright, one trademark right and five domain names with competent authority in the PRC. Further, we are in the process of applying 18 trademarks with competent authority in the PRC. Please see the section headed "Appendix VI — Statutory and General Information — Further Information about our Business — Our intellectual property rights" to this prospectus for further information. We had not been subject to any material infringement of our intellectual properties rights or allegations of infringements by third parties during the Track Record Period and as of the Latest Practicable Date.

With the intention of applying for the registration of certain trademarks comprising "恒泰证券", "Hengtai Securities" and its variations in Hong Kong, in Class 35 covering the services of "advertising, business management, business administration, office functions" and Class 36 covering the services of "insurance, financial affairs, monetary affairs, real estate affairs", we sought the preliminary advice from the Hong Kong Trade Marks Registry (the "**Trade Marks Registry**") on the registrability of such marks. The Trade Marks Registry was of the view that the applications for such trademark registrations would likely be refused due to prior registrations of similar marks in respect of identical and/or similar services. A search conducted on the on-line database of the Trade Marks Registry revealed that such similar marks are held by two companies, one engages in the insurance and financial services, while the other engages in business in another non-competitive industry.

To minimize the possible risks arising from potential trademark infringement and/or passing off claims and any application for interlocutory injunctive relief based on such claims, we have resolved to adopt the following mitigating measures:

(i) we carry on business in Hong Kong under the names of "恒投證券" and "HENGTOU SECURITIES" as approved by and registered with the Registrar of Companies in Hong Kong and only make reference to our original Chinese corporate name "恒泰证券股份有限公司" and its English translation "Hengtai Securities Co., Ltd" in our corporate communication documents;

(ii) we are applying for the registrations of the trademarks "恒投证券" and "HENGTOU SECURITIES" in Hong Kong; and

(iii) we will adopt measures (such as putting prominent notices on the website of our Company) to ensure that our Company is properly referred to as a PRC incorporated company carrying on business in Hong Kong as "恒投證券" and "HENGTOU SECURITIES".

EMPLOYEES

We believe that our long-term growth depends on the knowledge, experience and development of our employees. Our human resources department is in charge of the employee recruitment, training, compensation and performance appraisal. As of March 31, 2015 and as of the Latest Practicable Date, we had 1,386 and 1,645 employees, respectively. All of our employees are based in the PRC. The following table sets forth our employees by business function as of the Latest Practicable Date:

	Number of Employees	Percentage
Principal Business	1,183	71.9%
Risk Management	13	0.8%
Legal and Compliance	74	4.5%
IT	79	4.8%
Other	296	18.0%
Total	1,645	100.0%

The compensation we offer to our employees primarily includes base salary and discretionary bonus. In general, we determine employee compensation based on each employee's performance, qualifications, position and seniority. We determine and award discretionary bonus at the end of each year based on our results of operations and the performance review of each employee.

In accordance with applicable laws and regulations, we make contributions for our full-time employees to various employee benefit plans, including basic pension insurances, unemployment insurances, maternity insurances, medical benefits plans, work related injury benefits plans and housing funds.

We value our employees as important assets and provide them with continuing education and on-job training and encourage them to pursue financial and accounting qualifications, such as sponsor representative, Chartered Financial Analyst, Certified International Investment Analyst and Financial Risk Manager. We primarily rely on job advertisements on the Internet and in the newspaper, campus recruitment programs and job market recruitment programs. We also engage third-party employment agencies for professional staff recruitment.

We believe that we have maintained good relationships with our employees. We have established labor unions in accordance with PRC laws and regulations. We have not experienced significant labor disputes which have had or are likely to have a material and adverse effect on our business operations during the Track Record Period.

INSURANCE

We maintain insurance coverage for certain items of our assets, including IT equipment and motor vehicles. We do not maintain any business interruption insurance according to the customary practice in the PRC.

We believe that we have maintained insurance coverage we consider necessary and sufficient for our operations and customary for the industry in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies.

All of our insurance policies are underwritten with reputable insurance providers and we review our insurance policies annually.

PROPERTIES

Our registered office is located in Inner Mongolia and our head office is located in Beijing. As of the Latest Practicable Date, in the PRC, we owned 41 properties with an aggregate gross floor area of approximately 36,213.6 square meters, the land use right for five owned lands with aggregate site area of approximately 6,113.9 square meters and we have acquired three properties with an aggregate gross floor area of approximately 2,203.6 square meters, for which we have entered into office building or commodity housing sales contracts and made required payments but we have not obtained the relevant building ownership certificates. In addition, we leased 92 properties with an aggregate leasable area of approximately 60,111.8 square meters.

As of March 31, 2015, no single property accounted for 15% or more of our total assets by book value. Accordingly, this prospectus is exempt from the requirements under the Hong Kong Listing Rules and the Companies Ordinance to include all our interests in land or buildings in a property valuation report. Pursuant to Rule 5.01A of the Hong Kong Listing Rules, a prospectus is exempt from this requirement if the carrying amount of a listing applicant's property interest that forms a part of its property activities or non-property activities is below 1.0% and 15.0%, respectively. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance and under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties and Land Use Right

As of the Latest Practicable Date, we owned 41 properties with an aggregate gross floor area of approximately 36,213.6 square meters. Our owned properties are primarily used for our securities branches, office and/or staff quarters, with gross floor areas ranging from approximately 90.3 sq.m. to 12,345 sq.m.

Among our 41 owned properties in the PRC:

- we have obtained valid building ownership certificates for 39 properties with an aggregate gross floor area of approximately 35,958.6 square meters. Our PRC legal advisors, Guantao Law Firm, confirmed that (i) we are the legal owner of such properties and we have the rights to occupy, utilize, generate income from and dispose of such properties (including but not limited to transfer, lease and mortgage), and (ii) none of these owned properties was subject to potential or actual property disputes, mortgage, third party interests or other limitations on rights;

- we have not obtained proper building ownership certificates for two properties with an aggregate gross floor area of approximately 255.0 square meters, representing approximately 0.7% of the aggregate gross floor area of our 41 owned properties due to missing historical title documents. As a result, we were unable to update the relevant certificate to reflect our corporate name changed and the original property owner was unable to obtain the relevant building ownership for us. We used these properties as staff quarters. Our PRC legal advisors, Guantao Law Firm, confirmed that (i) we are the legal owner of such properties and we have the rights to occupy, utilize, generate income from and dispose of such properties (including but not limited to transfer, lease and mortgage); (ii) none of these owned properties was subject to potential or actual property disputes, mortgage, third party interests or other limitations on rights; and (iii) in respect of one property, there would be no material legal impediment for updating the relevant certificates to reflect our corporate name changed; in respect of the other property, the fact that we have not obtained the building ownership certificate will not constitute legal impediment for this offering due to its relatively small gross floor area and its usage being not for business place;

- we have obtained valid land use rights certificates for three parcels of land with an aggregate site area of approximately 4,104 square meters where our owned properties are situated. Our PRC legal advisors, Guantao Law Firm, confirmed that (i) we are the legal owner of such land use rights and the usage of the lands are within the legal permitted use, and we have the rights to occupy, utilize, generate income from and dispose of such lands (including but not limited to transfer, lease and mortgage); and (ii) none of these land use rights was subject to mortgage, third party interests or other limitations on rights;

- we have not obtained proper land use rights certificates for two parcels of land with an aggregate site area of approximately 2,009.9 square meters where our owned properties are situated due to our failure to update the relevant certificate to reflect our corporate name changed. We used the two properties on these two parcels of land as securities branches. Our PRC legal advisors, Guantao Law Firm, confirmed that (i) we are the legal owner of such land use rights and the usage of the lands are within the legal permitted use, and we have the rights to occupy, utilize, generate income from and dispose of such lands (including but not limited to transfer, lease and mortgage), (ii) none of these land use rights was subject to mortgage, third party interests or other limitations on rights; and (iii) there would be no material legal impediment for updating the relevant certificates to reflect our corporate name changed;

In addition, we have acquired three properties with an aggregate gross floor of approximately 2,203.6 square meters, for which we have entered into office building or commodity housing sales contracts and made required payments. Our acquired properties are primarily used for our business operations and/or office purposes, with gross floor areas ranging from approximately 32.6 sq.m. to 1,100 sq.m. However, we have not obtained the relevant building ownership certificates because the original property developers failed to obtain the relevant building ownership certificates. We used these properties as electricity back-up facilities and securities branches. Our PRC legal advisors, Guantao Law Firm, confirmed that (i) we acquired such properties in accordance with the PRC laws and regulations and we have the rights to occupy, utilize, generate income from and dispose of such properties (including but not limited to transfer, lease and mortgage); (ii) none of these owned properties was subject to mortgage, third party interests or other limitations on rights; and (iii) there would be no material legal impediment for us to obtain the relevant certificates.

Leased Properties

As of the Latest Practicable Date, we have leased 92 properties in the PRC with an aggregate gross floor area of approximately 60,111.8 square meters. Our leased properties are primarily used for business operations and/or office purposes, with gross floor areas ranging from approximately 10.0 square meters to 5,981.0 square meters.

The following table sets forth our total rental expenses and average monthly rental expenses for the periods indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Total rental expenses	36.6	40.3	43.7	15.2
Average monthly rental expenses	3.1	3.4	3.6	5.1

For 82 leased properties with an aggregate gross floor area of approximately 46,615.8 square meters, representing approximately 77.5% of the aggregate gross floor area of our leased properties, our landlords have obtained the relevant building ownership certificates. Our PRC legal advisors, Guantao Law Firm, confirmed that the landlords of these 82 leased properties are the owners of, or authorized persons to lease or sublease, the respective properties and that the landlords have obtained valid title to the respective leased properties.

For 10 leased properties with an aggregate gross floor area of 13,496.0 square meters, representing 22.5% of the aggregate gross floor area of our leased properties, our landlords were unable to provide the relevant building ownership certificates or other title certificates. As such, our relevant lease agreements signed may be required to be amended or may not be enforceable, and we may be required to relocate. We use these 10 properties primarily for offices and securities branches. The landlords of four properties with an aggregate floor area of approximately 7,614.6 square meters, representing approximately 12.7% of the aggregate gross floor of our leased properties, have issued letters of undertaking and agreed to bear any loss resulting from the defective title to the properties. Our PRC legal advisors, Guantao Law Firm, confirmed that these undertakings are legal and valid.

As advised by our PRC legal advisors, Guantao Law Firm, since these 10 properties are leased properties which we should be able to substitute with comparable properties, or we obtained the letters of undertaking from four of the 10 landlords which agreed to bear any risk resulting from the defective title to the properties, our operations would not be materially and adversely affected because of the defective titles that our landlords hold.

We have not been advised by any government department or other person to cease our use of the owned or leased properties with defective titles for our business activities, or to pay fines or make compensation. Our Directors are of the view that the defective titles of our owned and leased properties will not individually or collectively have a material and adverse effect on our business assets, operations and the Listing because (i) the size of these properties are small as compared with the total size of all our owned and leased properties; (ii) we do not consider these defective properties crucial to our core business operations; (iii) the relevant building ownership certificates for the majority of our owned and leased properties were obtained by us or by our landlords; (iv) we believe we are able to be relocated in a timely manner at minimal expense and would not materially affect our business or financial position; and (v) four of our landlords issued letters of undertaking and agreed to bear any loss resulting from the defective title to the properties.

In addition, our Directors are also of the view that (i) such properties with defective titles are generally in good condition and are safe for us to use; and (ii) the rental costs for such leased properties with defective title would not be materially different should the landlords obtain relevant building ownership certificates.

LEGAL AND REGULATORY

Licensing Requirements

We conduct our securities business mainly in the PRC and are subject to the restrictions and regulatory requirements of the PRC. Our Directors and our PRC legal advisors, Guantao Law Firm, have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all permits and licenses necessary for our operations in accordance with the PRC laws and regulations, including, among others, licenses for conducting securities brokerage, futures brokerage, margin financing and securities lending, securities-backed lending, underwriting and sponsoring, asset management and proprietary trading businesses. During the Track Record Period and up to the Latest Practicable Date, these licenses have not been suspended due to material non-compliance incidents. To the best knowledge of our Directors, our Directors confirm that as of the Latest Practicable Date all of our employees, including sponsor representatives and brokers, have obtained the relevant and material licenses required for their business activities. During the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of our Directors has been subject to auditing or administrative penalty by the CSRC or its local counterparts.

The following table sets forth a summary of key licenses currently held by our Company and our subsidiaries and associate:

Name of entity	Licenses held
Hengtai Securities	securities brokerage asset management margin financing and securities lending securities-backed lending sales of financial products securities-related investment advisory service futures IB proprietary trading Internet brokerage business NEEQ market-making
Hengtai Changcai	securities underwriting and sponsoring

Name of entity	Licenses held
Hengtai Futures	commodity futures brokerage financial futures brokerage futures investment advisory
Hengtai Pioneer	asset management investment advisory service
Hengtai Capital	private equity investment debt investment investment advisory service
New China Fund	fund raising fund management fund distribution

Our Directors confirmed that we have complied with all relevant PRC laws and regulations in all material respects, including obtaining all required permits and licenses necessary to conduct our business in the PRC during the Track Record Period and up to the Latest Practicable Date.

Legal Proceedings

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of our business. Our Directors and our PRC legal advisors, Guantao Law Firm, have confirmed that, as of the Latest Practicable Date, there is no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Regulatory Non-compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC, including but not limited to the CSRC, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and their respective local branches and offices. Based on the nature of these cases, we classify the incidents of regulatory non-compliance into the following two categories: (i) non-compliance incidents that led or will likely lead to administrative penalties; and (ii) non-compliance incidents that led or will likely to lead deduction of regulatory points during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incidents will likely lead to administrative penalties

Non-compliance incidents	Brief explanation and our primary remedial measures
Loans to related parties and independent third parties	
Article 61 of the Lending General Provisions (《貸款通則》) promulgated by the PBOC provides that enterprises in the PRC may not provide lending or other loan financing services to one another. Our loans to or from related parties and independent third parties breached this provision. During the Track Record Period, we extended loans to our related parties, in an aggregate amount of RMB80.0 million and RMB313.0 million, respectively, for 2014 and the three months ended March 31, 2015 and recognized interest income in an amount of RMB0.5 million and RMB2.1 million, respectively. As of March 31, 2015, RMB393.0 million of these loans had not been repaid. We received loans from our related parties, in an aggregate amount of RMB170.0 million, RMB210.0 million and RMB70.0 million, respectively, for 2013, 2014 and the three months ended March 31, 2015, respectively, and recognized interest expenses in an amount of RMB1.9 million, RMB7.2 million and RMB0.04 million, respectively. As of March 31, 2015, RMB70.0 million loans had not been repaid by us to our related parties. In addition, we extended loans to independent third parties in an aggregate amount of RMB6.0 million for 2014, and recognized interest income in an amount of RMB0.1 million. As of March 31, 2015, these loans had been fully repaided. These non-compliance incidents occurred because we did not designate specific personnel to monitor and review loans we extend to or borrow from other parties for the compliance with Lending General Provisions at the relevant times.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the PBOC on us regarding such loans. As advised by our PRC legal advisors, Guantao Law Firm, the maximum penalty that may be imposed on us by the PBOC for such violation is a total fine in the amount between one time and five times the interests received by us for such loans. We intend to fully settle these outstanding loans prior to the Listing. Our directors and our PRC legal advisors, Guantao Law Firm, have confirmed that, it is very unlikely the PBOC will impose any penalties based on the practice, and this non-compliance incident is immaterial and did not and will not have any material adverse effect on our business, financial position and results of operations. We have enhanced internal control measures to prevent such non-compliance incidents from happening, including: • designating special personnel to be responsible for overseeing any loans in violation of Lending General Provisions and prepare written reports; • establishing an internal authorization procedure for any external loan-related payments and receipts; • expressly setting forth in relevant internal control and risk management rules that any borrowing and lending will comply with relevant rules and regulations; and • annual review and regular inspection by our legal and compliance department and audit department to ensure compliance with the relevant rules and regulations and our internal control measures.

Non-compliance incidents	Brief explanation and our primary remedial measures
System failure regarding ChiNext Board trading authorization	
The Implementation Rules of Relevant Management of Investors on the ChiNext Board of the Shenzhen Securities Exchange (《深圳證券交易所創業板市場投資者適當性管理實施辦法》) provide that a trading member of ChiNext Board is only permitted to open a trading account for a customer two trading days after the customer properly signs a trading risk disclosure acknowledgement document, and further provide that for an individual investor with less than two years of trading experience, a special declaration regarding undertaking market risks is required to be signed at the same time as the trading risk disclosure acknowledgement document and an account may only be opened for such individual investor five trading days after the proper execution of all such risk-related documents. On April 30, 2015, the Shenzhen Stock Exchange issued a supervision attention letter highlighting the failure of our mobile application Hengtai Zhangcai to effectively control the ChiNext Board client trading authorization, as a result of which a total of 40 customers who do not meet the account-opening requirements for ChiNext Board were allowed to trade in ChiNext stocks. The underlying reason for this non-compliance incident was the technical failure of our mobile application Hengtai Zhangcai.	In response to the supervision attention letter, we issued a self-rectification report to Shenzhen Stock Exchange on May 11, 2015 and took a series of remedial measures, including: • implementing the contingency plan to identify the cause of the unusual transactions; • introducing specific process to be followed by clients who have engaged in unusual transactions in terms of account opening and stock trading; and • strengthening mobile application system management by enhancing system testing and upgrading. On May 27, 2015, we submitted a rectification report to the IMSRB and had not received any objection from the regulatory authorities to our rectification report or rectification measures as of the Latest Practicable Date. We have engaged an internal control consultant to conduct a review in June 2015 on the mobile application Hengtai Zhangcai and the ChiNext Board client trading authorization. The internal control consultant found that on April 30, 2015, we detected an error in the commissioned trading of ChiNext Board stocks. Upon the detection, we initiated an emergency plan immediately and shut down the concerned Heng Tai Zhang Cai commission server. The relevant trading system was restored after the cause of error was located. The internal control consultant also conducted a review of trading authorizations by our clients on the ChiNext Board. The internal control consultant extracted transactions on the ChiNext Board from January 1, 2015 to May 31, 2015 and our clients' trading authorizations on the ChiNext Board for the same period, and found that, except for the incidents in April 2015, all the clients had proper trading authorizations. As advised by our PRC legal advisors, Guantao Law Firm, this non-compliance incident is immaterial and did not and will not have any material adverse effect on our business, financial position and results of operations.

Non-compliance incidents led to deduction of regulatory points

Non-compliance incidents	Brief explanation and our primary remedial measures
Holding of private placement issued by an affiliate	
The Administrative Measures on Client Asset Management of Securities Companies (《證券公司客戶資產管理業務管理辦法》) provide that a securities company shall obtain clients' consent for any investment of clients' assets in an affiliate's securities, notify the asset custodian institution and report to the stock exchanges. Any investment amount in such securities may not exceed 7.0% of the net value of such collective asset management scheme. One of our collective asset management schemes invested in bonds issued by our affiliate Zhongchang Hengyuan in exceeding the specified percentage, and failed to obtain clients' consent and notify and report to relevant parties. In addition, we failed to manage stocks issued by some of our affiliates as required under the Administrative Measures on Client Asset Management of Securities Companies. The Detailed Implementation Rules regarding Collective Asset Management Business of Securities Companies (《證券公司集合資產管理業務實施細則》) provide that any costs incurred prior to the establishment of a collective asset management scheme or during the existence of such scheme but related to promotion may not be listed or collected from the asset under management. Three of our collective asset management schemes Hengtai Chuangfu No.8, No.18 and No.19 provided in the asset management scheme contract the calculation and collection of agency sale services fee. The Detailed Implementation Rules regarding Collective Asset Management Business of Securities Companies further provide that a securities company of agency sale institutions shall truly disclose the nature and investment target of the asset management schemes and any associated risks. Six of our collective asset management schemes Hengtai Chuangfu No.5, No.6, No.8, No. 13, No. 18 and No. 19 failed to adequately inform clients of risks related to the investment target either in the asset management contract or risk disclosure letters. In addition, the Detailed Implementation Rules regarding Collective Asset Management Business of Securities Companies provide that a securities company shall inform investors of the change of investment manager and report to the local counterparts of the CSRC and SAC. Two of our collective asset management schemes Xianfeng No.1 and No.2 failed to inform investors of the change of investment manager and report to relevant authorities.	In response to the regulatory letter from the CSRC, we took a series of remedial measures, including: (1) liquidating all private placement bonds issued by the affiliate under certain asset management scheme and terminating such asset management scheme before its expiry; (2) improving and updating the risk management functions to realize front-end control on investment products and percentage for fixed-income sales and trading, and implementing manual control when necessary; (3) communicating with the IMSRB regarding the causes of the data differences between the value assessment system and the asset management business system, and coordinating with software supplier to improve the internal control system; (4) going through the internal reporting and approval procedures for previous risk alerts issued by compliance department, and requiring the asset management business department to strictly comply with internal rules and procedures regarding internal control; (5) preparing written due diligence report for existing targeted asset management schemes and requiring asset management business department to conduct thorough due diligence review and formulating written report for any new targeted asset management schemes;

Non-compliance incidents	Brief explanation and our primary remedial measures
The Detailed Implementation Rules regarding Targeted Asset Management Business of Securities Companies (《證券公司定向資產管理業務實施細則》) provide that a securities company shall establish separate account for each client of the targeted asset management schemes and manage different clients' assets separately. Two of our targeted asset management schemes executed same contracts with 103 different clients and 84 different clients, respectively, and both failed to open separate account for clients under each of such targeted asset management schemes. The Detailed Implementation Rules regarding Targeted Asset Management Business of Securities Companies further provide that a director, supervisor or employee of a securities company may not act as client of such company to invest in targeted asset management schemes. Two of our employees invested in one of our targeted asset management scheme. The CSRC conducted an onsite inspection of our asset management business, fixed-income sales and trading, and compliance and risk management work from June 3 to June 7, 2013, and issued an onsite inspection feedback letter highlighting the existence of various issues, including the above-mentioned violations and certain deficiencies in our internal control procedures: (1) holding of private placement bonds issued by an affiliate in exceeding the prescribed proportion; (2) failure to manage the bonds issued by some affiliates as associated transactions; (3) failure to conduct front-end control on the investment products and percentage for fixed-income sales and trading; (4) failure to maintain effective monitoring connection between asset management system, internal control platform and value assessment system and keep accurate data on asset management system and internal control platform; (5) failure to comply with internal control procedures regarding asset management business; (6) certain deficiencies in due diligence work, including granting of loans without preparing a written due diligence report or launching a targeted asset management product without a due diligence report;	

Non-compliance incidents	Brief explanation and our primary remedial measures
(7) stipulating in three collective asset management schemes contracts regarding agency sale services fee;	(6) requiring asset management business department not to stipulate any agency service fee in collective asset management scheme contract;
(8) failure to adequately inform clients of investment target and risks associated with certain collective asset management schemes;	(7) enhancing the information disclosure regarding the investment target of and risks associated with collective asset management schemes;
(9) failure to inform investors of the change of investment manager of certain collective asset management schemes;	(8) requiring the asset management business department to inform investors and report to relevant regulatory authorities regarding the change of investment manager of collective asset management schemes;
(10) failure to comply with provisions regarding targeted asset management schemes;	(9) requiring the asset management business department to strictly comply with provisions regarding internal control and account management for targeted management schemes;
(11) permitting employees to invest in certain targeted asset management schemes;	
(12) failure to establish relevant procedures and policies regarding bond issuance, trading and sales for fixed-income sales and trading; and	(10) improving relevant procedures and policies regarding bond issuance, trading and sales; and
(13) failure to implement internal approval rules and procedures for fixed-income sales and trading.	(11) enhancing the internal control and risk management for proprietary trading business by designating risk management personnel and setting up new device and system.

Non-compliance incidents	Brief explanation and our primary remedial measures
Further, we received a regulatory letter from the IMSRB dated August 27, 2013, identifying the facts that we have invested all assets raised under Chuangfu No.1 (創富1號) collective asset management with specified limits into private placement bonds issued by Zhongchang Hengyuan (中昌恒遠), and certain deficiencies in our due diligence work for asset management business, and requesting us to conduct legal compliance self-examination for asset management business every two months from September 1, 2013 to August 31, 2014, and submit the self-examination report to the IMSRB within ten business days of each of the self-examinations. We received a letter from the CMDMC dated August 27, 2013, notifying us that restricted filing management measures will be implemented for our asset management business for a period of three months, and requesting us to go through restricted filing according to applicable rules and apply to resume as normal filing category upon the expiration of such three months period. This non-compliance incident led to deduction of 0.5 (basis point of 100) of our regulatory points in 2013. The underlying reason for these non-compliance incident was the failure to timely update the list of affiliates.	In response to the regulatory letters from the IMSRB and CMDMC, we took a series of remedial measures, including: (1) assigning the investment under Chuangfu No.1 collective asset management in private placement bonds issued by Zhongchang Hengyuan in full on July 17, 2013 to satisfy the specified investment scope and percentage requirements under the asset management contract, and terminating Chuangfu No.1 collective asset management before its expiration and refunding the investment to investors; (2) enhancing affiliates transactions management by establishing a complete affiliates list, and explicitly providing that we may not provide financing services for any affiliate through our asset management business; (3) establishing strict disclosure and reporting procedures to be followed for any investment in an affiliate; (4) requiring the asset management business department to conduct due diligence strictly according to regulatory rules; (5) establishing strict standards for selecting the banks to be collaborated with for our targeted asset management business; (6) strengthening the investment manager responsibility system in relation to product proposal, due diligence, product launch, operation and termination; (7) strengthening front-end control of asset management business platform by conducting risk indicator testing and improving risk control measures; (8) reviewing and amending our internal procedures and policies for asset management business in terms of approval rights and responsibilities; (9) expanding our legal compliance and risk control team to enhance risk management;

Non-compliance incidents	Brief explanation and our primary remedial measures
	(10) updating the asset management contract provisions based on the latest regulatory requirements, and requesting relevant personnel to inform investors of risks associated with their investment in a timely and complete manner; (11) formulating and implementing standardized daily work management for asset management business, covering project promotion, transaction process and files management; (12) organizing compliance personnel of asset management business to study the latest laws and regulations; (13) updating our internal rules and policies for asset management business based on the latest laws and regulations; (14) enhancing internal compliance inspection by conducting six self-examinations during November 1 to November 5, 2013, January 2 to January 6, 2014, March 3 to March 5, 2014, May 5 to May 9, 2014, July 1 to July 3, 2014 and September 1 to September 5, 2014, respectively, and submitting the self-examination reports to the IMSRB on November 8, 2013, January 8, 2014, March 7, 2014, May 13, 2014, July 10, 2014 and September 11, 2014, respectively; and (15) going through required procedures for restricted filing in relation to our asset management schemes launched during the three-month period. On November 26, 2013, we submitted our rectification report to the CMDMC and applied to resume filing as normal category. On December 17, 2013, we received a letter from the CMDMC, notifying us that we may conduct filing for our privately-raised product as normal category. As advised by our PRC legal advisors, Guantao Law Firm, this non-compliance incident is immaterial and did not and will not have any material adverse effect on our business, financial position and results of operations.

Non-compliance incidents	Brief explanation and our primary remedial measures
Deficiencies in addressing emergency incident The Detailed Implementation Rules regarding Collective Asset Management Business of Securities Companies (《證券公司集合資產管理業務實施細則》) provide that securities companies should establish a separate and complete account management, settlement, reporting, auditing and file management system, establish clear procedures for settlement and fund transfer, and the risk control and audit departments should monitor and check the operation and management of their collective asset management business. In addition, securities companies, asset management institutions and their related promotion and sales agencies should establish the necessary information technology support system in order to provide technical support for the risk management and internal control for the collective asset management business. Two of our collective asset management schemes Hengtai Chuangfu No. 7 and No. 10 engaged in securities purchases and repurchases of pledged debt securities on June 13, 2013 before the establishment of special settlement procedures, and put the relevant settlement results under our securities brokerage settlement, which resulted in an error in the settlement balance of relevant customers' accounts for June 13, 2013. We received a major early-warning letter from the SIPF dated July 16, 2013, identifying that on June 13, 2013, there was a difference of RMB1.97 billion between the required amount of securities investor protection fund and the actual amount of securities investor protection fund, which revealed certain deficiencies in various areas of our risk management and internal control, including: (1) failure to establish a sound contingency plan system and a review and confirmation mechanism; and (2) failure to set forth in the custodian agreement with custodian bank with regard to the contingency plan to address the possible emergency incident. On June 19, 2013, the SIPF sent a reminder letter regarding this major early-warning incident to the IMSRB, and consequently, the IMSRB conducted an offsite inspection of our company and requested us to take effective measures to prevent similar incidents from happening. This non-compliance incident led to deduction of 0.5 (basis point of 100) of our regulatory points in 2014. The underlying reason for this non-compliance incident was insufficient understanding by some staff of internal procedures and policies.	In response to this early-warning letter, we took a series of remedial measures, including: (1) communicating promptly with the custodian bank and transferring relevant amount of fund from the custodian account to securities investor protection fund account to make up the difference; (2) improving the operation process and enhancing the review functions; (3) establishing a coordination and communication mechanism for different business lines and different counterparties; (4) enhancing internal management to strengthen the responsibility system in relation to internal procedures and policies and ensure vigorous implementation of such procedures and policies; and (5) establishing an emergency management team to formulate contingency plans and procedures for handling emergency incidents. On July 24, 2013, we submitted our rectification report to the IMSRB, and had not received any objection from the regulatory authorities to our rectification report or rectification measures as of the Latest Practicable Date. As advised by our PRC legal advisors, Guantao Law Firm, this non-compliance incident is immaterial and did not and will not have any material adverse effect on our business, financial position and results of operations.

Our Directors and our PRC legal advisors, Guantao Law Firm, confirmed that (i) the foregoing non-compliance incidents are immaterial and did not and will not have any material adverse effect on our business, financial position and results of operations; and (ii) during the Track Record Period and up to the Latest Practicable Date, there is no regulatory non-compliance incident that could have a material adverse effect on our business, financial condition or results of operations. None of our Directors nor any member of our senior management was directly involved in the foregoing non-compliance incidents. Based on (a) the immateriality of our non-compliance incidents, (b) the internal control measures we have enhanced and adopted pursuant to recommendations made by an internal control consultant, and (c) the foregoing legal advice from our PRC legal advisors, Guantao Law Firm, our Directors are of the view that (i) we have adequate and effective internal controls; and (ii) it is unnecessary to make any provision for these non-compliance incidents. Based on the above and after making reasonable inquiries with us in relation to the non-compliance incidents and the remedial measures taken, the Joint Sponsors are of the view that there is nothing that would lead them to disagree with our view that we have adequate and effective internal controls in all material aspects.

Regulatory inspections

The CSRC and other regulatory agencies conduct periodic or random inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements applicable to us and our business. During the Track Record Period and up to the Latest Practicable Date, the periodic and random inspections conducted on us by the CSRC and its local delegate offices covered our risk management, internal control, corporate governance and various business areas that we are engaged in, and the scope of which included our various securities and futures branches. Although these inspections have not revealed any material risks or non-compliance incidents and have not resulted in any fines or other administrative penalties, they revealed certain deficiencies with respect to our business operations, risk management and internal controls. We immediately took remedial measures and improved our risk management and internal control systems based on the regulatory agencies' recommendations. We set forth in the following examples of recent inspections:

From July 18 to July 19, 2013, the Shandong Securities Regulatory Bureau conducted an onsite inspection of our Jinan branch's marketing activities, and issued an onsite inspection feedback letter highlighting the existence of various issues, primarily including:

- insufficient management of marketing personnel, including failure to implement electronic recording of performance review, client complaints and non-compliance incidents;
- incomplete onsite or offsite disclosure regarding securities brokers' agency authority, term and geographical scope;
- failure to keep complete records of responses to client's complaints; and

- failure to set perfect monitor control index, thus narrowing the scope of supervision.

In response to this regulatory letter, we requested all marketing personnel to strictly comply with provisions regarding marketing activities and client complaints.

As of the Latest Practicable Date, we had not received any other response from the Shandong Securities Regulatory Bureau other than this letter.

From February 17 to February 21, 2014, the CSRC, together with the IMSRB (the CSRC's local branch in Inner Mongolia), the SAC and the CMDMC, conducted an onsite inspection of our asset management business, and issued an onsite inspection feedback letter highlighting the existence of various issues, primarily including:

- failure to comply with contract provisions related to risk control for certain collective asset management schemes;

- failure to go through filing and reporting procedures regarding change of investment manager, same direction trading and opposite direction trading between different investment portfolios of our asset management business;

- certain deficiencies in contract management, such as failure to identify the date on which the contract was signed by various parties;

- certain deficiencies in assessing and managing client suitability for asset management business; and

- certain deficiencies in managing sales persons' marketing activities related to capital protected undertakings, and failure to report clients' complaints to legal and compliance department according to internal procedures.

In response to the regulatory letter, we took a series of remedial measures, including:

- strengthening contract performance management by terminating asset management schemes according to their terms upon expiration, and managing existing schemes according to internal procedures and policies;

- going through filing and reporting procedures regarding change of investment manager and same direction trading and opposite direction trading between different investment portfolios of our asset management business;

- enhancing contract management by designating a person to be responsible for the use of stamps and input of contract signing date;

- enhancing client suitability assessment and management by establishing client suitability management rules and introducing "client suitability management system";

- strengthening the management of sales persons' marketing activities through contract provisions and internal trainings, and enhancing client service by offering in-house training to customer service representatives;

- improving the communication with investors by disclosing the change of investment manager, quarterly and annual report of investment schemes on the investment manager website;

- requiring the asset management department to report client complaints to legal and compliance department on a monthly basis, and the legal and compliance department to report the resolving status of such complaints to the IMSRB on a monthly basis; and

- improving marketing management by establishing internal procedures and policies regarding accounts opening and risk management.

As requested by the IMSRB, we submitted our rectification report to the IMSRB on April 11, 2014 and had not received any objection from the regulatory authorities to our rectification report or rectification measures as of the Latest Practicable Date.

From May 19 to May 23, 2014, the PBOC's Xilingol League Branch (中國人民銀行錫林郭勒盟中心支行) conducted an onsite inspection of our anti-money laundering activities, and issued an onsite inspection feedback letter highlighting the existence of various issues, primarily including:

- failure to reflect the change of anti-money laundering group member in writing form and report to competent authorities in a timely manner;

- failure to tailor the internal anti-money laundering procedures according to our industry and business; and

- failure to register clients' place of residence correctly.

In response to this regulatory letter, we took a series of remedial measures, including:

- issuing internal document to reflect the member change of anti-money laundering group and reporting to the PBOC;

- updating and amending internal anti-money laundering measures accordingly; and

- completing clients' record to include accurate place of residence.

On June 25, 2014, we submitted our rectification report to PBOC's Xilingol League Branch, and had not received any objection from the regulatory authorities to our rectification report or the rectification measures as of the Latest Practicable Date.

Our Directors confirm that, except as disclosed above, there were no other material breaches or material incidents of regulatory non-compliance committed by us or our employees during the Track Record Period and up to the Latest Practicable date, and the non-compliance incidents and findings of the regulatory authorities during the Track Record Period and up to the Latest Practicable Date did not reveal any material deficiencies in our operations, internal control or risk management systems.

OVERVIEW

Our Group had entered into a number of transactions with individuals and entities that will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules) upon Listing, and such transactions will continue after Listing and will therefore constitute continuing connected transactions of our Company under the Hong Kong Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Brokerage and wealth management, and investment management services provided in the ordinary and usual course of business

We provide two major types of services, namely (i) brokerage and wealth management; and (ii) investment management, in the ordinary and usual course of our business to the public in China, which also includes our connected persons (including directors, supervisors and chief executives of our Company and subsidiaries, and/or their respective associates) at usual fees and charges (including but not limited to management fees and service charges) and on normal commercial terms. It is likely that such connected persons will continue to use above services upon Listing, which will constitute continuing connected transactions for us under the Hong Kong Listing Rules.

The brokerage and wealth management, and investment management services provided by us to our connected persons are conducted in the ordinary and usual course of our business and on normal commercial terms that are comparable to or no more favorable than those offered to independent third parties. As each of the relevant percentage ratios (except for the profits ratio) will, as our Directors currently expect, be less than 0.1% on an annual basis, the transactions under the brokerage and wealth management, and investment management services to our connected persons are exempt continuing connected transactions under Rule 14A.76 of the Hong Kong Listing Rules, namely de minimis transactions, and thus will be exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements contained in Rules 14A.68 to 14A.71 of the Hong Kong Listing Rules.

2. Issue of subordinated perpetual bonds

Upon Listing and assuming no exercise of the Over-allotment Option, SASAC Xicheng District will, through Finance Street Group, be interested in approximately 21.03% of our issued share capital, and therefore it will be a substantial Shareholder of our Company. Pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Finance Street Group and its associates are connected persons of our Company. Finance Street Capital Management Centre (北京金融街資本運營中心) ("**Finance Street Capital**") is a holding company of Huarong Infrastructure, and is therefore an associate of the Finance Street Group. Accordingly, Finance Street Capital is a connected person of our Company and transactions that we enter into with Finance Street Capital will constitute connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules upon Listing.

On June 29, 2015, we issued subordinated perpetual bonds in the total principal amount of RMB1.5 billion to institutional investors, including Finance Street Capital, at the same terms. Details of the issue of the subordinated perpetual bonds are set out in the headed "Financial Information — Indebtedness — Subordinated Bonds" of this prospectus. The issue of subordinated perpetual bonds in the principal amount of RMB200 million to Finance Street Capital constitutes financial assistance being received by us from a connected person under Rule 14A.90 of the Hong Kong Listing Rules and is a fully exempt continuing connected transaction on the basis that it is conducted on normal commercial terms and it is not secured by the asset of our Group. Accordingly, it is exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements contained in Rules 14A.68 to 14A.71 of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the non-exempt continuing connected transactions entered into between the connected persons and certain members of our Group (the "**Non-exempt Continuing Connected Transactions**").

Property Leasing and Related Services Framework Agreement

Upon Listing and assuming no exercise of the Over-allotment Option, SASAC Xicheng District will, through Finance Street Group, be interested in approximately 21.03% of our issued share capital, and therefore it will be a substantial Shareholder of our Company. Pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Finance Street Group and its associates are connected persons of our Company. Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司) ("**Huarong Investment**") is a holding company of Finance Street Xihuan Properties, and is therefore an associate of the Finance Street Group. Accordingly, Huarong Investment is a connected person of our Company and transactions that we enter into with Huarong Investment and its associate will constitute connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules upon Listing.

Reasons for the transactions

Historically, members of our Group have leased certain properties and parking lots in Beijing from Finance Street Group and its associates for our offices and/or business uses, and engaged Finance Street Group and its associates for the provision of property management services in relation to the properties we occupied.

To comply with the requirements of the Hong Kong Listing Rules, we and Huarong Investment have entered into a property leasing and related services framework agreement (the "**Property Leasing and Related Services Framework Agreement**") on September 23, 2015 to regulate our lease of properties relationship and property management services. The Property Leasing and Related Services Framework Agreement will be effective from the Listing Date and end on December 31, 2017, subject to renewal.

Principal terms and pricing basis

The principal terms of the Property Leasing and Related Services Framework Agreement are as follows:

- the rentals shall be determined based on arm's length negotiations between the relevant parties by reference to the prevailing market price with similar locations and sizes to the relevant properties; and the management fees shall be determined with reference to the price provided by Huarong Investment and/or its associates to an independent third party who leased the properties with similar locations and sizes;

- members of our Group and Huarong Investment or its relevant associates shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant properties according to the principles, and within the parameters, provided for under the Property Leasing And Related Services Framework Agreement;

- we are entitled to lease additional gross floor area from and among the available properties owned by Huarong Investment and/or its associates during the term of the Property Leasing And Related Services Framework Agreement; and

- either party may, at any time before the Property Leasing And Related Services Framework Agreement expires, by giving not less than 30 days' notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rentals will accordingly be reduced.

Existing Transactions

As of the Latest Practicable Date, our Group leased the following properties and parking lots from Huarong Investment and/or its associates, and engaged them for the related management services, and such transactions are expected to continue after the Listing:

- certain properties (including rooms B605, C506-512, C515-517, C519, C615 and C719) with a total gross floor area of approximately 1,999 sq., which are located at 5th to 7th floor of Tongtai Building, No. 33 Finance Street, Xicheng District, Beijing, the PRC, for used as offices of our Company, Hengtai Changcai and Hengtai Pioneer; and

- five parking lots, located in Tongtai Building, No. 33 Finance Street, Xicheng District, Beijing, the PRC for use by our Company and Hengtai Pioneer.

Historical Figures

A breakdown of the approximate historical transaction figures in respect of the rental and property management fees paid to Huarong Investment and its associates during the Track Record Period is as follows:

	Historical figures			
	For the year ended December 31,			For the three months ended March 31,
Property leasing and management	**2012**	**2013**	**2014**	**2015**
		(RMB million)		
Rental and property management expenses incurred for lease of properties and management services from Huarong Investment and its associates	nil	6.1	8.1	2.3

Annual caps

Our Directors estimate the aggregate annual caps for the rental and property management fees payable by us to Huarong Investment and/or its associates under the Property Leasing And Related Services Framework Agreement for the three financial years ending 31 December 2017 as set out in the table below. These caps are inclusive of management fees relating to the relevant leased properties (if any) and are subject to adjustments which may be made once every three years in accordance with the then prevailing market rates:

	Annual caps		
	For the year ending 31 December		
Property leasing and management	**2015**	**2016**	**2017**
		(RMB million)	
Rental and property management expenses to be incurred for lease of properties from Huarong Investment and its associates	9.4	21.6	21.6

When estimating the annual caps for the rental and property management expenses to be incurred by us, our Directors have made reference to the above historical figures (in particular, the highest transaction amount during the Track Record Period), and also considered, among other things, the following key factors:

(1) the estimated increase in rental area for additional office and business premises of approximately 1,600 square meters due to:-

   (a) the estimated growth and expansion of business operation of our Group, including capital-based intermediary business, NEEQ market-making business and internet finance business. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus;

   (b) the recent establishment of new subsidiaries in Beijing, including Hengtai Hongze, Hengtai Hengfu and Hengtai Hengzhong, which were established as indirect wholly-owned subsidiaries of our Company in Beijing in 2015. For further details, please refer to the paragraph headed "Our Major Subsidiaries" in the section headed "History and Corporate Structure" in this prospectus; and

   (c) the estimated increase in the number of employees of our Group of approximately 100% to 200% as a result of the growth and expansion of business operation of our Group as well as recent establishment of new subsidiaries in Beijing as mentioned in paragraphs (a) and (b) above; and

(2) the estimated increase in rental expenses and property management fees payables in light of:-

   (a) the possible renting of higher graded office premises with higher rent and property management fee; and

   (b) the estimated rental inflation based on historical trend for rental increase in the PRC and property management expenses incurred by the Group during the Track Record Period.

Based on a report issued by an Independent Third Party property valuer, the expected annual rentals payable for the existing transactions under the Property Leasing And Related Services Framework Agreement were fair and reasonable and were lower than the prevailing market price for similar properties in similar locations as of June 2015.

Implications under the Hong Kong Listing Rules

Each of the applicable percentage ratios (other than profit ratio) under Chapter 14A of the Listing Rule is, on an annual basis, less than 5%. By virtue of Rule 14A.76(2) of the Hong Kong Listing Rules, the transactions contemplated under the Property Leasing and Related Services Framework Agreement will constitute continuing connected transactions for our Group subject to reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements stipulated under the Hong Kong Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the Non-exempt Continuing Connected Transactions will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement requirements under the Hong Kong Listing Rules would be unduly burdensome and impractical.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Hong Kong Listing Rules from compliance with the announcement requirement under Chapter 14A of the Hong Kong Listing Rules in respect of the Non-exempt Continuing Connected Transactions subject to the condition that the annual transaction value shall not exceed the relevant proposed annual caps set out above.

In addition, we will comply with the applicable requirements set out in Chapter 14A of the Hong Kong Listing Rules, including Rules 14A.34, 14A.51 to 14A.59 and 14A.71(6) of the Hong Kong Listing Rules in relation to the Non-exempt Continuing Connected Transactions and that the maximum aggregate annual values of each of the Non-exempt Continuing Connected Transactions for each of the three years ending December 31, 2017 are not expected to exceed the respective annual caps, and will re-comply with relevant Hong Kong Listing Rules if any of the respective annual caps set out above are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the Non-exempt Continuing Connected Transactions, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in our interests and the interests of our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the Non-exempt Continuing Connected Transactions (i) have been and shall be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better; (ii) are fair and reasonable and in the interests of the Shareholders as a whole; and (iii) that the proposed annual caps for these transactions are fair and reasonable and in our interests and the interests of our Shareholders as a whole.

SUMMARY INFORMATION OF OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our current Directors, Supervisors and senior management. Our Directors, Supervisors and senior management all meet the qualification requirements under relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions except for the Rule 8.12 and Rule 19A.15 waivers as to the management presence in the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules" in this prospectus.

Name	Age	Position	Responsibilities	Appointment date of current term	Time of joining our Group
Directors					
Mr. Pang Jiemin (龐介民先生)	44	Executive Director, chairman of our Board and legal representative	Participating in formulating our corporate and business strategies and making major corporate and operational decisions and resposible for our corporate governance matters	November 24, 2014	December 2010
Mr. Wu Yigang (吳誼剛先生)	55	Executive Director and vice chairman of our Board	Participating in formulating our corporate and business strategies and making major corporate and operational decisions and responsible for our corporate governance matters	November 24, 2014	April 2003
Mr. Ju Jin (鞠瑾先生)	51	Non-executive Director	Participating in formulating our corporate and business strategies and decision-making of significant events	November 24, 2014	November 2008
Mr. Zhang Tao (張濤先生)	36	Non-executive Director	Same as above	November 24, 2014	November 2008
Mr. Chen Guanglei (陳廣壘先生)	45	Non-executive Director	Same as above	November 24, 2014	September 2012
Mr. Sun Chao (孫超先生)	31	Non-executive Director	Same as above	January 8, 2015	January 2015
Mr. Peng Diyun (彭迪雲先生)	51	Independent non-executive Director	Participating in formulating our corporate and business strategies and decision-making of significant events and taking responsibilities of independent non-executive Director conferred by relevant laws, regulations and the Articles of Association	November 24, 2014	August 2012

Name	Age	Position	Responsibilities	Appointment date of current term	Time of joining our Group
Ms. Zhou Jianjun (周建軍女士)	46	Independent non-executive Director	Same as above	April 3, 2015	April 2015
Dr. Lam Sek Kong (林錫光博士)	55	Independent non-executive Director	Same as above	April 3, 2015	April 2015
Supervisors					
Mr. Guo Liwen (郭力文先生)	55	Chairman of the Supervisory Committee	Presiding over the Supervisory Committee supervising the performance of our Board and senior management and the operational and financial activities of our Company	November 24, 2014	June 1999
Ms. Pei Jingjing (裴晶晶女士)	32	Supervisor	Supervising the performance of our Board and senior management and the operational and financial activities of our Company	January 8, 2015	January 2015
Mr. Wang Hui (王慧先生)	42	Employee representative Supervisor	Supervising the performance of our Board and senior management and the operational and financial activities of our Company	November 24, 2014	July 2009
Senior management					
Mr. Niu Zhuang (牛壯先生)	43	President	Formulating our corporate and business strategies and making major corporate and operational decisions, being fully responsible for our overall operation and management and execution of our Board resolutions	June 26, 2015	February 2004
Mr. Zhang Wei (張偉先生)	44	Vice president, joint company secretary and secretary of the Board	Daily affairs of our president office and in charge of management of our OTC business department and the operation of Hengtai Changcai	November 23, 2011	August 2002
Mr. Wang Haibing (王海兵先生)	42	Chief financial officer	In charge of our planning and financial department	December 21, 2012	September 2006

Name	Age	Position	Responsibilities	Appointment date of current term	Time of joining our Group
Ms. Yu Fang (于芳女士)	35	Chief compliance officer and chief risk officer	In charge of our legal and compliance department, risk management department and audit department	January 14, 2013 and April 28, 2014, respectively	January 2013
Ms. Fu Lixin (付立新女士)	49	Vice president	In charge of the operation of Hengtai Futures and Shanghai Yingwo	November 23, 2011	October 2003
Ms. Wu Lihui (武麗輝女士)	44	Vice president	Daily affairs of the Board office and supervision of the management of Hengtai Pioneer	July 24, 2012	November 2009
Mr. Deng Hao (鄧浩先生)	40	Vice president	In charge of our financial market department and its asset securitization business	March 3, 2014	March 2014
Mr. Zhao Peiwu (趙培武先生)	51	Vice president	Management of our brokerage business department and the operation of our Changchun branch office and all of our securities branches as well as asset custody department	March 5, 2013	October 1998

BOARD OF DIRECTORS

According to the Articles of Association, the Board comprises nine Directors. The term of service for Directors is three years, and Directors are permitted to be re-elected. Responsibilities of the Board include but are not limited to:

— executing Shareholders' resolutions and convening and reporting to the general meetings;

— formulating operation plans, investment plans, financial plans, asset plans and capital plans of our Company;

— deciding on the establishment of our Company's internal management structure and formulating the basic management policies and risk control policies of our Company;

— appointing, reviewing and dismissing the senior management of our Company;

— managing the disclosure of information of our Company; and

— taking responsibilities pursuant to relevant PRC laws and regulations, the Hong Kong Listing Rules, the Articles of Association and the Shareholders' resolutions.

Directors

Executive Directors

Mr. Pang Jiemin (龐介民), aged 44, has been our Director and the chairman of the Board and legal representative since December 2010.

Before joining our Group, Mr. Pang served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager from May 2010 to December 2010.

Mr. Pang graduated from Hebei University of Economics and Business (河北經貿大學, formerly known as Hebei College of Finance and Economics (河北財經學院)) in Shijiazhuang, Hebei Province, the PRC with a bachelor's degree of finance in July 1993. He then obtained a master's degree of economics from Central Institute of Finance and Banking (中央財政金融學院, now known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC in March 1996. Mr. Pang obtained a doctor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan Province, the PRC in January 2005. From December 2007 to May 2008, Mr. Pang was a visting post-doctor researcher at the ICMA Centre of University of Reading in the United Kingdom. Mr. Pang obtained the qualification as economist (經濟師資格) granted by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 1997. He also passed the 21st qualification test for senior management of securities institutions organized by the SAC in December 2010.

Mr. Wu Yigang (吳誼剛), aged 55, has been our Director and the vice chairman of our Board since October 2008 and June 2015, respectively. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for our corporate governance matters. Mr. Wu served as the president of our Company from April 2003 to June 2015.

Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

Non-executive Directors

Mr. Ju Jin (鞠瑾), aged 51, has been a Director of our Company since November 2008. Concurrently, he has also been assuming the positions of a director and a deputy chairman of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司), a director of Great Wall Life

Insurance Co., Ltd. (長城人壽保險有限公司), the general manager and director of Finance Street Investment and the manager in Beijing Finance Street Capital Operations Center (北京金融街資本運營中心) since June 2000, September 2005, January 2011 and March 2012, respectively.

Before joining our Group, Mr. Ju served in Beijing Finance Street Construction and Development Company (北京金融街建設開發公司, now known as Finance Street Xihuan Properties) as a temporary deputy general manager and then a deputy general manager from February 1996 to August 1999. Mr. Ju also served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager, an executive deputy general manager, the general manager and then the director from August 1999 to December 2010.

Mr. Ju graduated from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in Beijing, the PRC with a bachelor's degree majoring in transportation economy in July 1986. He graduated from a postgraduate course of corporate management from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in July 1998. Mr. Ju subsequently obtained a degree of executive master of business administration from the Hong Kong University of Science and Technology in Hong Kong in May 2009.

Mr. Zhang Tao (張濤), aged 36, has been a Director of our Company since November 2008. Concurrently, he has also been assuming the position of chairman of the board of supervisors in Baotou Huazi (a substantial shareholder of our Company) since May 2008.

Before joining our Group, he served in Baotou Huazi as a director, being in charge of investment and financing from September 2001 to April 2008.

Mr. Zhang graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC and majored in law in May 2005.

Mr. Chen Guanglei (陳廣壘), aged 45, has been a Director of our Company since September 2012. He has been assuming the position of a chief economist in Finance Street Investment since July 2012.

Before joining our Group, Mr. Chen worked in Henan Pingdingshan Branch of China Construction Bank (中國建設銀行河南省平頂山分行) from August 1992 to August 2000. He then worked in Henan Branch of China Construction Bank (中國建設銀行河南省分行) from August 2000 to August 2002. Mr. Chen also worked in Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) and Finance Street Huizhou Properties Co., Ltd. (金融街惠州置業有限公司), as the head of finance department of Finance Street Huizhou Properties Co., Ltd. from January 2005 to August 2005. Subsequently, Mr. Chen served in Zhongjin Gold Corporation Limited (中金黃金股份有限公司, listed on Shanghai Stock Exchange, stock code: 600489) as a financial administrator from April 2008 to May 2011. From May 2011 to June 2012, Mr. Chen worked in Finance Street Investment as a deputy chief accountant.

Mr. Chen graduated from Henan University of Animal Husbandry and Economy (河南牧業經濟學院, formerly known as Henan Business College (河南商業專科學校)) in Zhengzhou, Henan Province, the PRC with a college's diploma majoring in accounting in July 1992. Then he graduated from Henan University of Economics and Law (河南財經政法大學, formerly known as Henan College of Finance and Economics (河南財經學院)) in Zhengzhou, Henan Province, the PRC with a bachelor's degree majoring in accounting in December 2000 and obtained a bachelor's degree majoring in finance from Zhengzhou University (鄭州大學) in Zhengzhou, Henan Province, the PRC in July 2002. Subsequently, Mr. Chen obtained a master's degree majoring in accounting from Research Institute for Fiscal Science under the Ministry of Finance (財政部財政科學研究所) in Beijing, the PRC in July 2004. Mr. Chen also obtained a doctor's degree majoring in accounting from Central University of Finance and Economics (中央財經大學) in Beijing, the PRC in June 2008. Mr. Chen obtained a certificate of postdoctoral from Research Institute for Fiscal Science under the Ministry of Finance (財政部財政科學研究所) in Beijing, the PRC in September 2014, majoring in practical economics. He has been accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a certified tax agent by the Office of Personnel of Henan Province (河南省人事廳) in December 2002.

Mr. Sun Chao (孫超), aged 31, has been a Director of our Company since January 2015. He has concurrently been acting as the general manager of Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) and the general manager of Qingyun Intercontinental in charge of designing, negotiating and managing the investment project since August 2013 and December 2013, respectively.

Before joining our Group, he served as an assistant to general manager in charge of industry research and a deputy general manager in charge of direct project investment management in Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) from July 2008 to September 2010 and from September 2011 to August 2013, respectively. He also worked as a deputy general manager in charge of project investment management in Qingyun Intercontinental from September 2012 to December 2013.

Mr. Sun graduated from East China Normal University (華東師範大學) in Shanghai, the PRC with a bachelor's degree majoring in software engineering in July 2008. He obtained a master's degree of arts majoring in international financial analysis from University of Newcastle upon Tyne in Newcastle, the United Kingdom in September 2011.

Independent non-executive Directors

Mr. Peng Diyun (彭迪雲), aged 51, has been an independent Director since August 2012. Concurrently, Mr. Peng has been teaching in School of Economics and Management in Nanchang University (南昌大學經濟與管理學院) since July 1984 and he has served as a lecturer, a deputy professor, a professor and a doctor supervisor successively. Mr. Peng also has been serving as a dean of School of Public Administration in Nanchang University (南昌大學公共管理學院) since June 2014. Prior to that, he served as a deputy director in Department of Economics of Nanchang University (南昌大學經濟學系) from January 1997 to April 2002. Mr. Peng served as a deputy dean of Graduate School of Nanchang University

(南昌大學研究生院) from June 2007 to April 2008. Mr. Peng served as a party secretary in Graduate School of Nanchang University (南昌大學研究生院) from April 2008 to August 2010, and then served as a party secretary in School of Science in Nanchang University (南昌大學理學院) from August 2010 to June 2014.

Mr. Peng graduated from East China Normal University (華東師範大學) in Shanghai, the PRC with a bachelor's degree majoring in politics and economics in October 1984. He graduated from a postgraduate course of industrial economics from Nanchang University (南昌大學) in Nanchang, Jiangxi Province, the PRC, in July 2001. He also obtained a doctor's degree majoring in management science and engineering from Nanchang University (南昌大學) in Nanchang, Jiangxi Province, the PRC in December 2010. He became a deputy professor in monetary banking and a professor in economics in June 1995 and March 2000, respectively.

In addition, Mr. Peng served as the director of Industry Economics Institute in Central China's Economic and Social Development Research Center of Nanchang University (南昌大學中國中部經濟社會發展研究中心產業經濟研究所). He also has served as a consecutive expert of monetary policy advisory committee in Nanchang center sub-branch of People's Bank of China (中國人民銀行南昌市中心支行) from April 2008 to November 2011 and a standing director of Finance Society in Jiangxi Province (江西省金融學會) from June 2009. Mr. Peng was certificated as a registered consulting expert in management by the Consulting Association of Jiangxi Province (江西省咨詢業協會) in November 2012. He was awarded a Certificate of Special Government Allowance by the State Council of the People's Republic of China (中華人民共和國國務院) in March 2013, an Advanced Worker of National Educational System by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in September 2014 and the Excellent Ideological and Political Education Worker of National Universities by the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in September 2014.

Ms. Zhou Jianjun (周建軍), aged 46, has been an independent Director since April 2015. Concurrently, Ms. Zhou has been assuming the position of a chief accountant in Beijing Zhongchuan Xinju Accounting Firm Company Limited (北京中川鑫聚會計師事務所有限責任公司) since April 2009.

Ms. Zhou graduated from Northwest Agriculture University (西北農業大學) (now known as Northwest A&F University (西北農林科技大學)) in Shanxi, the PRC with a bachelor's degree majoring in soil and plant nutriology in July 1992. Ms. Zhou graduated from Lanzhou University of Finance and Economics (蘭州商學院) in Lanzhou, Gansu Province, the PRC in June 1999 and majored in accounting. Ms. Zhou was qualified as China's certified tax agent and certified public accountant in November 2002 and March 2004, respectively.

Ms. Zhou worked in Lanzhou Chemical Industry Company (蘭州化學工業公司, which was mergered by absorption by China National Petroleum Lanzhou Petrochemical Corporation (中石油蘭州石油化工公司)) as an accountant and a chief accountant from July 1992 to November 2001. She served as an auditor in Gansu Wulian United Accounting Firm (甘肅五聯聯合會計師

事務所) (now known as Gansu branch of Ruihua Accounting Firm (瑞華會計師事務所(特殊普通合伙)甘肅分所)) from November 2001 to September 2004. Then she worked in Ningbo Kexin Accounting Firm (寧波科信會計師事務所有限公司) as a project auditing manager from September 2004 to November 2006. She also worked as a finance manager in Kongchuang (Beijing) Technology Company Limited (控創(北京)科技有限公司), from November 2006 to April 2009.

Dr. Lam Sek Kong (林錫光), aged 55, has been an independent Director since April 2015. Concurrently, Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee.

Dr. Lam is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, solicitor of the Supreme Court of UK, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. The term of service for each Supervisor is three years, and Supervisors are permitted to be re-elected. The responsibilities of the Supervisory Committee include but are not limited to:

— reviewing the financial positions and examining the financial information of our Company;

— supervising the conducts of the Directors and senior management in discharge of their duties, advising on the dismissal of any Director and senior management, demanding rectification from the Directors and senior management where their conducts are detrimental to the interests of our Company and bringing lawsuits against such Director and senior management where necessary;

— proposing to convene an extraordinary general meeting and convening and presiding over the general meeting when necessary;

— submitting proposals to the general meetings;

— supervising the Board resolutions on its compliance and legality; and

— taking responsibilities pursuant to relevant PRC laws and regulation and the Articles of Association.

Supervisors

Mr. Guo Liwen (郭力文), aged 55, has been a Supervisor and the chairman of Supervisory Committee since December 2010.

Mr. Guo joined our Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of our Company from October 2008 to November 2011.

Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1984.

Ms. Pei Jingjing (裴晶晶), aged 32, has been a Supervisor since January 2015. She has also been assuming positions of general manager and executive director both in Shanghai Xishida Electronics Ltd. (上海喜仕達電子科技技術有限公司) and Huijin Jiaye since April 2012 and February 2013, respectively.

Ms. Pei graduated from Beihang University (北京航空航天大學) in Beijing, the PRC with a bachelor's degree majoring in economics in July 2007.

Ms. Pei is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye in our Company immediately after the completion of the Global Offering.

Mr. Wanghui (王慧), aged 42, has been an employee representative Supervisor and a deputy manager of office of our Board since September 2012 and July 2009, respectively. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer, Hengtai Futures, Shanghai Yingwo, Hengtai Hongze, Hengtai Hengfu and Hengtai Hengzhong since October 2012, January 2013, June 2013, July 2013, April 2015 and July 2015, respectively.

Before joining our Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009.

Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

SENIOR MANAGEMENT

Mr. Niu Zhuang (牛壯), aged 43, has been the president of our Company since June 2015 and is currently mainly responsible for formulating our corporate and business strategies and making major corporate and operational decisions, being fully responsible for our overall operation and management and execution of our Board resolutions.

Mr. Niu served as the chief financial officer and an executive vice president of our Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively.

Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) (in Beijing, the PRC) with a bachelor's degree majoring in industrial management engineering in July 1993. He obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005.

Mr. Zhang Wei (張偉), aged 44, has been a vice president, the secretary of the Board and one of our joint company secretaries since September 2008, November 2011 and March 2015, respectively. He is currently in charge of the daily management of the president office, management of our OTC business department and the operation of Hengtai Changcai. Concurrently, he has been a director in Hengtai Futures since December 2009.

Mr. Zhang served as our president assistant and a vice president from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Before joining our Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd. (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002.

Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

Mr. Wang Haibing (王海兵), aged 42, has been the chief financial officer since December 2012. He is currently in charge of our planning and financial department and management of our financial affairs.

Mr. Wang served as the chief compliance officer of our Company from September 2006 to December 2012. Before joining our Group, Mr. Wang served in Changcai Securities Brokerage Co., Ltd. (長財證券經紀有限責任公司) as the chief financial officer from September 2003 to August 2006.

Mr. Wang graduated from Shanxi School of Finance and Economics (山西財經學院, now known as Shanxi University of Finance and Economics (山西財經大學)), in Taiyuan, Shanxi Province, the PRC with a bachelor's degree majoring in accounting in July 1996. Mr. Wang has been accredited as a non-practicing member of certified public accountant in the PRC by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 2012.

Ms. Yu Fang (于芳), aged 35, has been the chief compliance officer and chief risk officer since January 2013 and April 2014, respectively. She is currently in charge of our legal and compliance department, risk management department and audit department and our corporate affairs of compliance, legal, risk management and internal audit.

Before joining our Group, Ms. Yu served in New Times Securities Company (新時代證券公司) as the general manager assistant, in charge of legal management department and audit department and a vice president, in charge of compliance manage department from June 2008 to June 2012 and from June 2012 to December 2012, respectively.

Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003.

Ms. Fu Lixin (付立新), aged 49, has been a vice president since May 2008. She is currently responsible for the operation of Hengtai Futures and Shanghai Yingwo. She has also been assuming positions of the chairman of the board and a legal representative of Hengtai Futures and Shanghai Yingwo since December 2009 and July 2013, respectively.

Ms. Fu served as a president assistant of our Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining our Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd. (富友證券經紀有限責任公司) as a manager and a vice president from April 1993 to October 2003.

Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. She obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.

Ms. Wu Lihui (武麗輝), aged 44, has been a vice president since July 2012. She is currently responsible for the daily affairs of the Board office and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of a supervisor in Hengtai Capital, a supervisor in Hengtai Capital Equity, an executive director and the legal representative in Hengtai Pioneer and an executive director and the legal representative of Hentai Hongze since June 2013, September 2013, January 2013 and April 2015, respectively.

Ms. Wu served successively as a director of office of Board and the assistant to the chairman of the Board of our Company from November 2009 to July 2012. Before joining our Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009.

Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

Mr. Deng Hao (鄧浩), aged 40, has been a vice president of our Company since March 2014 in charge of financial market department and its asset securitization business.

Before joining our Group, Mr. Deng worked in bond department of CITIC Securities Co., Ltd. (中信證券股份有限公司, listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock code 600030 and 6030, respectively) from August 1998 to June 2001. Then he served as the executive general manager in China International Capital Corporation Limited (中國國際金融有限公司) from September 2004 to April 2011, respectively. He also worked in JP Morgan First Capital Securities Co., Ltd. (第一創業摩根大通證券有限責任公司) as a managing director and department director of capital market department from July 2011 to May 2013.

Mr. Deng graduated from University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC with a bachelor's degree majoring in international trade in July 1998. He obtained a master's diploma majoring in finance from Imperial College in London, the United Kingdom in November 2004.

Mr. Zhao Peiwu (趙培武), aged 51, has been a vice president of our Company since September 2009. He is currently responsible for the management of our brokerage business department and supervision of the operation of our Changchun branch office, and all of our securities branches as well as our asset custody department.

Mr. Zhao consecutively served as a deputy director of operating department of our predecessor from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of our Company from March 2008 to September 2009, respectively. Mr. Zhao also served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014.

Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

Save as disclosed above, no Directors, Supervisors or members of the senior management held any directorship positions in any other listed companies within the three years immediately preceding the date of this prospectus, nor has he or she held any other positions with our Group.

Save as disclosed above, there is no other information relating to the relationship of any of our Directors, Supervisors or members of the senior management with other Directors, Supervisors or members of the senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Hong Kong Listing Rules. None of our Directors, Supervisors or members of the senior management is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group.

JOINT COMPANY SECRETARIES

Mr. Zhang Wei (張偉), serves as one of the joint company secretaries of our Company. Please see the paragraph headed "— Senior Management" in this section for further information. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules as regards to the necessary qualifications of Mr. Zhang Wei as one of our joint company secretaries. For further details of this waiver application, please see the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules — Appointment of Joint Company Secretaries" for further information.

Ms. Leung Wing Han Sharon (梁穎嫻), was appointed as a joint company secretary of our Company on March 16, 2015. She is concurrently a vice president of SW Corporate Services Group Limited. She has over 10 years of experience in finance, accounting and company secretarial matters.

Ms. Leung graduated from the Hong Kong University of Science and Technology in Hong Kong with a bachelor's degree of business administration in accounting. She also obtained a bachelor's degree of laws from the Manchester Metropolitan University in Manchester, the United Kingdom and a master's degree of laws in international corporate and financial law from the University of Wolverhampton, in Wolverhampton, the United Kingdom. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, and the Association of Chartered Certified Accountants in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants.

For further details on number and remuneration of employees, remuneration policies and training schemes, please refer to the paragraph headed "Business — Employee" in the section headed "Business" in this prospectus.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles of Association and the Hong Kong Listing Rules, we have established our strategy and investment committee, remuneration and nomination committee, audit committee, and risk control and supervisory committee.

Strategy and Investment Committee

Our strategy and investment committee comprises one executive Director, being Mr. Pang Jiemin, one non-executive Director, being Mr. Sun Chao, and one independent non-executive Director, being Dr. Lam Sek Kong. Mr. Pang Jiemin currently serves as the chairperson of the strategy and investment committee. The primary responsibilities of our strategy and investment committee include but not limited to:

— studying national macroeconomic policies;

— studying and reviewing the long-term and medium-term strategic development plans, operation plans, investment and financing programs and capital operation and assets management projects our Company and making recommendations to the Board; and

— taking responsibilities pursuant to relevant applicable laws and regulations, the Hong Kong Listing Rules and Board resolutions.

Remuneration and Nomination Committee

Our remuneration and nomination committee comprises one non-executive Director, being Mr. Ju Jin and two independent non-executive Directors, being Mr. Peng Diyun and Ms. Zhou Jianjun. Mr. Peng Diyun currently serves as the chairperson of the remuneration and nomination committee. The responsibilities of our remuneration and nomination committee include but not limited to:

— making recommendations to our Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, performance evaluation system and incentive measures;

— reviewing the structure, size and composition of our Board at least annually and making recommendations on any proposed changes to the Board to complement our Company's corporate;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— making recommendations to our Board on the remuneration packages of individual executive and non-executive Directors and senior management;

— reviewing the implementation of the remuneration policy of our Group;

— identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and the standard and procedures of the selection of Directors and senior management;

— assessing the independence of independent non-executive Directors of our Company;

— reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment and the compensation agreements relating to dismissal or removal of Directors for misconduct;

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;

— making recommendations to our Board on the appointment or re-appointment of Directors and senior management of our Company and succession planning for Directors and senior management of our Company; and

— taking responsibilities pursuant to relevant applicable laws and regulations, the Hong Kong Listing Rules and Board resolutions.

Audit Committee

Our audit committee comprises one non-executive Director, being Mr. Zhang Tao and two independent non-executive Directors, being Ms. Zhou Jianjun and Dr. Lam Sek Kong. Ms. Zhou Jianjun currently serves as the chairperson of the audit committee. The responsibilities of our audit committee are to supervise our internal control, financial information disclosure and financial reporting matters, which include but not limited to:

— providing an independent review and supervision on financial reporting to ensure effectiveness of the internal controls of our Group and the adequacy of the external and internal audits;

— assuring that appropriate accounting principles and reporting practices are followed;

— making recommendations to our Board on the appointment, re-appointment and removal of the authorized independent auditors (the "**External Auditors**"), and approving the remuneration and terms of engagement of the External Auditors;

— reviewing and monitoring the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

— monitoring integrity of and reviewing our Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports;

— reviewing audit and control related corporate representations made to External Auditors, the internal people in charge of auditing and to the Shareholders of our Company;

— reviewing and monitoring the effectiveness of our Company's financial controls, internal control and risk management systems and the financial and accounting policies and practices;

— considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these finding;

— enhancing and ensuring the timely communication between the external auditors and internal auditors;

— attending annual general meetings of our Company and being available to answer questions at such annual general meetings; and

— taking responsibilities pursuant to relevant applicable laws and regulations, the Hong Kong Listing Rules and Board resolutions.

Risk Control and Supervisory Committee

Our risk control and supervisory committee comprises one executive Director, being Mr. Wu Yigang, two non-executive Directors, being Mr. Ju Jin and Mr. Zhang Tao. Mr. Ju Jin currently serves as the chairperson of the risk control and supervisory committee. The responsibilities of our risk control and supervisory committee include but not limited to:

— reviewing and making recommendations on the overall objective and basic policies of the and risk and compliance management system of our Company;

— reviewing and making recommendations on the organizational structure and their respective responsibilities of the risk and compliance management system of our Company;

— assessing and making recommendations to our Board on the risks and their respective solutions of the material decisions to be reviewed by the Board;

— reviewing and making recommendations to our Board on the periodical compliance reports and risk assessment reports to be reviewed by the Board;

— formulating and making recommendations to our Board on the corporate governance policies and its implementation;

— reviewing the implementation of training and continuing professional development of Directors and senior management, code of professional conduct and compliance manual of employees and Directors, and the relevant corporate governance requirements under the Hong Kong Listing Rules; and

— taking responsibilities pursuant to relevant applicable laws and regulations, the Hong Kong Listing Rules and Board resolutions.

EMOLUMENT OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

We offer our executive Directors, employee representative Supervisors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, remuneration, pension, discretionary bonus and other welfares. Our non-executive Directors, independent non-executive Directors and Shareholders' representative Supervisor(s) receive emolument based on their responsibilities (including being members or chairman of committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

For the years ended December 31, 2012, 2013 and 2014 and for three months ended 31 March 2015, the aggregate amount of emolument paid and payable by our Company to our Directors and Supervisors were approximately RMB4.90 million, RMB8.03 million, RMB24.66 million and RMB6.20 million, respectively. For the years ended December 31, 2012, 2013, and 2014 and for three months ended 31 March 2015, the aggregate amount of emolument paid and payable by our Company to our senior management were approximately RMB5.80 million, RMB13.94 million, RMB80.89 million and RMB20.23 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors and Supervisors for the year ending December 31, 2015, will be approximately RMB28.70 million.

For the years ended December 31, 2012, 2013 and 2014 and for three months ended 31 March 2015, the aggregate amount of emolument paid by our Company to the five highest paid individuals, that have not been included in the emolument paid or payable to Directors, were approximately RMB3.07 million, RMB7.28 million, RMB46.96 million and RMB11.76 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

None of our Directors waived any emoluments. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Hong Kong Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Hong Kong Listing Rules.

Pursuant to Rule 19A.06 of the Hong Kong Listing Rules, Haitong International Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Hong Kong Listing Rules that are announced by the Hong Kong Stock Exchange. Haitong International Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

As of the date of this prospectus, the registered share capital of our Company is RMB2,194,707,412, divided into 2,194,707,412 Domestic Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE GLOBAL OFFERING

The share capital structure of the Company immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option) will be as follows:

Number of shares		Approximate percentage of registered capital (%)
2,159,067,412	Domestic Shares in issue	84.63
35,640,000	H shares to be converted from Domestic Shares and offered by the Selling Shareholders under the Global Offering	1.40
356,400,000	H Shares issued pursuant to the Global Offering	13.97
2,551,107,412	Total	100

The share capital structure of the Company immediately after the completion of the Global Offering (assuming full exercise of the Over-allotment Option) will be as follows:

Number of shares		Approximate percentage of registered capital (%)
2,153,721,412	Domestic Shares in issue	82.69
40,986,000	H shares to be converted from Domestic Shares and offered by the Selling Shareholders under the Global Offering	1.57
409,860,000	H Shares issued pursuant to the Global Offering	15.74
2,604,567,412	Total	100

OUR SHARES AND RANKING

Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. However, H Shares may only be subscribed for by, and traded in HK dollars between, qualified domestic institutional investors, legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, qualified foreign institutional investors, legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan). All dividends in respect of H Shares are to be declared in Renminbi and paid by our Company in HK dollars whereas all dividends in respect of Domestic Shares are to be declared and paid by our Company in Renminbi.

All of the existing Domestic Shares are held by 22 existing Shareholders. Upon the approval of the relevant regulatory authorities of the PRC and Hong Kong, the Domestic Shares may be converted into H Shares.

H Shares and Domestic Shares are regarded as different classes of Shares under the Articles of Association. Save as described above and in relation to the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and the appointment of dividend receiving agents circumstances under which general meeting and class meeting are required, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, the Domestic Shares and H Shares will rank pari passu with each other in all aspects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to restrictions imposed by PRC laws from time to time.

TRANSFER OF ISSUED SHARES BEFORE GLOBAL OFFERING

In accordance with the Company Law, shares which have been in issue before we publicly issue any shares may not be transferred within one year from the date of the Listing. However, the H Shares to be transferred by the state-owned Shareholders to the NSSF in accordance with relevant PRC regulations regarding transfer or reduction of state-owned shares are not subject to such statutory restrictions (see "— Transfer of state-owned Shares" below).

TRANSFER OF STATE-OWNED SHARES

In accordance with the Provisional Measures on Reducing State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No. 22) (《減持國有股籌集社會保障資金管理暫行辦法》) (國發[2001]22號) issued by the State Council, our five state-owned Shareholders are required to transfer to NSSF, in aggregate, such number of Domestic Shares to be converted to H Shares equivalent to 10.0% of the number of the Offer Shares to be issued by us under the Global Offering, or pay the equivalent cash at the Offer Price after deducting the listing expenses under the Global Offering to NSSF, or a combination of both.

On June 3, 2015, SASAC approved all our five state-owned Shareholders, namely Finance Street Xihuan Properties, Finance Street Investment, Huarong Infrastructure, Hua Chen Trust Limited Corporation (華宸信託有限責任公司) and Harbin Xingye Industrial Property Brokerage Co., Ltd. (哈爾濱興業產權經紀有限責任公司), to transfer a maximum of 41,000,000 Domestic Shares to NSSF and the conversion of such number of Domestic Shares to H Shares. Pursuant to a letter issued by NSSF (She baojijinfa [2015] No. 146) on September 15, 2015, NSSF instructed us to (i) arrange for the sale of the Sale Shares; and (ii) remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and the Hong Kong Stock Exchange trading fee) to an account designated by the NSSF. The conversion of those Domestic Shares into H Shares was approved by the CSRC on September 9, 2015. Our Company will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering.

We have been advised by our PRC legal advisors, Guantao Law Firm, that the conversion of the Domestic Shares has been approved by the relevant PRC authorities and is legal and valid under the relevant PRC laws.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon Listing, we will have two classes of ordinary Shares, namely, (i) H Shares and (ii) Domestic Shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes (but without the necessity of Shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained (the "**Arrangement**"). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to unlisted Shares. All of our Domestic Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Hong Kong Stock Exchange.

If any of our unlisted Shares are to be converted and traded as H Shares on the Hong Kong Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Hong Kong Stock Exchange is required for the listing of such converted shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion and transfer.

Please see the paragraph headed "Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, including any future public offering in the PRC or conversion of our Domestic Share into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings" in the section headed "Risk Factors" in this prospectus.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Hong Kong Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the unlisted Shares held by it into H Shares, except for the unlisted Shares to be converted and offered by the Selling Shareholders in connection with the Global Offering in accordance with relevant PRC regulations regarding the transfer of state-owned shares.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on any overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon its listing.

SUBSTANTIAL SHAREHOLDERS

As of the date of this prospectus and immediately after the completion of the Global Offering, the following persons are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company and therefore are the substantial shareholders of our Company as defined under the Hong Kong Listing Rules:

				Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option			Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option		
Shareholder	Nature of interest	Number and types of Shares held as of the date of this prospectus	Approximate percentage of shareholding in the total share capital of our Company as of the date of this prospectus	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in our total share capital[(2)]	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares [(3)]	Approximate percentage of shareholding in our total share capital [(4)]
SASAC Xicheng District[(5)]	Interest in a controlled corporation	566,000,000 Domestic Shares	25.79%	536,409,007 Domestic Shares	24.84%	21.03%	531,970,358 Domestic Shares	24.70%	20.42%
Baotou Huazi[(6)(7)]	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares[(8)]	20.22%[(8)]	443,868,000 Domestic Shares [(8)]	20.56%[(8)]	17.40%[(8)]	443,868,000 Domestic Shares[(8)]	20.61%[(8)]	17.04%[(8)]
Tomorrow Holding[(6)(7)]..	Interest in a controlled corporation / Persons acting in concert	443,868,000 Domestic Shares[(8)]	20.22%[(8)]	443,868,000 Domestic Shares [(8)]	20.56%[(8)]	17.40%[(8)]	443,868,000 Domestic Shares[(8)]	20.61%[(8)]	17.04%[(8)]
Zhongchang Hengyuan[(6)]	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares[(8)]	20.22%[(8)]	443,868,000 Domestic Shares [(8)]	20.56%[(8)]	17.40%[(8)]	443,868,000 Domestic Shares[(8)]	20.61%[(8)]	17.04%[(8)]
Shanghai Yida[(6)]..........	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares[(8)]	20.22%[(8)]	443,868,000 Domestic Shares [(8)]	20.56%[(8)]	17.40%[(8)]	443,868,000 Domestic Shares[(8)]	20.61%[(8)]	17.04%[(8)]

Notes:

(1) The calculation is based on the total number of 2,159,067,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The calculation is baes on the total number of 2,551,107,412 Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(3) The calculation is based on the total number of 2,153,721,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(4) The calculation is baes on the total number of 2,604,567,412 Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(5) (a) 90% of the equity interest in Finance Street Xihuan Properties is held by Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資公司)("**Huarong Investment**"), which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 213,236,796 and 211,472,315 Domestic Shares, representing approximately 8.36% and 8.12% of the total share capital of our Company, held by Finance Street Properties immediately after the completion of the Global Offering assuming no exercise and full exercise of the Over-allotment Option, respectively.

(b) Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 166,798,561 and 165,418,345 Domestic Shares, representing approximately 6.54% and 6.35% of the total share capital of our Company, held by Finance Street Investment immediately after the completion of the Global Offering assuming no exercise and full exercise of the Over-allotment Option, respectively.

(c) Huarong Infrastructure is wholly-owned by Beijing Finance Street Capital Management Centre (北京金融街資本運營中心)("**Finance Street Capital**"), which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 156,373,650 and 155,079,698 Domestic Shares, representing approximately 6.13% and 5.95% of the total share capital of our Company, held by Huarong Infrastructure immediately after the completion of the Global Offering assuming no exercise and full exercise of the Over-allotment Option, respectively.

(6) Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in our Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Batou Huazi, Zhongchang Hengyuan and Shanghai Yida, representing approximately 12.07%, 2.94% and 2.38% (assuming no exercise of the Over-allotment Option) and approximately 11.83%, 2.88% and 2.33% (assuming full exercise of the Over-allotment Option) of the total share capital of our Company, respectively) immediately after the completion of the Global Offering.

(7) Approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding. Therefore, Tomorrow Holding is deemed to be interested in 308,000,000 Domestic Shares, representing approximately 12.07% (assuming no exercise of the Over-allotment Option) and approximately 11.83% (assuming full exercise of the Over-allotment Option) of the total share capital of our Company, held by Baotou Huazi immediately after the completion of the Global Offering.

(8) Such number of Shares and shareholding percentages represent the total number of Shares and shareholding percentage held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida in our Company.

As of the Latest Practicable Date and immediately following completion of the Global Offering, our Company did not and will not have a controlling shareholder as defined under the Hong Kong Listing Rules. We are not aware of any arrangement currently in place which may at a subsequent date result in a change of control of our Company.

The following discussion and analysis should be read in conjunction with our consolidated financial information included in "Appendix IA — Accountants' Report of the Group" and "Appendix IB — Accountants' Report of New China Fund" together with the accompanying notes, included elsewhere in this prospectus. The consolidated financial information included in the Accountants' Reports has been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus, particularly in "Risk Factors" and "Forward-looking Statements."

OVERVIEW

We are a full-service securities firm incorporated in Inner Mongolia with strategic presence in major cities in economically developed areas in China. We provide a wide range of financial products and services to individuals, corporations, financial institutions and government entities through our brokerage and wealth management, investment management, proprietary trading and investment banking businesses. Our principal business lines include the following:

- ***Brokerage and Wealth Management***: We engage in the trading of stocks, bonds, funds, options and warrants, as well as futures, on behalf of our customers. We also engage in capital-based intermediary business, such as margin financing and securities lending services and securities-backed lending. In addition, we provide wealth management services to individual and institutional clients, including sales of financial products and investment advisory services.

- ***Investment Management***: Our investment management business includes asset management, fund investment, private equity investment and alternative investment.

- ***Proprietary Trading***: We engage in the trading of stocks, bonds, funds, derivatives and other financial products for our own account. We also conduct NEEQ market-making.

- ***Investment Banking***: We provide corporate finance services, including equity underwriting, debt underwriting and financial advisory services to our institutional clients.

BASIS OF PRESENTATION

Our financial information has been prepared in accordance with IFRS and include applicable disclosures required by the Hong Kong Listing Rules. We prepared our financial information on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of such exchange.

The financial information incorporates our financial statements and financial statements of entities (including structured entities) controlled by us. Control is achieved when we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by our Company. All intra-group balances, transactions, and cash flows and any unrealized gains from intra-group transactions are eliminated in full on a consolidated basis. Non-controlling interests in subsidiaries are presented separately from our equity therein.

ACQUISITION OF NEW CHINA FUND

On December 31, 2012, we entered into an equity transfer agreement with Shaanxi Lantong Investment Co., Ltd. (陝西藍潼投資有限公司) to acquire a 30.0% equity interest in New China Fund for a total cash consideration of RMB96.0 million. On January 10, 2013, we entered into an equity transfer agreement with Shanghai Environmental Industry Co., Ltd. (上海大眾環境產業有限公司) to acquire a 13.75% equity interest in New China Fund for a total cash consideration of RMB44.0 million. Upon the subsequent completion of these two equity acquisitions and as of December 31, 2013 and 2014 and March 31, 2015, we held a 43.75% equity interest in New China Fund.

With a view to enhancing our market influence and achieving our strategic goals by leveraging New China Fund's fund management platform, on February 26, 2015, we entered into the a capital increase agreement to subscribe for additional 57,500,000 shares of New China Fund for a total cash consideration of RMB97.75 million, upon the completion of which we hold 58.62% equity interest in New China Fund. We decided to increase our equity interest in New China Fund in light of the significant improvement in its financial performance from 2013 to 2014, and believe the consideration we paid for the newly subscribed shares was fair. Our strategic considerations include:

- to launch publicly-raised funds to invest in asset-backed securities in collaboration with our asset-backed securities business line;
- to launch real estate investment trust through New China Fund's platform by taking advantage of our strength in real estate financial area; and
- to launch public-raised funds to invest in NEEQ-quoted shares.

In addition to the above strategic considerations, we believe the further acquisition of equity interest in New China Fund will create significant synergies with our wealth management business by enhancing our capabilities to provide customized wealth management products, providing more diversified fund products to meet clients' need and expanding our customer base.

See "History and Corporate Structure — Our Major Subsidiaries — New China Fund" for details of such subscription. Such subscription is expected to be completed before Listing subject to regulatory approval.

The financial information of New China Fund as of December 31, 2012, 2013 and 2014 and March 31, 2015 is included in the Accountants' Report of New China Fund in Appendix 1B to this prospectus.

Appendix II to this prospectus set out our unaudited pro forma financial information as at March 31, 2015, after giving effect to the New China Fund acquisition, as if such acquisition had been completed as at March 31, 2015.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and which we expect will continue to affect our business, financial condition, results of operations and prospects.

Economic and Market Conditions

Our results of operations and financial condition are significantly affected by the general economic and market conditions in the PRC and the business environment in which we operate. We believe general economic and market conditions that would be favorable to our operations include, among other factors, high GDP growth, liquid and efficient capital markets, reasonable levels of inflation, high investor confidence, stable geopolitical conditions and rising personal wealth. Unfavorable or uncertain economic or market conditions may result from declines in economic growth, business activity or investor or business confidence, limitations on the availability (or increases in the cost) of credit and capital, increases in inflation or interest rates, exchange rate volatility, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in the capital markets, or a combination of these or other factors.

Our business and profitability have been and may continue to be materially and adversely affected by market conditions in many ways, including the following:

- Our brokerage business depends heavily on trading volumes. Unfavorable market conditions can materially and adversely affect investor confidence and may cause them to refrain from trading until market conditions improve, resulting in reduced brokerage commission and fee income.

- The scale of our capital-based intermediary business depends on the PRC A share market conditions and trading volumes. Significant market fluctuations may deter our customers from participating in margin financing activities or take advantage of the securities-backed lending business. A slow-down in these activities may reduce the interest income we generate from our capital-based intermediary business.

- We receive asset management fees based on the value of our clients' portfolios or their assets managed by us. In addition, we may also earn performance fees for certain collective asset management schemes if we achieve certain targeted investment returns. Adverse market conditions or market volatility may affect the performance of the client assets we manage, which could materially and adversely affect the management fees and/or performance fees we can receive from our asset management business.

- Our investment banking business depends on the size and number of corporate capital raising and financial advisory transactions in which we participate. Unfavorable economic conditions and other adverse geopolitical conditions may negatively impact investor confidence and corporate financing, resulting in significant declines in the size and number of capital raising activities and financial advisory transactions, which could have a material and adverse effect on the revenue and profitability of our investment banking business.

- We have net long trading positions in equity and fixed income securities as part of our proprietary trading business. Because a substantial portion of these investing and trading positions are marked to market, declines in fair values directly impact our profit and capital position, unless we have effectively hedged our exposures to such declines.

- Our alternative investment business depends heavily on economic and market conditions of specific industry we invest in, including TV series and movie production. Unfavorable market conditions can materially and adversely affect our investment in these industries, which, in turn, could have a material and adverse effect on the revenue and profitability of our alternative investment business.

Interest Rate Environment

Changes in interest rates and credit spreads may also affect our business and results of operations in several ways, such as increase or reduce the value our financial assets. An increase in interest rates could cause a decline in the fair value of fixed-income securities we invest in, and further adversely affect our average investment yield. In addition, a rise in interest rates may lower the ability or willingness of our corporate clients to raise funds from the debt markets, which consequently could lower the revenue generated by our debt underwriting business. Furthermore, increase in interest rates would increase the amount of interest income we would earn on floating-rate interest-earning assets and the amount of interest expenses we need to pay on floating-rate interest-bearing liabilities. In the event that the increase in the amount of interest expenses we need to pay is higher than the increase in the amount of interest income we earn, our business and results of operations may be adversely affected. The PBOC announced interest rate cuts in February, May, June and August 2015. We are unable to predict the future interest rate fluctuations, which could affect our interest income, or increase our interest expenses, any of which could materially and adversely affect our financial condition and results of operations.

Competition

We face intense competition in all aspects of our business. We compete principally with other securities firms in China, some of which offer their clients a broader range of financial services, have substantially greater resources, and may have greater operating efficiencies. In addition, we face increasing competition from other financial institutions, such as commercial banks, online financial service providers, and other companies offering financial services. We believe that the principal factors affecting competition are price, product and service offering and the transaction execution, experience and knowledge of our staff. It is possible for our competitors to quickly adopt our business practices and set lower prices to compete with us. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits. Competition can also raise our costs of hiring and retaining the employees we need to effectively operate our business.

As we are expanding across China, in particular, the economically developed coastal regions, we also compete with other regional or national securities firms that operate in the same market as us. In addition, with regulatory changes and other factors that contribute to the gradual deregulation of the PRC securities industry, as well as the emphasis and expansion of the Internet-based securities services, more competitors will enter or expand in the market. To compete effectively against traditional and new players in the industry, we need to maintain our competitive strengths, especially our ability to conduct innovative businesses. If we fail to maintain our competitive advantage, we may lose market share in our principal business segments and accordingly, our revenue may decrease.

Regulatory Environment

We derive substantially all of our revenue from our operations in the PRC. As a result, our results of operations, financial condition and prospects are affected by regulatory developments in China, as well as the economic measures undertaken by the PRC government.

The PRC securities industry is highly regulated. Many aspects of our business require government approvals and permits. In recent years, CSRC has gradually liberalized the regulation of the PRC securities industry. For example, in recent years, the CSRC approved the launch of various new financial products and businesses by PRC securities firms, including direct investment business, stock index futures, margin financing and securities lending, repurchase agreements, dealer-quoted bond repurchase agreements and stock option trading and market-making. The PRC government has also taken various measures to improve the capital efficiency and diversify the funding sources of PRC securities firms, including lowering the risk-weighted capital reserve requirements for qualified securities firms, and allowing PRC securities firms to issue subordinated debt to shareholders and institutional investors. We expect these regulatory reforms and governmental actions to continue to affect the PRC securities industry and our business, financial condition and results of operations.

Business Lines and Product Mix

We are a full-service securities firm in the PRC. Our principal business lines include brokerage and wealth management, investment management, proprietary trading and investment banking. Our brokerage business includes securities brokerage, capital-based intermediary business, futures brokerage and wealth management services, which include the sales of financial products and investment advisory services. Our investment management business includes asset management, fund management, private equity investment and alternative investment, which includes investment in TV series and movie production. Our proprietary trading business includes equity securities investment, fixed-income securities investment and NEEQ market-making services. Our investment banking business includes equity financing, debt financing, financial advisory services and NEEQ agency broker services. Our operating margins vary across different business lines as well as different products and services in the same business line. Our product mix and changes to such mix, which reflect our business strategy, market conditions, customer demands and other factors, may affect our revenue and profitability from time to time.

Our commission and fee income from the securities brokerage business accounted for a substantial portion of our total revenue and other income, and accordingly, our profitability depends largely on the operating margin and profit contribution from this segment. While we expect our commission and fee income from the securities brokerage business to increase and continue to be a major source of our revenue in the future, we have also been striving to increase the revenue contribution from other products and services with relatively higher profit margins, such as margin financing and securities lending, securities-backed lending, investment banking and asset management, all of which we believe have high growth potential due to the gradual relaxation of the PRC securities regulations.

With a view to maximizing our revenue and profitability, we intend to regularly monitor and adjust our product mix across our different business lines and further expand our product offerings. Our results of operations and financial condition can be affected by our ability to successfully offer new products and services, to attract new customers and counterparties and to make investments in new business and enterprises with substantial growth potential.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of the financial information in accordance with IFRS. The Accountants' Report of the Group in Appendix IA to this prospectus sets forth these significant accounting policies in note 2 to Section B, which are important for an understanding of our financial condition and results of operations.

The application of some of our accounting policies involve subjective assumptions, estimates and judgments relating to assets, liabilities, income, expenses and other accounting items, which are discussed in note 2 of the Accountants' Report of our Group in Appendix IA to this prospectus. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Our management has identified below accounting policies, estimates and judgments that they believe are critical to the preparation of the Financial Information.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether we, as an investor, control the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. We reassess whether or not we control 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 we involve as the manager, we assess whether the combination of investments we hold, if any, together with our remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that we are a principal. The asset management scheme shall be consolidated if we act in the role of principal.

Financial Instruments

Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized when we become a party to the contractual provisions of a financial instrument. We classify our financial assets and liabilities into the following categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit and loss, any directly attributable transaction costs are charged to profit or loss. For other categories of financial assets and financial liabilities, relevant transaction costs are included in their initial costs.

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, managed in a pattern of short-term profit taking, a derivative or it is designed at fair value through profit or loss.

A financial asset or financial liability at fair value through profit or loss is designed at fair value through profit or loss upon initially recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or liabilities contain one or more embedded derivatives that significantly modify the cash flows that otherwise would be required by the contract; or
- the separation of the embedded derivative from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that our management has the positive intention and ability to hold to maturity, other than:

- those that we designated as at fair value through profit or loss or as available-for-sale upon initial recognition; or
- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent us from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

- sales or reclassifications after we have collected substantially all of the asset's original principal; and

- sales or reclassifications that are attributable to non-recurring isolated events beyond our control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated in this category or not classified in any of the other categories of financial assets. Available-for-sale financial assets comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale financial assets are measured at fair value after initial recognition. Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when we are entitled to the dividend. Foreign exchange gains or losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses are recognized in profit or loss. Other fair value changes, other than impairment losses, are recognized in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Fair value measurement

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 price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted market price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency and represent actual and regularly occurring market transactions on an arm's length basis.

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 and option price models. Where discounted cash flow techniques is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the Track Record Period. Where other pricing models are used, inputs are based on market data at the end of the Track Record Period.

To estimate the fair value of a financial asset and financial liability, we considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

We obtain market data from the same market where the financial instrument was originated or purchased.

Impairment of financial assets

Except for financial assets held for trading and financial assets at fair value through profit or loss, the carrying amounts of financial assets are reviewed by us at the end of each reporting period during the Track Record Period to determine whether there is objective evidence of impairment. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flow of the financial asset, which can be estimated reliably. Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of significant financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

Impairments on loans and receivables are assessed on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss for held-to-maturity investment is calculated on the basis of the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of reversal had the impairment not been recognized.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss, which is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

A significant or prolonged decline in the fair value of an equity instrument below its cost for the available-for-sale equity instrument measured at fair value indicates there is objective evidence that the equity instrument is impaired. The determination of what is “significant” or “prolonged” requires judgment. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For 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 recognized in profit or loss. Impairment losses on available-for-sale equity instruments carried at cost should not be reversed.

Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial assets or group of financial assets) are derecognized when one of the following conditions is met:

- the contractual rights to receive cash flows from the investments have expired;
- when we have transferred substantially all risks and rewards of ownership; or
- when we neither transfer nor retain substantially all risks or rewards of ownership of the financial asset but have not retained control of the financial asset.

If we neither transfer nor retain substantially all the risks and rewards of ownership of the financial asset, but retain control, we continue to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

Financial liabilities (or part of them) are de-recognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between us and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when we have a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all of our liabilities. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by us for repurchasing our own equity instruments are deducted from equity.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

Margin financing and securities lending

Margin financing and securities lending refer to our lending of funds to our customers for purchase of securities, or our lending of securities to our customers for securities selling, for which the customers provide us with collateral.

We recognize margin financing receivables as loans and receivables, and recognize interest income using effective interest rate method. Securities lent are not derecognized when the risk and rewards are not transferred, and interest income is recognized using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions where we acquire financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where we sell financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognized as amounts held under resale or sold under repurchase agreement in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreement continue to be recognized in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses, respectively.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to us and when revenue can be measured reliably, on the following basis:

Fee and commission income

- Revenue from the securities brokerage service is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognized when the related services are rendered;

- Underwriting and sponsors fees are recognized when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably;

- Revenue arising from advisory services is recognized on completion of such services;

- Asset management fees are recognized when our Group is entitled to receive the income under the asset management agreement.

Interest income

Interest income is recognized in profit or loss by using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial assets and is not revised subsequently. The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Dividend income

Dividend income is recognized when the right to receive income is established, which is usually the ex-dividend date for equity investments.

Other income

Other income is recognized on an accrual basis.

Significant accounting estimates and judgements

Impairment of Available-for-sale Financial Assets and Held-to-Maturity Investments

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess 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.

Fair Value of Financial Instruments

There are no quoted prices from an active market for a number of financial instruments. The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. We have established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by us make maximum use of market input and rely as little as possible on our specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. We review the above estimations and assumptions periodically and make adjustment if necessary.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

RESULTS OF OPERATIONS

The following table sets forth our summary results of operations for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Revenue					
Fee and commission income	538.7	797.6	1,106.6	177.6	536.5
Interest income	110.3	172.1	341.0	60.9	183.1
Net investment gains	218.7	430.8	800.5	144.5	385.6
Total revenue	867.7	1,400.5	2,248.1	383.0	1,105.2
Other income and gains	6.3	21.7	21.3	2.3	1.7
Total revenue and other income	874.0	1,422.2	2,269.5	385.4	1,106.9
Fee and commission expenses	(85.2)	(84.5)	(96.0)	(16.6)	(43.4)
Interest expenses	(58.8)	(51.6)	(203.3)	(24.9)	(144.6)
Staff costs	(261.0)	(312.5)	(664.6)	(141.5)	(169.1)
Depreciation and amortization expenses	(55.6)	(56.3)	(58.3)	(14.5)	(15.6)
Business tax and surcharges	(41.2)	(71.5)	(91.3)	(19.1)	(43.7)
Other operating expenses	(220.0)	(316.6)	(311.9)	(46.4)	(81.9)
Impairment losses	(0.7)	(4.8)	(22.0)	(2.1)	(5.8)
Total operating expenses	(722.4)	(897.7)	(1,447.3)	(265.0)	(504.2)
Operating Profit	151.6	524.5	822.2	120.3	602.8
Share of (losses)/profits of associates	—	(0.4)	15.2	1.4	7.4
Profit before income tax	151.6	524.1	837.3	121.8	610.2
Income tax expense	(40.1)	(125.0)	(183.2)	(31.5)	(136.8)
Profit for the year/period and attributable to shareholders of the Company	111.6	399.1	654.1	90.2	473.4

The following discussion compares the major components of our operating results for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015. In addition, we evaluate our financial results, particularly our revenue composition, through reporting segments. For a discussion of each of our segments, please see "— Segment Operating Results" below.

Revenue and Other Income

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Revenue					
Fee and commission income	538.7	797.6	1,106.6	177.6	536.5
Interest income	110.3	172.1	341.0	60.9	183.1
Net investment gains	218.7	430.8	800.5	144.5	385.6
Total revenue	867.7	1,400.5	2,248.1	383.0	1,105.2
Other income and gains	6.3	21.7	21.3	2.3	1.7
Total revenue and other income	874.0	1,422.2	2,269.5	385.4	1,106.9

Total revenue and other income mainly comprised (1) fee and commission income earned from our securities brokerage, asset management, underwriting and sponsoring, futures brokerage, financial advisory and investment advisory business activities; (2) interest income earned from deposits from brokerage customers and our own cash deposits in financial institutions, advances to margin financing and securities lending customers, financial assets held under resale agreements and others; (3) net investment gains from equity and fixed-income securities trading and market-making activities and from our private equity investment and alternative investment activities; and (4) other income and gains, such as income from commercial trading activities by our subsidiary, foreign exchange gains, rental income and government grants.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Total revenue and other income increased by 187.2% from RMB385.4 million for the three months ended March 31, 2014 to RMB1,106.9 million for the three months ended March 31, 2015. This increase primarily reflected (1) a RMB358.9 million increase in fee and commission income, primarily attributable to an increase in fee and commission income from our securities brokerage business; (2) a RMB122.2 million increase in interest income, primarily attributable to the continued growth of our margin financing and securities lending business; and (3) a RMB241.1 million increase in net investment gains, primarily attributable to gains from dividend income and interest income from financial assets at fair value through profit or loss and unrealized fair value changes of financial instruments at fair value through profit or loss.

Year ended December 31, 2014 compared to year ended December 31, 2013

Total revenue and other income increased by 59.6% from RMB1,422.2 million for 2013 to RMB2,269.5 million for 2014. The increase primarily reflected (1) a RMB309.0 million increase in fee and commission income, primarily attributable to an increase in fee and commission income from our securities brokerage business; (2) a RMB168.9 million increase in interest income primarily attributable to the growth of our margin financing and securities lending business; and (3) a RMB369.7 million increase in net investment gains primarily attributable to gains from dividend income and interest income from financial assets at fair value through profit or loss and unrealized fair value changes of financial instruments at fair value through profit or loss.

Year ended December 31, 2013 compared to year ended December 31, 2012

Total revenue and other income increased by 62.7% from RMB874.0 million for 2012 to RMB1,422.2 million for 2013. The increase primarily reflected (1) a RMB258.9 million increase in fee and commission income, primarily attributable to an increase in fee and commission income from our securities brokerage business; (2) a RMB61.8 million increase in interest income primarily attributable to the growth of our margin financing and securities lending business; and (3) a RMB212.1 million increase in net investment gains primarily attributable to net realized gains from disposal of available-for-sale financial assets and net realized gains from disposal of financial instruments at fair value through profit or loss.

Fee and Commission Income

The following table sets forth our fee and commission income for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
			(RMB in millions)		
Fee and commission income arising from:					
Securities brokerage	395.0	567.3	811.9	137.4	416.7
Asset management	40.1	106.0	129.5	17.1	40.0
Underwriting and sponsoring	77.8	75.5	98.6	10.4	52.7
Futures brokerage	24.0	32.8	38.0	6.2	11.6
Financial advisory	1.7	6.1	24.6	5.8	14.3
Investment advisory	—	9.9	4.0	0.9	1.2
Total	538.7	797.6	1,106.6	177.6	536.5

We earn fee and commission income in our brokerage and wealth management segment from providing brokerage services for trading of equities, bonds, funds, warrants, futures and other securities and from providing securities or securities related investment advisory services to our clients, and in our investment management segment through the management of various asset management schemes, investment funds and private equity funds for our clients and our alternative investment activities. We also earn fee and commission income in our investment banking segment from providing capital-raising services and financial advisory services to our clients. In 2013, we had a total of RMB9.9 million fee and commission income from investment advisory services, mainly from our collaboration with consulting companies to provide financial consulting services to trust companies. In 2014, we recorded RMB4.0 million fee and commission income for such services because some of the trust schemes we helped to establish in 2013 reached maturity in 2014.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our fee and commission income increased by 202.1% from RMB177.6 million for the three months ended March 31, 2014 to RMB536.5 million for the three months ended March 31, 2015. This increase primarily reflected (i) a RMB279.3 million increase in fee and commission income from our securities brokerage business primarily attributable to our brokerage clients' increased stock, fund and bond trading turnover from RMB162.3 billion for the three months ended March 31, 2014 to RMB444.7 billion for the three months ended March 31, 2015 as a result of the significantly improved overall market conditions in China; (ii) a RMB22.9 million increase in fee and commission income from asset management, primarily because the growth of our asset-backed securitization business; (iii) a RMB42.3 million increase in fee and commission income from underwriting and sponsoring business primarily as a result of the number of deals we underwrote and sponsored as lead underwriter increased from five for the three months ended March 31, 2014 to six for the three months ended March 31, 2015; and (iv) a RMB8.5 million increase in financial advisory fees primarily due to the number of transactions and projects in which we acted as financial advisor increased from one for the three months ended March 31, 2014 to five for the three months ended March 31, 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Our fee and commission income increased by 38.7% from RMB797.6 million for 2013 to RMB1,106.6 million for 2014, primarily reflecting (i) a RMB244.6 million increase in fee and commission income from our securities brokerage business primarily attributable to our brokerage clients' increased stock, fund and bond trading turnover from RMB658.6 billion for 2013 to RMB949.3 billion for 2014 as a result of the improvement in market conditions in 2014; (ii) a RMB23.5 million increase in fee and commission income earned from asset management, primarily because we increasingly shifted our business focus enhanced our product mix and earned higher management fees from active asset management products; (iii) a RMB23.1 million increase in fee and commission income generated from underwriting and sponsoring activities primarily as a result of the significant increase in the total number of debt financing deals from five in 2013 to 24 in 2014, which in turn was because the general capital market conditions in China improved significantly in 2014 compared with 2013; and (iv) a RMB18.5 million increase in financial advisory fees primarily attributable to the growth of our financial services as independent financial advisor to help companies' financing activities.

Year ended December 31, 2013 compared to year ended December 31, 2012

Our fee and commission income increased by 48.1% from RMB538.7 million for 2012 to RMB797.6 million for 2013, primarily reflecting (i) a RMB172.3 million increase in fee and commission income earned from securities brokerage activities, primarily attributable to (A) our brokerage clients' increased stock, fund and bond trading turnover from RMB423.9 billion for 2012 to RMB658.6 billion for 2013 as a result of improved market conditions; and (B) higher average commission and fee rates we were able to charge in 2013 as a result of the significant growth in our margin financing and securities lending and increased trading activities of securities brokerage clients; (ii) a RMB65.9 million increase in fee and commission income from asset management primarily attributable to an increase in our AUM from RMB14,705.7 million for 2012 to RMB23,476.8 million for 2013 primarily as a result of favorable policy changes. In December 2012, the CSRC changed the regulation of collective asset management schemes from an approval system to a filing system, which significantly enhanced the operational efficiency of these schemes. In June 2013, the CSRC expanded the permitted investment scopes of collective asset management schemes and targeted asset management schemes, which accorded us greater flexibility in selecting investments to generate higher returns and in particular led to the significant growth in our targeted asset management schemes; and (iii) a RMB9.9 million increase in investment advisory fees. Our investment advisory services primarily consisted of financial consulting services we provided to trust companies relating to trust schemes. We commenced this business in 2013 and generated fee and commission income of RMB9.9 million for 2013.

Interest Income

The following table sets forth our interest income for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Interest income arising from:					
Deposit in financial institutions...	104.6	101.8	142.4	30.0	46.3
Margin financing and securities lending	0.2	58.0	185.4	30.4	125.9
Financial assets held under resale agreements	5.4	12.2	11.3	0.6	10.6
Others	—	—	1.8	—	0.3
Total	110.3	172.1	341.0	60.9	183.1

Interest income primarily consists of interest income we receive for placing brokerage deposits of our brokerage customers and our own cash on deposit with financial institutions, as well as interest income from advances to customers in margin financing and securities lending. We also earn interest income from financial assets held under resale agreements, which primarily represents the interest income we received from our reverse repurchase transactions and securities-backed lending.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Interest income increased by 200.7% from RMB60.9 million for the three months ended March 31, 2014 to RMB183.1 million for the three months ended March 31, 2015. This increase primarily reflected (i) a RMB95.5 million increase in interest income from advances to customers in margin financing and securities lending, primarily resulting from the significant growth of our margin financing and securities lending business with balance of margin financing and securities lending of RMB1,622.7 million as of March 31, 2014 to RMB6,435.9 million as of March 31, 2015; and (ii) a RMB16.3 million increase in interest income from deposit in financial institutions primarily attributable to the increase in brokerage deposits from our brokerage clients, from RMB3,861.7 million for the three months ended March 31, 2014 to RMB10,677.5 million for the three months ended March 31, 2015 which we in turn deposit in financial institutions, as a result of the significant growth in our securities brokerage business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Interest income increased by 98.1% from RMB172.1 million for 2013 to RMB341.0 million for 2014, primarily reflecting (i) a RMB127.4 million increase in interest income from advances to customers in margin financing and securities lending, primarily resulting from the significant growth of our margin financing and securities lending business with balance of margin financing and securities lending of RMB1,265.5 million as of December 31, 2013 to RMB5,137.0 million as of December 31, 2014; and (ii) a RMB40.6 million increase in interest income from deposit in financial institutions primarily attributable to the increase in brokerage deposits from our brokerage clients from RMB3,786.2 millon for 2013 to RMB7,438.6 million for 2014, which we in turn deposit in financial institutions. Brokerage deposits increased significantly in 2014 after the PRC government changed its policies and provided more liquidity to the market and also because of the increased trading volume due to improved market conditions.

Year ended December 31, 2013 compared to year ended December 31, 2012

Interest income increased by 56.0% from RMB110.3 million for 2012 to RMB172.1 million for 2013, primarily reflecting a RMB57.8 million increase in interest income from advances to customers in margin financing and securities lending, primarily resulting from the significant growth of our margin financing and securities lending business with balance of margin financing and securities lending of RMB103.4 million as of December 31, 2012 to RMB1,265.5 million as of December 31, 2013.

Net Investment Gains

The following table sets forth our investment gains for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Net realized gains from disposal of available-for-sale financial assets	20.2	223.9	99.4	90.8	87.7
Dividend income and interest income from available-for-sale financial assets	0.6	66.1	56.5	14.4	16.2
Net realized gains/(losses) from disposal of financial instruments at fair value through profit or loss	(11.8)	83.8	85.1	(5.1)	27.5
Dividend income and interest income from financial assets at fair value through profit or loss	129.4	88.7	235.6	21.2	122.0
Net realized (losses)/gains from disposal of derivative financial instruments	—	(0.5)	(14.4)	0.9	(2.7)
Net realized gains from disposal of held-to-maturity investments	12.1	—	—	—	—
Interest income from held-to-maturity investments	95.4	—	—	—	—
Unrealized fair value changes of financial instruments at fair value through profit or loss	(27.2)	(31.2)	340.9	22.7	138.6
Unrealized fair value changes of derivative financial instruments	—	0.1	(2.5)	(0.5)	(3.7)
Total	218.7	430.8	800.5	144.5	385.6

Gains from the disposal of available-for-sale financial assets represent investment returns from our investment and trading. Dividend income and interest income from available-for-sale financial assets are dividends from equity investments and interest from fixed-income products we held as principal. Gains from the disposal of financial assets at fair value through profit or loss are gains we earn from trading in equity and fixed-income products that we purchase for the purpose of sale in the near term. Dividend income and interest income from financial assets at fair value through profit or loss are dividend from equity investments and interest income from fixed-income products that we purchase for the purpose of sale in the near term. Net realized losses from disposal of derivative financial instruments represent losses we incurred on our investment in derivatives. Net realized gains from disposal of held-to-maturity financial investments are investment returns on our investment in debt securities, and other financial products. Interest income from held-to-maturity financial investments represents interest from fixed-income products. Unrealized fair value changes of financial instruments at fair value through profit or loss are fair value changes of such financial assets that have not been recognized as gains or losses because we have not disposed of them. Unrealized fair value changes of derivative financial instruments are fair value changes of derivatives that have not been recognized as gains or losses because we have not disposed of such derivatives.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Net investment gains increased by 166.9% from RMB144.5 million for the three months ended March 31, 2014 to RMB385.6 million for the three months ended March 31, 2015. This increase primarily reflected (i) a RMB115.9 million increase in unrealized fair value changes of financial instruments at fair value through profit or loss as a result of the significantly improved performance of China's securities markets; (ii) a RMB100.8 million increase in dividend income and interest income from financial assets at fair value through profit or loss, primarily due to more dividend payments as a result of the significantly improved performance of China's securities markets between these periods and increased interest income because the amount of debt securities we held increased; and (iii) a RMB27.5 million net realized gains from disposal of financial instruments at fair value through profit or loss for the three months ended March 31, 2015 compared to a RMB5.1 million net realized losses for the three months ended March 31, 2014, primarily due to gains realized by the five asset management schemes we consolidated in the first three months of 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Net investment gains increased by 85.8% from RMB430.8 million for 2013 to RMB800.5 million for 2014, primarily reflecting (i) a RMB372.1 million positive change in the unrealized fair value changes of financial instruments at fair value through profit or loss in 2014, primarily attributable to the improved performance of China's securities markets in 2014; and (ii) a RMB146.9 million increase in dividend income and interest income from financial assets at fair value through profit or loss in 2014, primarily attributable to the improved performance of China's securities markets in 2014. These increases were partially offset by a RMB124.5

million decrease in the net realized gains from disposal of available-for-sale financial assets in 2014, primarily because we had less trading activities in 2014 compared to 2013 as we held securities for longer term to capture market growth.

Year ended December 31, 2013 compared to year ended December 31, 2012

Net investment gains increased by 97.0% from RMB218.7 million for 2012 to RMB430.8 million for 2013, primarily reflecting (i) a RMB203.7 million increase in the net realized gains from disposal of available-for-sale financial assets in 2013, primarily because the markets in China were more volatile in 2013 compared to 2012 and we increased our trading activities to capture gains; (ii) a RMB95.6 million increase in the net realized gains from disposal of financial instruments at fair value through profit or loss in 2013, primarily attributable to the increased value of such assets; and (iii) a RMB65.5 million increase in the dividend income and interest income from available-for-sale financial assets in 2013, primarily attributable to an increase in interest income from debt securities. These increases were partially offset by a RMB95.4 million decrease in the Interest income from held-to-maturity financial investments in 2013, primarily our held-to-maturity financial investments were reclassified into available-for-sale financial assets at the end of 2012, and a RMB40.7 million decrease in the dividend income and interest income from financial assets at fair value through profit or loss in 2013, primarily because our debt securities held for trading decreased in 2013 compared with 2012.

Operating Expenses

The following table sets forth the breakdown of our total operating expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Fee and commission expenses	85.2	84.5	96.0	16.6	43.4
Interest expenses	58.8	51.6	203.3	24.9	144.6
Staff costs	261.0	312.5	664.6	141.5	169.1
Depreciation and amortization	55.6	56.3	58.3	14.5	15.6
Business tax and surcharges	41.2	71.5	91.3	19.1	43.7
Other operating expenses	220.0	316.6	311.9	46.4	81.9
Impairment losses	0.7	4.8	22.0	2.1	5.8
Total operating expenses	722.4	897.7	1,447.3	265.0	504.2

Our operating expenses primarily comprised (i) staff costs, including salaries, bonuses and allowances and other employee benefits; (ii) fee and commission expenses incurred in our brokerage and wealth management, investment banking and investment management segments; (iii) interest we paid to the counterparties of repurchase agreements, our bond and short-term commercial paper holders and our brokerage customers; and (iv) other operating expenses, which primarily consist of consulting fees paid for professional services, rental expenses for our corporate headquarters and securities branches, general administrative expenses including electronic operation cost, utilities and postal and communication expenses, business travel and entertainment expenses, securities investor protection funds, and others, which include fees charged by the Shanghai Stock Exchange and the Shenzhen Stock Exchange utilities and property management fees and procurement costs incurred by Shanghai Yingwo for its commodity spot trading business. Operating expenses accounted for 82.7%, 63.1%, 63.8% and 45.6% of our total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our operating expenses increased by 90.3% from RMB265.0 million for the three months ended March 31, 2014 to RMB504.2 million for the three months ended March 31, 2015 primarily as a result of our consolidation in the three months ended March 31, 2015 of five asset management schemes that were launched in the second half of 2014 and 2015 and a structured entity. This increase primarily reflected (i) a RMB119.7 million increase in interest expenses, primarily reflecting interest expenses we incurred for issuing short-term commercial paper and subordinated bonds in 2014 and the first three months of 2015, the increase in interest expenses for financial assets sold under repurchase agreement, and the increase in interest expenses relating to placements from other financial institutions as a result of the increase in loans used for our growing margin financing and securities lending business; (ii) a RMB35.5 million increase in other operating expenses as a result of the growth in our business scale; (iii) a RMB27.6 million increase in staff costs due to our efforts to incentivize and retain talented personnel to expand our business; (iv) a RMB26.8 million increase in fee and commission expenses primarily due to an increase in expenses relating to our securities brokerage business due to the significant growth in securities brokerage activities; and (v) a RMB24.6 million increase in business tax and surcharges as a result of the growth in our brokerage services and financial advisory services.

Year ended December 31, 2014 compared to year ended December 31, 2013

Our operating expenses increased by 61.2% from RMB897.7 million for 2013 to RMB1,447.3 million for 2014, primarily reflecting (i) a RMB352.1 million increase in staff costs, primarily reflecting our efforts to incentivize and retain talented personnel and an increase in performance-based bonuses for employees resulting from increased revenues across our business segments; (ii) a RMB151.7 million increase in interest expenses, primarily reflecting interest expenses we incurred for issuing short-term commercial paper and subordinated bonds in 2014, the increase in interest expenses for financial assets sold under repurchase agreement, the increase in interest expenses relating to placements from other financial institutions which in turn was because of the increase in loans from other financial institutions used for our growing margin financing and securities lending business, and interest expense relating to asset management schemes; (iii) a RMB19.8 million increase in business tax and surcharges as a result of the growth in our brokerage services and financial advisory services; and (iv) a RMB17.2 million increase in impairment losses as a result of the increase in our provision of margin financing and securities lending due to the significant growth in our margin financing and securities lending business.

Year ended December 31, 2013 compared to year ended December 31, 2012

Our operating expenses increased by 24.3% from RMB722.4 million for 2012 to RMB897.7 million for 2013, primarily reflecting (i) a RMB96.6 million increase in other operating expenses, primarily due to an increase in consulting fees relating to the promotion of asset management products and increase procurement costs incurred by Shanghai Yingwo because it commenced its commodity trading business in 2013; and (ii) a RMB51.5 million increase in staff costs, from RMB261.0 million in 2012 to RMB312.5 million in 2013, primarily reflecting our efforts to recruit and retain talented personnel and an increase in performance-based bonuses for employees resulting from our improved financial performance in 2013.

We consider interest expenses, staff costs and fee and commission expenses as the three principal components of our expenses and important variables affecting our financial results. The following discussion addresses these expenses.

Interest Expenses

The following table sets forth the breakdown of our interest expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Interest expenses for					
— Accounts payable to brokerage clients	17.5	14.8	16.4	3.3	7.2
— Placements from other financial institutions	—	17.5	66.0	13.1	21.6
— Financial assets sold under repurchase agreements	41.2	19.3	65.5	8.5	49.5
— Short-term commercial paper	—	—	21.5	—	17.4
— Subordinated bonds	—	—	10.5	—	24.1
— Others	0.08	—	23.3	—	24.9
Total	58.8	51.6	203.3	24.9	144.6

We incur interest expenses principally in respect of (i) repurchase agreements; (ii) amount due to banks and other financial institutions; (iii) accounts payable to brokerage clients; and (iv) outstanding subordinated bonds and short-term commercial paper. Interest expenses accounted for 6.7%, 3.6%, 9.0% and 13.1% of our total revenue and other income for the year ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our interest expenses increased by 480.7% from RMB24.9 million for the three months ended March 31, 2014 to RMB144.6 million for the three months ended March 31, 2015. This increase primarily reflected (i) RMB41.5 million in total interest expenses relating to short-term commercial paper and subordinated bonds we issued in November and December of 2014 and the first three months of 2015; (ii) a RMB41.0 million increase in interest expenses for financial assets sold under repurchase agreements due to the increase in such assets we held and a RMB24.9 million increase in others, both primarily due to our consolidation in the first three months of 2015 of five asset management schemes that were launched in the second half of 2014 and 2015 and a structured entity; and (iii) a RMB8.5 million increase in interest expenses for placements from other financial institutions primarily as a result of increased borrowings from the CSFC for our growing margin financing and securities lending business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Interest expenses increased by 294.0% from RMB51.6 million for 2013 to RMB203.3 million for 2014, primarily reflecting (i) a RMB48.5 million increase in interest expenses on placements from other financial institutions, primarily as a result of our increased borrowings due to the significant growth in our margin financing and securities lending business; (ii) a RMB46.2 million increase for financial assets sold under repurchase agreements, primarily due to our increased use of repurchase agreements to fund our business activities; (iii) a RMB23.3 million increase in others primarily due to our consolidation of four asset management schemes in 2014 that were launched in the second half of 2014; (iv) RMB21.5 million of interest expenses on short-term commercial paper, due to our issuance of short-term commercial paper with a book value of RMB2.8 billion in 2014; and (v) RMB10.5 million of interest expenses on subordinated bonds in 2014 as a result of our issuance of subordinated bonds with a book value of RMB1.3 billion in 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Interest expenses decreased by 12.2% from RMB58.8 million for 2012 to RMB51.6 million for 2013, mainly reflecting a RMB21.9 million decrease in interest expenses for financial assets sold under repurchase agreements, due primarily to our decreased use of repurchase agreements to fund our business activities. This decrease was partially offset by a RMB17.5 million increase in the interest expenses on placements from other financial institutions, primarily as a result of our borrowing from the CSFC to meet the capital needs of our margin financing and securities lending business.

Staff Costs

The following table sets forth staff costs for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Short-term employee benefits	237.8	287.7	638.6	135.7	162.4
Defined contribution plans	23.2	24.8	26.0	5.8	6.7
Total staff costs	261.0	312.5	664.6	141.5	169.1

We operate in a highly competitive industry, and we continually seek to incentivize and retain high-quality talent in order to compete effectively, diversify our products and services and expand into new business areas. Staff costs accounted for 29.9%, 22.0%, 29.3% and 15.3% of our total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Staff costs increased by 19.5% from RMB141.5 million for the three months ended March 31, 2014 to RMB169.1 million for the three months ended March 31, 2015. This increase primarily reflected our efforts to retain talented personnel and an increase in commission for employees to expand our business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Staff costs increased by 112.7% from RMB312.5 million for 2013 to RMB664.6 million for 2014, primarily reflecting a RMB350.9 million increase in employee benefits. This increase primarily reflected our efforts to retain talented personnel and an increase in commission for employees resulting from our improved financial performance in 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Staff costs increased by 19.7% from RMB261.0 million for 2012 to RMB312.5 million for 2013, primarily reflecting a RMB49.9 million increase in employee benefits. This increase primarily reflected our efforts to retain talented personnel and an increase in commission for employees resulting from our improved financial performance in 2013.

Other operating expenses

The following table sets forth a breakdown of other operating expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
			(RMB in millions)		
Consulting fees	15.3	51.7	49.5	3.5	10.9
Rental expenses	36.6	40.3	43.7	10.0	15.2
Running cost of electronic operation	25.0	29.7	31.5	3.8	7.5
Miscellaneous	21.7	27.9	28.1	4.0	8.5
Business travel expenses	14.7	22.5	26.7	3.0	8.9
Securities investor protection funds	11.0	11.2	15.6	3.0	6.9
Postal and communication expenses	14.5	14.3	12.9	2.4	2.7
Business entertainment expenses	13.8	16.6	12.1	2.4	2.2
Auditor's remuneration	1.0	2.9	2.9	0.1	0.2
Others	66.4	99.4	88.9	14.2	18.9
Total	220.0	316.6	311.9	46.4	81.9

Our other operating expenses primarily included (i) others, which included (A) fees charged by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, (B) utilities and property management fees; and (C) procurement costs incurred by Shanghai Yingwo for its commodity spot trading business; (ii) rental expenses for our corporate headquarters and securities branches; and (iii) consulting fees for professional services. The table below sets forth a further breakdown of others.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
			(RMB in millions)		
Fees charged by stock exchanges	11.3	11.7	12.4	1.2	0.5
Utilities and property management fees	13.0	13.8	13.1	2.9	3.2
Procurement costs by Shanghai Yingwo	1.2	19.7	18.6	2.3	0.6
Conference expenses	8.5	12.9	6.6	1.0	4.9
Repair	1.7	1.9	2.4	0.2	0.1
Amortization of consumables	3.9	3.7	2.8	0.2	1.0
Motor vehicle operating costs	7.3	7.7	7.6	0.8	1.9
Printing	4.8	8.1	8.5	2.4	1.2
Other	14.8	20.0	17.0	3.2	5.6
Others total:	66.4	99.4	88.9	14.2	18.9

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Other operating expenses increased by 76.5% from RMB46.4 million for the three months ended March 31, 2014 to RMB81.9 million for the three months ended March 31, 2015, primarily as a result of an increase in consulting fees due to fees and expenses relating to issuances of commercial paper, an increase in rental expenses due to an increase in the office space we rented at our headquarters and an increase in average rent costs, an increase in business travel expenses due to the expansion of our business and an increase in others primarily due to an increase in conference expenses as a result of the expansion of our business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Other operating expenses decreased by 1.5% from RMB316.6 million for the year ended December 31, 2013 to RMB311.9 million for the year ended December 31, 2014, primarily as a result of a decrease in others due to a decrease in conference expenses.

Year ended December 31, 2013 compared to year ended December 31, 2012

Other operating expenses increased by 43.9% from RMB220.0 million for the year ended December 31, 2012 to RMB316.6 million for the year ended December 31, 2013, primarily as a result of increases in consulting fees relating to promotion of asset management products and in others due to an increase in procurement costs by Shanghai Yingwo because it commenced its commodity trading business in 2013.

Fee and Commission Expenses

The following table sets forth our fee and commission expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Securities brokerage business	57.9	50.8	80.4	14.4	43.3
Underwriting and sponsoring	27.3	27.2	14.6	2.2	0.07
Financial advisory business	—	0.8	0.9	—	—
Investment advisory business	—	5.6	—	—	—
Total fee and commission expenses	85.2	84.5	96.0	16.6	43.4

Fee and commission expenses primarily comprised (1) fees and commissions charged by exchanges, banks and other authorized institution; and (2) expenses incurred in connection with underwriting securities and commissions charged by other financial institutions for distributing securities underwritten by us. Fee and commission expenses accounted for 9.7%, 5.9%, 4.2% and 3.9% of our total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. In 2013 we incurred fee and commission expenses for our investment advisory business because we outsourced trust product financial consulting services to a third-party consulting company.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our fee and commission expenses increased by 161.4% from RMB16.6 million for the three months ended March 31, 2014 to RMB43.4 million for the three months ended March 31, 2015. This increase primarily reflected an increase in expenses relating to our securities brokerage business due to the significant growth in securities brokerage activities.

Year ended December 31, 2014 compared to year ended December 31, 2013

Fee and commission expenses increased by 13.6% from RMB84.5 million for 2013 to RMB96.0 million for 2014, primarily reflecting a RMB29.6 million increase in securities brokerage business expenses, as a result of increased stock and fund trading volumes of our brokerage clients in 2014. This increase was partially offset by a RMB12.6 million decrease in underwriting and sponsoring expenses in 2014, primarily because we did not engage in any equity financing transactions in 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Fee and commission expenses decreased by 0.8% from RMB85.2 million for 2012 to RMB84.5 million for 2013, primarily reflecting a RMB7.1 million decrease in securities brokerage business expenses, due in large part to the reduction of handling fees by the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the second half of 2012. This decrease was partially offset by a RMB5.6 million increase in investment advisory business expenses, primarily because we began to offer investment advisory services in 2013.

Share of results of associates

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our share of results of associates increased from RMB1.4 million for the three months ended March 31, 2014 to RMB7.4 million for the three months ended March 31, 2015. This increase primarily reflected the improved performance of New China Fund's fund management business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Our share of results of associates for 2014 was a profit of RMB15.2 million, compared with a loss of RMB0.4 million for 2013, primarily due to the significantly improved performance of New China Fund's fund management business.

Year ended December 31, 2013 compared to year ended December 31, 2012

Our share of results of associates for 2013 was a loss of RMB0.4 million, primarily due to Pioneer Movie's loss for 2013. Our share of results of associates was nil for 2012 because we acquired our two associates in 2013 and did not have any associates in 2012.

Profit before Income Tax

Profit before income tax is derived by adding or deducting our share of results of associates from our operating profit.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Our profit before income tax increased by 401.0% from RMB121.8 million for the three months ended March 31, 2014 to RMB610.2 million for the three months ended March 31, 2015. This increase primarily reflected the increase in our fee and commission income from our brokerage business, interest income from our margin financing and securities lending business and our increased investment gains, which were offset in part by the increase in our interest expenses.

Year ended December 31, 2014 compared to year ended December 31, 2013

Our profit before income tax was RMB837.3 million for 2014, an increase of 59.8% from RMB524.1 million for 2013. The increase was primarily due to the increase in our fee and commission income from our brokerage business, interest income from our margin financing and securities lending business and our increased investment gains, which were offset in part by the increases in our interest expenses and staff costs.

Year ended December 31, 2013 compared to year ended December 31, 2012

Our profit before income tax was RMB524.1 million for 2013, an increase of 245.7% from RMB151.6 million for 2012. The increase was primarily due to the increase in our fee and commission income from our brokerage business, interest income from our margin financing and securities lending business and our increased investment gains, which were offset in part by increases in our staff costs and other operating expenses.

Income Tax Expense

The PRC statutory corporate income tax rate is 25%. In addition to applicable enterprise income tax rates, our effective enterprise income tax rates may also be affected by amounts relating to portions of income not subject to taxation, expenses not deductible for tax purpose, unrecognized tax losses carried forward and utilization of tax losses for which no deferred income tax assets were recognized. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our effective tax rate was 26.5%, 23.9%, 21.9% and 22.4%, respectively. The fluctuations in effective tax rates during the Track Record Period primarily reflected decreases or increases in non-taxable income, such as dividend income from open-ended funds, and non-deductible expenses.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

The following table sets forth our profit before income tax, income tax expenses and effective tax rate for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Profit before income tax	151.6	524.1	837.3	121.8	610.2
Income tax expense	(40.1)	(125.0)	(183.2)	(31.5)	(136.8)
Effective tax rate	26.5%	23.9%	21.9%	25.9%	22.4%

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Income tax expense increased by 334.3% from RMB31.5 million for the three months ended March 31, 2014 to RMB136.8 million for the three months ended March 31, 2015 primarily as a result of the significant increase in our taxable income.

Year ended December 31, 2014 compared to year ended December 31, 2013

Income tax expense increased by 46.6% from RMB125.0 million for 2013 to RMB183.2 million for 2014 primarily as a result of the significant increase in our taxable income.

Year ended December 31, 2013 compared to year ended December 31, 2012

Income tax expense increased by 211.7% from RMB40.1 million for 2012 to RMB125.0 million for 2013 primarily as a result of the significant increase in our taxable income.

Profit for the Year/Period and Net Margin

The following table sets forth the key measurements of our profitability for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Operating profit [(1)]	151.6	524.5	822.2	120.3	602.8
Operating margin[(2)]	17.3%	36.9%	36.2%	31.2%	54.5%
Adjusted operating margin[(3)]	20.8%	40.8%	41.7%	35.0%	65.6%
Profit for the year	111.6	399.1	654.1	90.2	473.4
Net margin[(4)]	12.8%	28.1%	28.8%	23.4%	42.8%
Adjusted net margin[(5)]	15.3%	31.0%	33.2%	26.2%	51.5%
Return on average equity[(6)]	2.6%	8.8%	13.2%	1.9%	8.6%
Return on average total assets[(7)]	1.1%	4.1%	4.1%	0.9%	1.9%

(1) Operating profit = total revenue and other income - total operating expenses

(2) Operating margin = operating profit / total revenue and other income

(3) Adjusted operating margin = (operating profit) / (total revenue and other income - fee and commission expenses - interest expenses). Adjusted operating margin is not a standard measure under IFRS but is presented here because PRC securities companies present their operating revenues after deduction of fee and commission expenses and interest expenses under PRC GAAP, which is different from the practices for presenting the gross revenue under IFRS. We believe that, the adjusted operating margin and adjusted net margin provide appropriate indicators of our results of operations that are more comparable to other PRC securities companies due to different presentation requirements under PRC GAAP. Prospective investors should be aware that adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies due to different calculation methods or assumptions.

(4) Net margin = Profit for the year or period/ total revenue and other income for the year or period

(5) Adjusted net margin = (profit for the year) / (total revenue and other income - fee and commission expenses - interest expenses). Adjusted net margin is not a standard measure under IFRS but is presented here for the reasons stated in note 3 above.

(6) Return on average equity = profit attributable to shareholders of the Company / the average amount of total equity attributable to shareholders of the Company at the beginning and at the end of the period.

(7) Return on average total assets = profit attributable to shareholders of the Company / the average balance of total assets at the beginning and at the end of the period. Return on average total assets is not applicable for the year ended December 31, 2012 and the three months ended March 31, 2014 because the beginning or ending balance of total assets, as the case may be, is not available in the Accountants' Report set out in the Appendix IA to this prospectus.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Profit for the period increased by 424.8% from RMB90.2 million for the three months ended March 31, 2014 to RMB473.4 million for the three months ended March 31, 2015. Net margin and adjusted net margin increased to 42.8% and 51.5% for the three months ended March 31, 2015, respectively, from 23.4% and 26.2% for the three months ended March 31, 2014 because segment margins for all of our business segments increased.

Year ended December 31, 2014 compared to year ended December 31, 2013

Profit for the year increased by 63.9% from RMB399.1 million for 2013 to RMB654.1 million for 2014. Net margin and adjusted net margin increased to 28.8% and 33.2% for 2014, respectively, from 28.1% and 31.0% for 2013, respectively, reflecting a slight increase in segment margin for our brokerage and wealth management segment and significant increases in segment margins for our investment management and investment banking segments, as partially offset by a decrease in segment margin for the proprietary trading segment.

Return on average equity increased from 8.8% for 2013 to 13.2% for 2014, primarily reflecting the significant increase in attributable net profit. Return on average total assets remained the same at 4.1% for 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Profit for the year increased by 257.6% from RMB111.6 million for 2012 to RMB399.1 million for 2013. Net margin and adjusted net margin increased to 28.1% and 31.0% for 2013, respectively, from 12.8% and 15.3% for 2012, respectively, due to improvement in segment margins for all of our business segments.

SEGMENT OPERATING RESULTS

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

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Brokerage and Wealth Management					
Segment revenue and other income	524.9	768.6	1,159.5	202.8	610.2
Segment expense	(461.1)	(538.5)	(783.5)	(127.9)	(286.0)
Profit before income tax	63.8	230.1	376.0	74.9	324.3
Segment margin(1)	12.2%	29.9%	32.4%	36.9%	53.1%
Investment Management					
Segment revenue and other income	40.1	116.2	357.6	15.6	154.6
Segment expense	(28.9)	(72.1)	(140.6)	(6.0)	(49.8)
Share of results of associates	—	(0.3)	0.01	—	—
Profit before income tax	11.2	43.7	217.1	9.6	104.7
Segment margin(1)	27.9%	37.6%	60.7%	61.5%	67.7%
Proprietary Trading					
Segment revenue and other income	223.6	433.9	579.8	145.2	268.2
Segment expense	(69.3)	(86.2)	(165.4)	(19.1)	(36.0)
Profit before income tax	154.3	347.7	414.4	126.1	232.1
Segment margin(1)	69.0%	80.1%	71.5%	86.8%	86.5%
Investment Banking					
Segment revenue and other income	79.7	86.3	149.8	20.0	70.7
Segment expense	(93.6)	(89.4)	(102.6)	(16.8)	(30.1)
Profit (loss) before income tax	(13.9)	(3.1)	47.2	3.1	40.6
Segment margin(1)	(17.4%)	(3.6%)	31.5%	15.5%	57.4%
Others					
Segment revenue and other income	5.8	17.2	22.7	1.7	3.3
Segment expense	(69.5)	(111.4)	(255.2)	(95.1)	(102.2)
Share of results of associates	—	(0.1)	15.1	1.4	7.5
Loss before income tax	(63.7)	(94.3)	(217.3)	(92.0)	(91.5)
Segment margin(1)	(1,098.3%)	(551.5%)	(574.9%)	(2,967.7%)	(847.2%)

(1) Segment margin = Profit (loss) before income tax / (segment revenue and other income + share of the results of associates and joint ventures, where applicable).

The following discusses, describes and compares each of our four segments' revenue and other income, operation expenses and profit before income tax for the periods indicated.

Brokerage and Wealth Management

The following table sets forth selected information concerning our brokerage and wealth management segment for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in million)				
Segment revenue and other income	524.9	768.6	1,159.5	202.8	610.2
Segment expenses	(461.1)	(538.5)	(783.5)	(127.9)	(286.0)
Profit (loss) before income tax	63.8	230.1	376.0	74.9	324.3
Segment margin	12.2%	29.9%	32.4%	36.9%	53.1%

In our brokerage and wealth management segment, we engage in the trading of stocks, bonds, funds, options and warrants, as well as futures, on behalf of customers. We also engage in capital-based intermediary business, such as margin financing and securities lending services and securities-backed lending. In addition, we provide wealth management services to individual and institutional clients, including sale of financial products and investment advisory services. The brokerage and wealth management segment contributed 60.1%, 54.0%, 51.1% and 55.1% of total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively, and contributed 42.1%, 43.9%, 44.9% and 53.1% of profit before income tax for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

Segment revenue and other income

Segment revenue and other income from our brokerage and wealth management segment primarily includes commissions from executing and clearing our clients' orders, fees from providing securities and securities related investment advisory services as well as interest income from our margin financing and securities lending services and securities-backed lending services, and from our clients' brokerage deposits. In the ordinary course of our brokerage business, we hold cash on behalf of our customers, which we deposit in segregated trust accounts with qualified commercial banks. We are obligated to pay our brokerage clients interest on these brokerage deposits until they are withdrawn. The interest paid by the qualified commercial banks where we deposit these brokerage deposits exceeds the interest that we are required to pay to our clients. Interest income earned on brokerage deposits is subject to interest rate fluctuations. During the Track Record Period, we paid interest to clients with reference to prevailing benchmark interest rates for demand deposits announced by the PBOC ranging from 0.35% to 0.5%. We received interest from commercial banks at an interest rate ranging from 1.26% to 2.2%.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment revenue and other income increased by 200.9% from RMB202.8 million for the three months ended March 31, 2014 to RMB610.2 million for the three months ended March 31, 2015. This increase primarily reflected (i) the growth of our margin financing and securities lending business; (ii) increased trading turnover in stocks, funds and bonds by our brokerage clients from RMB162.3 billion for the three months ended March 31, 2014 to RMB444.7 billion for the three months ended March 31, 2015; and (iii) increased trading turnover in futures from RMB647.4 billion for the three months ended March 31, 2014 to RMB1,041.3 billion for the three months ended March 31, 2015 by our brokerage clients.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment revenue and other income increased by 50.9% from RMB768.6 million for 2013 to RMB1,159.5 million for 2014. This increase primarily reflected (i) the growth of our margin financing and securities lending business; (ii) increased trading turnover in stocks, funds and bonds by our brokerage clients from RMB658.6 billion for 2013 to RMB949.3 billion for 2014; and (iii) increased trading turnover in futures by our brokerage clients from RMB2,525.1 billion for 2013 to RMB2,961.6 billion for 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment revenue and other income increased by 46.4% from RMB524.9 million for 2012 to RMB768.6 million for 2013. This increase primarily reflected (i) increased trading in stocks, funds and bonds by our brokerage clients from RMB423.9 billion for 2012 to RMB658.6 billion for 2013; (ii) the growth of our margin financing and securities lending business; and (iii) the commencement of our investment advisory business in 2013.

Segment expenses

Segment expenses from our brokerage and wealth management segment consist mainly of expenses incurred by our brokerage branches, such as property and building rental costs, salaries and bonuses, interest expenses associated with margin financing and securities lending and repurchase transactions and on our clients' brokerage deposits, brokerage handling fee expenses, information technology-related expenses, and business tax and surcharges. Brokerage handling fee expenses incurred by us arise primarily in the course of effecting brokerage trades on behalf of customers and consist mostly of levies from various intermediaries such as stock exchanges.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment expenses increased by 123.6% from RMB127.9 million for the three months ended March 31, 2014 to RMB286.0 million for the three months ended March 31, 2015. This increase primarily reflected (i) an increase in our fee and commission expenses due to our increased trading volumes; (ii) an increase in our interest expenses resulting from interest payments on cash held for our securities brokerage clients; (iii) an increase in interest expenses paid to the CSFC for the funds borrowed to finance our expanded margin financing and securities lending business; and (iv) an increase in staff salaries and bonuses due to significantly improved segment performance.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment expenses increased by 45.5%, from RMB538.5 million for 2013 to RMB783.5 million for 2014. The increase was primarily due to (i) the growth of our margin financing and securities lending business, which led to higher interest expenses and business taxes; (ii) an increase in our fee and commission expenses due to increased trading volumes; and (iii) an increase in staff salaries and bonuses due to significantly improved segment performance.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment expenses increased by 16.8%, from RMB461.1 million for 2012 to RMB538.5 million for 2013. The increase was primarily due to the growth of our margin financing and securities lending business, which resulted in more funds borrowed from CSFC to finance this business and led to higher interest expenses and business taxes.

Profit before income tax

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Profit before income tax increased by 333.0% from RMB74.9 million for the three months ended March 31, 2014 to RMB324.3 million for the three months ended March 31, 2015. Segment margin increased from 36.9% for the three months ended March 31, 2014 to 53.1% for the three months ended March 31, 2015, primarily due to the growth of our margin financing and securities lending business, which has a higher margin than our traditional brokerage business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Profit before income tax increased by 63.4% from RMB230.1 million for 2013 to RMB376.0 million for 2014. Segment margin increased from 29.9% for 2013 to 32.4% for 2014, primarily reflecting the growth of our margin financing and securities lending business, which has a higher margin than our traditional brokerage business.

Year ended December 31, 2013 compared to year ended December 31, 2012

Profit before income tax for 2013 increased by 260.7% from RMB63.8 million for 2012 to RMB230.1 million for 2013. Segment margin increased from 12.2% for 2012 to 29.9% for 2013, primarily reflecting the significant growth of our margin financing and securities lending and brokerage businesses and the reduction of handling fees by the Shanghai Stock Exchange and the Shenzhen Stock Exchange in 2012.

Investment Management

The following table sets forth selected information concerning our investment management segment for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Segment revenue and other income	40.1	116.2	357.6	15.6	154.6
Segment expenses	(28.9)	(72.1)	(140.6)	(6.0)	(49.8)
Share of results of associates	—	(0.3)	0.01	—	—
Profit before income tax	11.2	43.7	217.1	9.6	104.7
Segment margin	27.9%	37.6%	60.7%	61.5%	67.7%

In our investment management segment, we manage asset management schemes, investment funds and private equity funds for our clients. We also engage in private equity investment through our subsidiary Hengtai Capital and conduct alternative investment which mainly consists of investments in TV series and movie production through our subsidiary Hengtai Pioneer. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our investment management segment contributed 4.6%, 8.2%, 15.8% and 14.0%, respectively, of our total revenue and other income and 7.4%, 8.3%, 25.9% and 17.2% of our profit before income tax.

Segment revenue and other income

Segment revenue and other income from our investment management segment primarily consists of management fees we charge our clients for managing asset management schemes, investment funds and private equity funds, as well as income from exiting our private equity and alternative investments.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment revenue and other income increased by 891.0% from RMB15.6 million for the three months ended March 31, 2014 to RMB154.6 million for the three months ended March 31, 2015. This increase was primarily because we consolidated in the three months ended March 31, 2015 five collective asset management schemes that were launched in the second half of 2014 and 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment revenue and other income increased by 207.7% from RMB116.2 million for 2013 to RMB357.6 million for 2014. This increase was primarily because fee and commission income increased as we enhanced our product mix to include more active asset management products which charged higher management fees in 2014 compared with 2013 and because of the investment gains from four collective asset management schemes that were launched and consolidated into our financial statements in the second half of 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment revenue and other income increased by 189.8% from RMB40.1 million for 2012 to RMB116.2 million for 2013. This increase primarily reflected a significant increase in the fee and commission income as a result of the increase in the AUM of our asset management business, from RMB14,705.7 million as of December 31, 2012 to RMB23,446.8 million as of December 31, 2013.

Segment expenses

Segment expenses from our investment management segment consist mainly of asset management scheme and fund marketing expenses and staff costs.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment expenses increased by 730.0% from RMB6.0 million for the three months ended March 31, 2014 to RMB49.8 million for the three months ended March 31, 2015. This increase primarily reflected a significant increase in product distribution and marketing expenses and salaries and bonuses of our employees due to the expansion of our asset management business.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment expenses increased by 95.0% from RMB72.1 million for 2013 to RMB140.6 million for 2014. The increase primarily reflected an increase in product distribution and marketing expenses and salaries and bonuses of our employees due to the expansion of our asset management business.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment expenses increased by 149.5% from RMB28.9 million for 2012 to RMB72.1 million for 2013. The increase was primarily due to an increase in product distribution and marketing expenses and salaries and bonuses of our employees due to the expansion of our asset management business.

Profit before income tax

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Profit before income tax increased by 990.6% from RMB9.6 million for the three months ended March 31, 2014 to RMB104.7 million for the three months ended March 31, 2015.Segment margin increased from 61.5% for the three months ended March 31, 2014 to 67.7% for the three months ended March 31, 2015, primarily due to the relatively higher margin of the five asset management schemes we consolidated in the first three months of 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Profit before income tax increased by 396.8% from RMB43.7 million for 2013 to RMB217.1 million for 2014, primarily attributable to increased revenue of asset management driven by its business growth. Segment margin increased from 37.6% for 2013 to 60.7% for 2014, primarily because we consolidated four asset management schemes in 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Profit before income tax increased by 290.2% from RMB11.2 million for 2012 to RMB43.7 million for 2013. This increase was primarily attributable to increased revenue of asset management driven by its business growth. Segment margin increased from 27.9% for 2012 to 37.6% for 2013, primarily reflecting the growth of our asset management business.

Proprietary Trading

The following table sets forth selected information concerning our proprietary trading segment for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Segment revenue and other income	223.6	433.9	579.8	145.2	268.2
Segment expenses	(69.3)	(86.2)	(165.4)	(19.1)	(36.0)
Profit before income tax	154.3	347.7	414.4	126.1	232.1
Segment margin	69.0%	80.1%	71.5%	86.8%	86.5%

In our proprietary trading segment, we engage in the trading of stocks, bonds, funds, derivatives and other financial products for our own account. We also conduct NEEQ market-making. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our proprietary trading segment contributed 25.6%, 30.5%, 25.5% and 24.2%, respectively, of our total revenue and other income and 101.8%, 66.3%, 49.5% and 38.0% of our profit before income tax.

Segment revenue and other income

Segment revenue and other income from our proprietary trading segment primarily includes net gains from financial assets at fair value through profit or loss (including financial assets held for trading and derivatives) and available-for-sale financial assets.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment revenue and other income increased by 84.7% from RMB145.2 million for the three months ended March 31, 2014 to RMB268.2 million for the three months ended March 31, 2015. This increase primarily reflected the growth of return on our stock trading, which resulted from the significantly improved market condition.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment revenue and other income increased by 33.6% from RMB433.9 million for 2013 to RMB579.8 million for 2014. The increase primarily reflected the growth of return on our stock trading, which resulted from the improved market condition.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment revenue and other income increased by 94.1% from RMB223.6 million for 2012 to RMB433.9 million for 2013. The increase primarily reflected the growth of return on investments under our proprietary trading segment.

Segment expenses

Segment expenses from our proprietary trading segment consist mainly of ordinary operating expenses, such as employees' salaries and bonuses, and interest expenses incurred for financing used for our investments under our proprietary trading segment.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment expenses increased by 88.5% from RMB19.1 million for the three months ended March 31, 2014 to RMB36.0 million for the three months ended March 31, 2015. This increase primarily reflected the significant increase in interest expenses.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment expenses increased by 91.9% from RMB86.2 million for 2013 to RMB165.4 million for 2014. The increase was primarily due to the growth of our proprietary trading business, which led to the increase of interest expenses, and increase in employees' bonuses.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment expenses increased by 24.4% from RMB69.3 million for 2012 to RMB86.2 million for 2013. The increase was primarily due to higher employees' bonuses.

Profit before income tax

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Profit before income tax increased by 84.1% from RMB126.1 million for the three months ended March 31, 2014 to RMB232.1 million for the three months ended March 31, 2015. Segment margin decreased from 86.8% for the three months ended March 31, 2014 to 86.5% for the three months ended March 31, 2015 primarily due to (i) the increases in interest expenses as a result of the increase in bond repurchase transactions in the three months ended March 31, 2015; and (ii) increases in unrealized investment gains as a result of our continual holding of securities in the three months ended March 31, 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Profit before income tax increased by 19.2% from RMB347.7 million for 2013 to RMB414.4 million for 2014. Segment margin decreased from 80.1% in 2013 to 71.5% in 2014 primarily due to (i) the increases in interest expenses as a result of the increase in bond repurchase transactions; (ii) the high cost of investment and trading as we allocated certain funds raised by the issuance of short-term commercial paper and subordinated bonds for proprietary trading; and (iii) increases in employees' performance bonus as a result of the high revenue generated by our proprietary trading business.

Year ended December 31, 2013 compared to year ended December 31, 2012

Profit before income tax increased by 125.5% from RMB154.3 million for 2012 to RMB348.0 million for 2013. Segment margin increased from 69.0% in 2012 to 80.1% for 2013 primarily due to (i) the overall improved market conditions in 2013; and (ii) the reduction in interest expenses as a result of the decreases in bond repurchase transactions which lead to a relatively high rate of return.

Investment Banking

The following table sets forth selected information concerning our investment banking segment for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Segment revenue and other income	79.7	86.3	149.8	20.0	70.7
Segment expenses	(93.6)	(89.4)	(102.6)	(16.8)	(30.1)
Profit before income tax	(13.9)	(3.1)	47.2	3.1	40.6
Segment margin	(17.4%)	(3.6%)	31.5%	15.5%	57.4%

In our investment banking segment, we provide capital-raising services, including IPOs, follow-on offerings and fixed-income products or debt offerings, and we also offer financial advisory services, which primarily include recommendation for NEEQ share quotation and transfer, and providing advice relating to IPO preparation, corporate reorganization, re-financing, and mergers and acquisitions. The investment banking segment contributed 9.1%, 6.1%, 6.6% and 6.4% of our total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively, and contributed 5.6% and 6.7% of profit before income tax for 2014 and the three months ended March 31, 2015, respectively. We had loss before income tax of RMB13.9 million and RMB3.1 million in the investment banking segment for the years ended December 31, 2012 and 2013, respectively, and recorded negative margins of 17.4% and 3.6% for the same periods primarily because the CSRC suspended IPOs during this period and, as a result, we continued to incur expenses for the work we do but were not able to generate revenue on our IPO projects.

Segment revenue and other income

Segment revenue and other income from our Investment Banking segment primarily consists of underwriting, sponsoring and advisory fees from investment banking activities. We generally recognize fee and commission income in the Investment Banking segment only upon completion of a project.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment revenue and other income increased by 253.5% from RMB20.0 million for the three months ended March 31, 2014 to RMB70.7 million for the three months ended March 31, 2015. This increase primarily reflected the increased number of equity financing and debt financing transactions.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment revenue and other income increased by 73.6% from RMB86.3 million for 2013 to RMB149.8 million for 2014. This increase primarily reflected the increased number of debt financing transactions.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment revenue and other income increased by 8.3% from RMB79.7 million for 2012 to RMB86.3 million for 2013. This increase primarily reflected the increased number of debt financing transactions.

Segment expenses

Segment expenses from our investment banking segment primarily include ordinary operating expenses, such as employees' salaries and bonuses, as well as fee and commission expenses and business tax and surcharges that we incur in connection with our underwriting and other investment banking activities.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment expenses increased by 79.2% from RMB16.8 million for the three months ended March 31, 2014 to RMB30.1 million for the three months ended March 31, 2015. This increase primarily reflected the increased underwriting and sponsoring expenses due to the increased number of deals we underwrote and sponsored.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment expenses increased by 14.8% from RMB89.4 million for 2013 to RMB102.6 million for 2014. This increase was primarily the result of the increase in staff salaries and bonuses as a result of the increase in fee and commission income.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment expenses decreased by 4.5% from RMB93.6 million for 2012 to RMB89.4 million for 2013. This decrease was primarily due to the decrease in staff salaries and bonuses as a result of a significant decline in fee and commission income from equity financing transactions due to adverse market conditions.

Profit before income tax

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Profit before income tax increased by 1,209.7% from RMB3.1 million for the three months ended March 31, 2014 to RMB40.6 million for the three months ended March 31, 2015. Segment margin increased from 15.5% for the three months ended March 31, 2014 to 57.4% for the three months ended March 31, 2015, primarily due to the growth of our equity and debt underwriting business.

Year ended December 31, 2014 compared to year ended December 31, 2013

We recorded profit before income tax of RMB47.2 million for 2014, compared to loss before income tax of RMB3.1 million for 2013, primarily reflecting the growth of our debt underwriting business.

Year ended December 31, 2013 compared to year ended December 31, 2012

We recorded a loss of RMB3.1 million for 2013, compared to a loss of RMB13.9 million for 2012, primarily because the CSRC suspended IPOs during this period and, as a result, we continued to incur expenses for the work we do but were not able to generate revenue on our IPO projects.

Others

The following table sets forth selected information concerning our others segment for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Segment revenue and other income	5.8	17.2	22.7	1.7	3.3
Segment expenses	(69.5)	(111.4)	(255.2)	(95.1)	(102.2)
Share of results of associates	—	(0.1)	15.1	1.4	7.5
(Loss)/Profit before income tax	(63.7)	(94.3)	(217.3)	(92.0)	(91.5)
Segment margin	(1,098.3%)	(551.5%)	(574.9%)	(2,967.7%)	(847.2%)

The others segment contributed 0.7%, 1.2%, 1.0% and 0.3% of total revenue and other income for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, loss before income tax from the others segment amounted to RMB63.7 million, RMB94.3 million, RMB217.3 million and RMB91.5 million, respectively, and we had negative margins of 1,098.3%, 551.5%, 574.9%, and 847.2%, respectively. Losses and negative margins for our others segment were primarily because segment expenses included administrative expenses incurred by our headquarters, including staff costs, rental expenses, depreciation and amortization, and other operating expenses, which by far exceeded segment revenue consisting primarily of interest income from our own deposits, government grants, rental income and income from Shanghai Yingwo's trading activities.

Segment revenue and other income

Revenue and other income from the others segment consist primarily of interest income from our own deposits, as well as other income and gains, such as government grants, rental income and income from Shanghai Yingwo's commodity trading activities.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment revenue and other income increased by 94.1% from RMB1.7 million for the three months ended March 31, 2014 to RMB3.3 million for the three months ended March 31, 2015. This increase primarily reflected an increase in rental income.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment revenue and other income increased by 32.0% from RMB17.2 million for 2013 to RMB22.7 million for 2014, primarily reflecting an increase in Shanghai Yingwo's commodity trading income.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment revenue and other income increased by 196.6% from RMB5.8 million for 2012 to RMB17.2 million for 2013, primarily reflecting an increase in Shanghai Yingwo's commodity trading income.

Segment expenses

Segment expenses mainly include administrative expenses related to the management functions of our headquarters, including staff costs, rental expenses, depreciation and amortization, and other operating expenses.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Segment expenses increased by 7.5% from RMB95.1 million for the three months ended March 31, 2014 to RMB102.2 million for the three months ended March 31, 2015. This increase primarily reflected the increased business management expenses which include staff costs, rental expenses, depreciation and amortization expenses and travel expenses.

Year ended December 31, 2014 compared to year ended December 31, 2013

Segment expenses increased by 129.1% from RMB111.4 million for 2013 to RMB255.2 million for 2014. The increase primarily reflected the increased business management expenses which include staff costs, rental expenses, depreciation and amortization expenses and travel expenses.

Year ended December 31, 2013 compared to year ended December 31, 2012

Segment expenses increased by 60.3% from RMB69.5 million for 2012 to RMB111.4 million for 2013. The increase primarily reflected the increased business management expenses which include staff costs, rental expenses, depreciation and amortization expenses and travel expenses.

Loss before income tax

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Loss before income tax decreased by 0.5% from RMB92.0 million for the three months ended March 31, 2014 to RMB91.5 million for the three months ended March 31, 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Loss before income tax increased by 130.4% from RMB94.3 million for 2013 to RMB217.3 million for 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Loss before income tax increased by 48.0% from RMB63.7 million for 2012 to RMB94.3 million for 2013, primarily reflecting the increased business management expenses.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our funding and capital requirements primarily with cash inflows generated from our operating activities, issuances of short-term commercial paper, subordinated bonds, short-term repurchase agreements and placements from banks and other financial institutions. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet payment obligations when they fall due, through the use of low-risk instruments such as bank deposits and repurchase agreements. We seek to maintain stable sources of funding and liquidity, but will vary our positions in such low-risk instruments, primarily on the basis of the interest rates offered or charged on different instruments at different times.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Net cash generated from/(used in) operating activities	715.6	(578.4)	(1,371.8)	(146.0)	258.9
Net cash generated from/(used in) investing activities	(279.9)	445.0	33.6	277.1	(138.9)
Net cash generated from/(used in) financing activities	(43.9)	(43.9)	2,463.5	—	(17.7)
Effect of foreign exchange rate changes	(0.04)	(0.6)	0.1	0.2	0.1
Net increase/(decrease) in cash and cash equivalents	391.8	(178.0)	1,125.4	131.3	102.3
Cash and cash equivalents at beginning of year/period	509.0	900.8	722.8	722.8	1,848.1
Cash and cash equivalents at end of year/period	900.8	722.8	1,848.1	854.0	1,950.5

Operating Activities

Operating activities include our fee and commission based services, such as brokerage, underwriting, financial advisory and asset management services, margin financing and securities lending, trading of financial assets at fair value through profit or loss, as well as resale and repurchase transactions, and other operating activities. Cash flows from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items, such as interest expense, depreciation and amortization, impairment losses, dividend and interest income, and changes in fair value of financial instruments; (ii) movements in working capital, such as increase or decrease in margin accounts receivable, increase or decrease in receivables and prepayments, increase or decrease in financial assets at fair value through profit or loss, increase or decrease in cash held on behalf of brokerage clients, increase or decrease in accounts payable to brokerage clients, and increase or decrease in financial assets sold under repurchase agreements; and (iii) other cash items consisting of income taxes paid and interest paid.

For the three months ended March 31, 2015, our net cash generated from operating activities was RMB258.9 million, primarily reflecting (i) profit before income tax of RMB610.2 million; (ii) negative total adjustments before movements in working capital of RMB80.3 million, which in turn primarily reflected RMB134.8 million of negative adjustment for change in fair value of financial instruments at fair value through profit or less as a result of the significantly improved market performance in China, RMB144.6 million of positive adjustment for interest expense, and RMB87.7 million of negative adjustment for net realized gains from available-for-sale financial assets and held-to-maturity investments; and (iii) negative movements in working capital of RMB128.7 million. Movements in working capital primarily reflected cash outflows due to (i) RMB1,296.2 million increase in margin accounts receivable in line with our fast-growing margin financing business; (ii) RMB3,238.8 million increase in cash on behalf of brokerage clients as a result of the significant growth of our securities brokerage business; (iii) RMB847.7 million increase in financial assets at fair value through profit or loss due to the significantly improved market condition; (iv) RMB60.5 million increase in refundable deposits we placed with stock exchanges, futures and commodity exchanges and as a result of the increase securities and futures brokerage activities and increased deposits we paid in connection with our fast-growing margin financing and securities lending business; and (v) RMB46.8 million increase in receivables and prepayments primarily reflecting increases in fee and commission receivable and interest receivable in line with the growth of our business.

The above cash outflows were partially offset by cash inflows due to (i) RMB3,280.1 million increase in accounts payable to brokerage clients primarily due to the increase in clients' deposits for other brokerage business in line with the growth of our securities brokerage business; (ii) RMB1,550.9 million increase in financial assets sold under repurchase agreements primarily because of our margin loans receivable-backed repurchases to provide financing for our margin financing and securities lending business; and (iii) RMB460.0 million increase in other payables and accruals due to payables to other investors in the five asset management schemes we consolidated into our financial statements in the three months ended March 31, 2015.

For the year ended December 31, 2014, our net cash used in operating activities was RMB1,371.8 million, primarily reflecting (i) profit before income tax of RMB837.3 million; (ii) negative total adjustments before movements in working capital of RMB225.8 million, which in turn primarily reflected RMB338.4 million of negative adjustment for change in fair value of financial instruments at fair value through profit or less as a result of the significantly improved market performance in China, RMB203.3 million of positive adjustment for interest expense, RMB99.4 million of negative adjustment for net realized gains from available-for-sale financial assets and held-to-maturity investments, and RMB58.3 million of positive adjustment for depreciation and amortization; and (iii) negative movements in working capital of RMB1,745.7 million. Movements in working capital primarily reflected cash outflows due to (i) RMB3,848.2 million increase in margin accounts receivable in line with our fast-growing margin financing business; (ii) RMB3,652.5 million increase in cash on behalf of brokerage clients as a result of the significant growth of our securities brokerage business; (iii) RMB1,905.5 million increase in financial assets at fair value through profit or loss primarily due to the significantly improved market condition; (iv) RMB468.4 million increase in financial assets held under resale agreements primarily because we commenced this business in large scale in 2014 to provide securities for our securities lending business; (v) RMB182.3 million increase in refundable deposits we placed with stock exchanges, futures and commodity exchanges and as a result of the increase securities and futures brokerage activities and increased deposits we paid in connection with our fast-growing margin financing and securities lending business; and (vi) RMB120.2 million increase in receivables and prepayments primarily reflecting increases in fee and commission receivable and interest receivable in line with the growth of our business.

The above cash outflows were partially offset by cash inflows due to (i) RMB3,832.8 million increase in accounts payable to brokerage clients primarily due to the increase in clients' deposits for other brokerage business in line with the growth of our securities brokerage business; (ii) RMB2,287.6 million increase in financial assets sold under repurchase agreements because we commenced our margin loans receivable-backed repurchase business in 2014 to provide financing for our margin financing and securities lending business; (iii) RMB1,068.7 million increase in other payables and accruals primarily due to RMB1,023.3 million of payable to other investors of consolidated asset management products as of December 31, 2014, which represented the equity interests in our consolidated structured entities that were not owned by us; (iv) RMB955.0 million increase in placements from other financial institutions due to our increased margin financing and securities lending business; and (v) RMB233.3 million increase in employee benefits payable as a result of increased bonuses.

For the year ended December 31, 2013, our net cash used in operating activities was RMB578.4 million, primarily reflecting (i) profit before income tax of RMB524.1 million; (ii) negative total adjustments before movements in working capital of RMB145.2 million, which in turn primarily reflected RMB223.9 million of negative adjustment for net realized gains from available-for-sale financial assets and held-to-maturity investments, RMB66.1 million of negative adjustment for dividends income and interest income from available-for-sale investment and held-to-maturity investment, RMB56.3 million of positive adjustment for depreciation and amortization, and RMB51.6 million of positive adjustment for interest expense; and (iii) negative movements in working capital of RMB783.7 million. Movements in working capital primarily reflected cash outflows due to (i) RMB1,172.1 million of increase in margin accounts receivable in line with our fast-growing margin financing business; (ii) RMB574.5 million decrease in accounts payable to brokerage clients primarily reflect a decrease in deposit by brokerage clients due to the tightened credit availability in China in 2013; (iii) RMB131.6 million decrease in financial assets sold under repurchase agreements as our proprietary trading segment's financing requirements decreased due to unstable market conditions.

The above cash outflows were partially offset by cash inflows due to (i) RMB680.0 million increase in placements from other financial institutions due to our increased margin financing and securities lending business; (ii) RMB329.3 million decrease in cash on behalf of brokerage clients as a result of clients' reduced deposits due to the tightened credit availability in China in 2013; (iii) RMB84.8 million decrease in refundable deposits primarily because our futures brokerage clients' account balance as of December 31, 2013 decreased and, as a result, the required deposits placed with futures exchanges also decreased; and (iv) RMB42.9 million decrease in financial assets at fair value through profit or loss due to the decline in fair value of such assets we held.

For the year ended December 31, 2012, our net cash generated from operating activities was RMB715.6 million, primarily reflecting (i) profit before income tax of RMB151.6 million; (ii) positive total adjustments before movements in working capital of RMB13.8 million, which in turn primarily reflected RMB58.8 million of positive adjustment for interest expense, RMB55.6 million of positive adjustment for depreciation and amortization, RMB27.2 million of positive adjustment for change in fair value of financial instruments at fair value through profit or loss, RMB32.4 million of negative adjustment for net realized gains from available-for-sale financial assets and held-to-maturity investments, and RMB96.0 million of negative adjustment for dividends income and interest income from available-for-sale investment and held-to-maturity investment; and (iii) positive movements in working capital of RMB635.7 million. Movements in working capital primarily reflected cash inflows due to (i) RMB1,084.2 million decrease in financial assets at fair value through profit or loss due to the decline in fair value of such assets we held; (ii) RMB140.8 million decrease in cash on behalf of brokerage clients resulting from client's reduced trading activities; and (iii) RMB64.3 million decrease in refundable deposits primarily because the Shenzhen Stock Exchange lowered its handling fees and deposit requirements in the second half of 2012, which were partially offset by cash outflows due to (i) RMB309.6 million decrease in financial assets sold under repurchase agreements because we reduced our use of such assets for financing purposes; (ii) RMB212.5 million decrease in accounts payable to brokerage clients primarily reflecting the decrease in cash held on behalf of brokerage clients; (iii) RMB99.2 million increase in margin accounts receivable in line with the growth of our margin financing and securities lending business; and (iv) RMB35.8 million increase in receivables and prepayments primarily reflecting increases in fee and commission receivable and interest receivable in line with the growth of our business.

Investing Activities

Investing activities consist primarily of purchases and disposal of available-for-sale financial assets, purchase and disposal of property and equipment and intangible assets, and the acquisition and disposal of subsidiaries and associates and other investment activities.

For the three months ended March 31, 2015, our net cash used in investing activities was RMB138.9 million, primarily reflecting (i) RMB464.4 million of proceeds on disposal of available-for-sale financial assets; and (ii) RMB29.2 million of dividend income and interest income received from available-for-sale financial assets and held-to-maturity investments, which were partially offset by cash outflows of RMB662.8 million for purchases of available-for-sale financial assets.

For the year ended December 31, 2014, our net cash generated from investing activities was RMB33.6 million, primarily reflecting cash inflows of (i) RMB750.1 million of proceeds on disposal of available-for-sale financial assets; (ii) RMB59.6 million of dividend income and interest income received from available-for-sale financial assets and held-to-maturity investments; and (iii) RMB7.9 million of proceeds on disposal of property and equipment, investment property, intangible assets and other non-current assets, which were partially offset by cash outflows of (i) RMB628.5 million for purchases of available-for-sale financial assets; (ii) RMB98.0 million of other net cash outflow reflecting an increase in the amount of cash and cash equivalents with fixed deposit terms of over three months; and (iii) RMB57.5 million for purchases of property and equipment, investment property, intangible assets and other non-current assets.

For the year ended December 31, 2013, our net cash generated from investing activities was RMB445.0 million, primarily reflecting cash inflows of (i) RMB1,140.2 million of proceeds on disposal of available-for-sale financial assets; (ii) RMB72.8 million of dividend income and interest income received from available-for-sale financial assets and held-to-maturity investments; (iii) RMB88.0 milion of other net cash flow from investing activities primarily reflecting an increase in the amount of cash and cash equivalents with fixed deposits terms of over three months; and (iv) RMB2.4 million of proceeds on disposal of property and equipment, investment property, intangible assets and other non-current assets, which were partially offset by cash outflows of (i) RMB493.9 million for purchases of available-for-sale financial assets; (ii) RMB210.5 million for purchases of property and equipment, investment property, intangible assets and other non-current assets; and (iii) RMB154.0 million for purchases of associates, which primarily represented the purchase price we paid for New China Fund's 43.75% equity interest.

For the year ended December 31, 2012, our net cash used in investing activities was RMB279.9 million, primarily reflecting cash outflows of (i) RMB917.2 million for purchases of available-for-sale financial assets; and (ii) RMB62.2 million for purchases of property and equipment, investment property, intangible assets and other non-current assets, which were partially offset by cash inflows of (i) RMB418.0 million of proceeds on disposal of held-to-maturity investments; (ii) RMB148.3 million of proceeds on disposal of available-for-sale financial assets; (iii) RMB111.1 million of dividend income and interest income received from available-for-sale financial assets and held-to-maturity investments; (iv) RMB20.0 million of other net cash flow from investing activities; and (v) RMB2.2 million of proceeds on disposal of property and equipment, investment property, intangible assets and other non-current assets.

Financing Activities

Financing activities primarily include issuance of short-term commercial paper and subordinated bonds, and the distribution of dividends to our shareholders and the payment of interest on our debt instruments.

For the three months ended March 31, 2015, our net cash used in financing activities was RMB17.7 million, primarily reflecting (i) RMB1,200.0 million of proceeds from issuance of short-term commercial papers; and (ii) RMB200.0 million of proceeds from issuance of subordinated bonds, which were partially offset by cash outflows of (i) RMB1,400.0 million for payment of short-term commercial papers and subordinated bonds; and (ii) RMB17.7 million of interest paid for financing activities.

For the year ended December 31, 2014, our net cash generated from financing activities was RMB2,463.5 million, primarily reflecting cash inflows of (i) RMB2,800.0 million of proceeds from issuance of short-term commercial papers; and (ii) RMB1,300.0 million of proceeds from issuance of subordinated bonds, which were partially offset by cash outflows of (i) RMB1,400.0 million for payment of short-term commercial papers and subordinated bonds; (ii) RMB219.5 million of dividends paid; and (iii) RMB17.0 million of interest paid for financing activities.

For the year ended December 31, 2013, our net cash used in financing activities was RMB43.9 million, which consisted of RMB43.9 million of dividends paid.

For the year ended December 31, 2012, our net cash used in financing activities was RMB43.9 million, which consisted of RMB43.9 million of dividends paid.

Working Capital and Capital Resources

We had negative net cash flows from operating activities of RMB578.4 million and RMB1,371.8 million, respectively, for the years ended December 31, 2013 and 2014, primarily as a result of negative movements in working capital including significant increases in margin accounts receivable in 2013 and 2014 and cash held on behalf of brokerage clients in 2014. We had positive cash flows from operating activities before movements in working capital of RMB165.4 million, RMB378.9 million and RMB611.5 million and RMB529.9 million for the years ended December 31, 2012, 2013 and 2014 and the three month ended March 31, 2015. As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had cash and cash equivalents of RMB900.8 million, RMB722.8 million, RMB1,848.1 million and RMB1,950.5 million, respectively.

We intend to fund our future working capital requirements primarily with cash generated from operating activities, net proceeds from the Global Offering, and proceeds from placements from financial institutions and proceeds from debt issuances.

Taking into account the capital resources available to us, including internally generated funds and the estimated net proceeds of the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this prospectus. The Joint Sponsors concur with the Directors' view above.

Assets and Liabilities

To ensure appropriate cash liquidity management and capital allocation, we monitor the scale and composition of our balance sheet and seek to maintain our balance sheet with sufficient liquidity. Given the highly liquid nature of our business, most of our balance sheet consists of current assets and liabilities.

Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2012	2013	2014	2015	2015
					(unaudited)
	(RMB in millions)				
Current assets					
Margin accounts receivable ...	98.7	1,264.9	5,093.6	6,383.2	6,677.1
Other current assets	98.7	135.2	252.1	286.3	350.8
Available-for-sale financial assets	1,950.7	1,387.4	1,485.9	1,451.8	1,032.2
Financial assets held under resale agreements(1)	—	28.2	496.3	228.1	423.7
Financial assets at fair value through profit or loss	1,634.8	1,560.7	3,806.0	4,793.4	7,000.7
Cash held on behalf of brokerage clients	4,115.5	3,786.2	7,438.6	10,677.5	17,376.5
Clearing settlement funds	347.5	107.1	414.7	752.2	1,213.4
Cash and bank balances	763.3	709.4	1,445.2	1,183.6	2,288.1
Total current assets	9,009.2	8,979.2	20,432.4	25,756.2	36,362.6
Current liabilities					
Short-term commercial papers issued	—	—	1,400.0	1,200.0	—
Placements from other financial institutions	—	680.0	1,635.0	1,436.0	1,665.0
Accounts payable to brokerage clients	4,297.2	3,722.6	7,555.5	10,835.5	17,252.6
Employee benefits payable....	41.1	42.6	275.9	339.4	399.3
Other current liabilities	63.0	58.9	1,167.9	1,686.2	1,884.6
Current tax liabilities	3.6	12.7	69.7	107.1	163.2
Financial assets sold under repurchase agreements(2)...	823.6	692.0	2,979.6	4,530.5	5,810.0
Financial liabilities at fair value through profit or loss.	—	—	52.9	—	—
Total current liabilities	5,228.4	5,208.8	15,136.4	20,134.8	27,174.8
Net current assets	3,780.9	3,770.4	5,296.0	5,621.4	9,187.8
Current ratio(3)	1.7	1.7	1.3	1.3	1.3

(1) Financial assets held under resale agreement mainly consist of assets we hold under securities-backed lending transactions.

(2) Financial assets sold under repurchase agreements mainly consist of debt securities we sold under bond repurchase transactions.

(3) Current ratio = total current assets / total current liabilities.

Current assets consist primarily of cash held for brokerage clients, margin accounts receivable in connection with our margin financing and securities lending business, financial assets at fair value through profit or loss, available-for-sale financial assets and bank balances. Current liabilities consist primarily of accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from other financial institutions and short-term commercial papers issued.

Current assets increased by 41.2% from RMB25,756.2 million as of March 31, 2015 to RMB36,362.6 million as of July 31, 2015, primarily due to (i) a RMB6,699.0 million increase in cash held on behalf of brokerage clients and a RMB461.2 million increase in clearing settlement funds primarily due to the growth of our securities brokerage business; (ii) a RMB293.9 million increase in margin accounts receivable in line with the growth of our margin financing and securities lending business; and (iii) a RMB2,207.3 million increase in financial assets at fair value through profit or loss, primarily as a result of increase in our holding of debt securities following our adjustment of our proprietary investment portfolio in response to the market downturn in June and July 2015.

Current liabilities increased by 35.0% from RMB20,134.8 million as of March 31, 2015 to RMB27,174.8 million as of July 31, 2015, primarily due to (i) a RMB6,417.1 million increase in accounts payable to brokerage clients in line with the increase in cash held on behalf of brokerage clients; (ii) a RMB1,279.5 million increase in financial assets sold under repurchase agreements primarily reflecting the increase in the scale of this business; and (iii) a RMB229.0 million increase in placements from other financial institutions primarily due to the increased capital requirement of our margin financing and securities lending business.

Current ratio remained unchanged as of July 31, 2015 compared to March 31, 2015.

Current assets increased by 26.1% from RMB20,432.4 million as of December 31, 2014 to RMB25,756.2 million as of March 31, 2015, primarily due to (i) a RMB3,238.9 million increase in cash held on behalf of brokerage clients and a RMB337.5 million increase in clearing settlement funds primarily due to the growth of our securities brokerage business; (ii) a RMB1,289.6 million increase in margin accounts receivable in line with the growth of our margin financing and securities lending business; and (iii) a RMB987.4 million increase in financial assets at fair value through profit or loss, as a result of increase in fair value of such assets due to the significantly improved market condition.

Current liabilities increased by 33.0% from RMB15,136.4 million as of December 31, 2014 to RMB20,134.8 million as of March 31, 2015, primarily due to (i) a RMB3,280.0 million increase in accounts payable to brokerage clients in line with the increase in cash held on behalf of brokerage clients; (ii) a RMB1,550.9 million increase in financial assets sold under repurchase agreements primarily reflecting the increase in the scale of this business; and (iii) a RMB518.3 million increase in other current liabilities as a result of our consolidation of five asset management schemes in the first three months of 2015, which were partially offset by a RMB199.0 million decrease in placements from other financial institutions primarily because we had RMB300.0 million of placements from banks as of December 31, 2014 with maturity periods of within seven days and no placements from banks as of March 31, 2015.

Current ratio remained unchanged as of March 31, 2015 compared to December 31, 2014.

Current assets increased by 127.6% from RMB8,979.2 million as of December 31, 2013 to RMB20,432.4 million as of December 31, 2014, primarily due to (i) a RMB3,828.7 million increase in margin accounts receivable in line with the significant growth of our margin financing and securities lending business; (ii) a RMB3,652.4 million increase in cash held on behalf of brokerage clients and a RMB307.6 million increase in clearing settlement funds, primarily as a result of the growth of our brokerage business as a result of improved market conditions; (iii) a RMB2,245.3 million increase in financial assets at fair value through profit or loss, primarily reflecting increase in fair value of such assets due to the significantly improved market condition; and (iv) a RMB735.8 million increase in cash and bank balances.

Current liabilities increased by 190.6% from RMB5,208.8 million as of December 31, 2013 to RMB15,136.4 million as of December 31, 2014, primarily reflecting (i) a RMB3,832.9 million increase in accounts payable to brokerage clients in line with the increase in cash held on behalf of brokerage clients; (ii) a RMB2,287.6 million increase in financial assets sold under repurchase agreements, primarily reflecting our increased use of repurchase agreements to fund our business activities, and (iii) a RMB1,400.0 million increase in short-term commercial papers issued, primarily reflecting our issuances of short-term commercial paper to fund our business activities in 2014.

Current ratio decreased from 1.7 as of December 31, 2013 to 1.3 as of December 31, 2014, primarily because our current liabilities increased at a higher percentage than our current assets due to the reasons discussed above.

Current assets decreased by 0.3% from RMB9,009.2 million as of December 31, 2012 to RMB8,979.2 million as of December 31, 2013, primarily reflecting (i) a RMB563.3 million decrease in available-for-sale financial assets as a result of a reduction in our holding of such assets; and (ii) a RMB329.3 million decrease in cash held on behalf of brokerage clients as a result of the tightened credit availability in China in 2013, as partially offset by a RMB1,166.2 million increase in margin accounts receivable in line with the growth in our margin financing and securities lending business.

Current liabilities decreased by 0.4% from RMB5,228.4 million as of December 31, 2012 to RMB5,208.8 million as of December 31, 2013, primarily reflecting (i) a RMB574.6 million decrease in accounts payable to brokerage clients in line with the decrease in cash held on behalf of brokerage clients; and (ii) a RMB131.6 million decrease in financial assets sold under repurchase agreements due to the decrease in cash requirements of our proprietary trading segment as our financial assets sold under repurchase agreement were primarily used to be pledged for cash for use by our proprietary trading segment, as partially offset by a RMB680.0 million increase in placements from other financial institutions as a result of the growth in our margin financing and securities lending business.

Current ratio remained unchanged as of December 31, 2013 compared to December 31, 2012.

Adjusted Assets and Liabilities

Deposits from brokerage clients represent a significant component of both our current assets, reflected as cash held on behalf of brokerage clients and clearing settlement funds, and our current liabilities, reflected under accounts payable to brokerage clients. Client deposits fluctuate based on our brokerage clients trading activities, financial market conditions and other factors not directly related to our business. Consequently, although we earn some interest income from these deposits, client deposits tend not to be meaningful indicators of our financial condition or operating performance. We have therefore adjusted our assets and liabilities in the following presentation and discussion to exclude the effect of client deposits.

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014	2014	2015
	(RMB in millions)				
Adjusted current assets(1)	4,712.0	5,256.6	12,876.9	14,920.7	18,785.6
Adjusted current liabilities(2)	931.2	1,486.2	7,580.9	9,299.3	10,724.6
Adjusted current ratio(3)	5.1	3.5	1.7	1.6	1.8

(1) Adjusted current assets = total current assets - accounts payable to brokerage clients.

(2) Adjusted current liabilities = total current liabilities - accounts payable to brokerage clients.

(3) Adjusted current ratio = adjusted current assets / adjusted current liabilities.

Non-current Assets and Liabilities

The following table sets forth the components of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Non-current assets				
Property and equipment	208.0	350.9	333.7	330.5
Investment properties	22.4	21.6	20.8	20.6
Goodwill	13.1	13.1	13.1	13.1
Intangible assets	27.2	34.8	54.0	51.1
Interest in associates	—	153.5	169.3	176.8
Available-for-sale financial assets	91.4	145.0	268.2	553.5
Financial assets held under resale agreements	—	—	173.1	173.1

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Refundable deposits	211.2	126.4	308.7	369.2
Deferred tax assets	6.4	9.1	2.7	2.0
Other non-current assets	44.3	46.4	41.6	36.9
Total non-current assets	624.1	900.9	1,385.1	1,726.9
Non-current liabilities				
Subordinated bonds issued	—	—	1,300.0	1,500.0
Deferred revenue	4.3	14.5	13.7	5.2
Deferred tax liabilities	33.5	—	92.4	120.8
Total non-current liabilities	37.8	14.5	1,406.1	1,626.0

Our non-current assets primarily consist of property and equipment, available-for-sale financial assets, interest in associates and refundable deposits. Interest in associates represents our equity investments in New China Fund and Pioneer Movie, while non-current available-for-sale financial assets are mainly equity investments in unlisted companies. These non-current investments amounted to RMB730.3 million as of March 31, 2015 and represented 42.3% of our non-current assets. Property and equipment mostly comprised real property used for operational purposes, and accounted for 19.1% of our non-current assets as of March 31, 2015.

Non-current assets increased by 24.7% from RMB1,385.1 million as of December 31, 2014 to RMB1,726.9 million as of March 31, 2015, primarily due to a RMB285.3 million increase in available-for-sale financial assets as a result of the increase in fair value of such assets due to the significantly improved market condition.

Non-current liabilities increased from RMB1,406.1 million as of December 31, 2014 to RMB1,626.0 million as of March 31, 2015, primarily due to (i) a RMB200.0 million increase in subordinated bonds issued as a result of the subordinated bonds we issued in January 2015; and (ii) a RMB28.4 million increase in deferred tax liabilities as a result of changes in fair value of financial instruments at fair value through profit or loss and changes in fair value of available-for-sale financial assets.

Non-current assets increased by 53.7% from RMB900.9 million as of December 31, 2013 to RMB1,385.1 million as of December 31, 2014, primarily due to (i) a RMB173.1 million increase in financial assets held under resale agreements because we acquired such assets in 2014 as we began to provide securities-backed lending services to individual clients; (ii) a RMB123.2 million increase in available-for-sale financial assets; and (iii) a RMB182.3 million increase in refundable deposits, which represented increased deposits we paid to the stock exchanges and futures and commodity exchanges as a result of increased trading activities.

Non-current liabilities increased from RMB14.5 million as of December 31, 2013 to RMB1,406.1 million as of December 31, 2014, primarily reflecting a RMB1,300.0 million increase in subordinated bonds issued, reflecting our issuance of subordinated bonds in an aggregate principal amount of RMB1,300.0 million in 2014.

Non-current assets increased by 44.4% from RMB624.1 million as of December 31, 2012 to RMB900.9 million as of December 31, 2013, primarily due to (i) a RMB153.5 million increase in interest in associates, primarily reflecting our acquisition of equity interests in New China Fund and Pioneer Movie in 2013; (ii) a RMB142.9 million increase in property and equipment, primarily reflecting construction-in-progress relating to our new corporate headquarters in Beijing; and (iii) a RMB53.6 million increase in available-for-sale financial assets, which were partially offset by a RMB84.8 million decrease in refundable deposits, primarily because some of our futures brokerage clients reduced their positions at the end of 2013.

Non-current liabilities decreased from RMB37.8 million as of December 31, 2012 to RMB14.5 million as of December 31, 2013, primarily reflecting a RMB33.5 million decrease in deferred tax liabilities as a result of changes in fair value of available-for-sale financial assets.

INDEBTEDNESS

As of July 31, 2015, the latest date for determining our indebtedness, we had RMB1,665.0 million of placements from other financial institutions, RMB1,500.0 million of subordinated bonds and RMB1,595.3 million of beneficiary certificates. We had no committed or unutilized bank facilities.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2012	2013	2014	2015	2015
					(unaudited)
	(RMB in millions)				
Short-term commercial papers issued	—	—	1,400.0	1,200.0	—
Placements from other financial institutions	—	680.0	1,635.0	1,436.0	1,665.0
Subordinated bonds issued	—	—	1,300.0	1,500.0	1,500.0
Beneficiary certificates	—	—	—	—	1,595.3
Total	—	680.0	4,335.0	4,136.0	4,760.3

Placements from Other Financial Institutions

Interbank lending

We are a member of the interbank lending market in China. As of December 31, 2014, the balance of our interbank lending was RMB300.0 million, which was unsecured and had an interest rate of 7% per year. As of March 31, 2015 and as of July 31, 2015, there were no placements from banks.

Placements from CSFC

We began to obtain loans from CSFC in 2013, which are solely used to provide financing for our margin financing and securities lending business. As of December 31, 2013 and 2014, March 31, 2015 and July 31, 2015, the balance of our placements from CSFC was RMB680.0 million, RMB1,335.0 million, RMB1,436.0 million and RMB1,665.0 million, respectively.

According to the margin and securities refinancing agreement between CSFC and us, we can borrow funds or securities up to an aggregate amount of RMB2,000 million for a term of up to six months, for which we are required to place a 20.0% refundable deposit with CSFC using a combination of cash and securities as collateral and pay interest on the borrowings at rates determined by CSFC. As of July 31, 2015, our placements from CSFC had an annual interest rate of 6.3% per year.

Short-term Commercial Paper

We use net proceeds from short-term commercial papers primarily to finance our working capital. In 2013, our Shareholders authorized us to issue short-term commercial paper not exceeding 60.0% of our Net Capital. On April 25, 2014, the PBOC approved that we may issue short-term commercial papers with an aggregate outstanding balance not exceeding RMB2.1 billion within a twelve-month period.

In 2014 and 2015, we have issued six tranches of short-term commercial papers. Our short-term commercial papers generally have a maturity period of approximately 90 days. The interest rates of our commercial papers are determined through a bidding process. We have an issuer rating of AA and our commercial papers are rated by China Lianhe Credit Rating Co., Ltd. as A-1.

The following table sets forth the range of interest rates of our short-term commercial papers for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	**2013**	**2014**	**2015**
Interest rates per year ..	N/A	N/A	4.16%-6.00%	5.00%-5.15%

In April 2015, we issued another tranche of short-term commercial paper with an aggregate face value of RMB700.0 million and an interest rate of 4.65% per year and payable on July 18, 2015. As of July 31, 2015, we had no outstanding short-term commercial paper.

Subordinated Bonds

We issue debt securities in China that are subordinated to our other senior indebtedness, such as bank loans, and only rank before our equity securities in case of liquidation. As part of the subordinated bonds are treated as our Net Capital, issuing subordinated bonds can help strengthen our capital adequacy.

In 2014 and the three months ended March 31, 2015, we issued three tranches of subordinated bonds as set forth in the table below:

	Principal Amount	Issue Date	Maturity	Interest Rate
	(RMB in millions)			
First tranche (14 恒泰債)	1,000.0	November 11, 2014	November 11, 2019	6.90%
Second tranche (14 恒泰02).......	300.0	December 16, 2014	December 16, 2019	6.54%
Third tranche (14 恒泰03).......	200.0	January 30, 2015	January 30, 2020	6.70%

As of March 31, 2015 and July 31, 2015, the balance of our outstanding subordinated bonds was RMB1,500.0 million.

On June 29, 2015, we issued subordinated perpetual bonds in the principal amount of RMB1.5 billion. An asset management scheme we sponsored has subscribed for RMB200.0 million. We intend to use the net proceed from the issuance of subordinated perpetual bonds to fund our working capital. The subordinated perpetual bonds have floating interest rates. Interest is payable on an annual basis. The initial interest rate is 6.80% per year, which will remain unchanged in the first five years following the issuance of the bonds. At the end of the first five-year term following the bonds' issuance, we have the option to extend the term of the bonds or redeem them. Holders of the bonds do not have the right to request us to redeem the bonds. If we choose to extend the term of the bonds after the first five years, the interest rate will become the initial interest rate plus 300 basis points, which will remain in effect for as long as the bonds shall remain outstanding. We are allowed to defer due and payable interest payment to the next interest payment date for an unlimited number of times. If we choose to defer interest payment, for as long as there is any deferred interest payment not yet paid in full, we are not permitted to pay dividends to ordinary shareholders or decrease our registered capital.

In addition, our Board has approved our plan to issue corporate bonds up to an aggregate principal amount of RMB1.5 billion, which are expected to be issued later in 2015 and listed and traded on the Shanghai Stock Exchange. These corporate bonds are expected to include a floating rate tranche with a principal amount of RMB100.0 million for a term of three years, and a fixed rate tranche with a principal amount of RMB1.4 billion for a term of three years. We intend to use proceeds from the corporate bond issuances for our working capital, particularly in relation to proprietary trading of debt securities and asset management product innovation. We will establish a designated debt repayment account, and the interest and principal of the corporate bonds will be paid out of this designated account. Our Shareholders have resolved that, for as long as the corporate bonds shall remain outstanding, we will raise the percentages that other discretionary reserve and general risk reserve bear to our profit after tax to 5% and 11%, respectively. In case the funds in the designated account cannot be withdrawn or are not sufficient to pay the due and payable interest and principal payments, we shall (i) not distribute profits to Shareholders; (ii) delay the implementation of projects that require significant capital expenditure, such as major investments, mergers and acquisitions; (iii) reduce or discontinue the salaries and bonuses of senior management; and (iv) not transfer responsible personnel. For as long as the corporate bonds shall remain outstanding, we may not harm the interests of holders of these corporate bonds in any future debt issuance or loan from financial institutions.

Beneficiary Certificates

Between April 1 and June 29, 2015, we issued beneficiary certificates with an aggregate principal amount of RMB1,795.3 million with interest rates ranging from 6.0% to 7.1%, which are repayable within a period between 90 days to two years. On July 20, 2015, we repaid beneficiary certificates in an aggregate principal amount of RMB200.0 million with an interest rate of 7.1% and a maturity period of 90 days.

Except as disclosed above, there are no other material covenants relating to outstanding debts of our Group.

We had no material default in payment of payables and bank borrowings or breaches of finance covenants during the Track Record Period.

Our Directors have confirmed that, except as disclosed above, there has not been any material change in our indebtedness since March 31, 2015.

Apart from the foregoing, we did not have, as of July 31, 2015, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

The total amount of capital expenditures for 2012, 2013 and 2014 and the three months ended March 31, 2015 was RMB62.2 million, RMB210.5 million, RMB57.5 million and RMB5.1 million, respectively. Our capital expenditures mainly consisted of purchases or construction expenses relating to property and equipment and other intangible assets. We fund these expenditures primarily with cash generated from our operating activities.

We expect to incur capital expenditures of RMB348.7 million for the remaining part of 2015 and RMB353.2 million for 2016, primarily for purchases of office space for our business operations including five floors of an office building with an aggregate gross floor area of approximately 10,000 square meters, a parking lot with an aggregate gross floor area of 500 square meters in Beijing and a comprehensive building with an aggregate gross floor area of approximately 13,739 square meters in Hohhot, as well as renovation and upgrade of equipment. We expect to fund these capital expenditures with cash generated from our operations.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table sets forth our commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Capital commitments				
— Authorized, but not contracted for	223.1	177.2	247.3	242.8
— Contracted but not provided for	14.1	368.6	361.8	361.8
Operating lease obligations				
Within one year	24.5	42.8	43.3	38.8
One to two years	17.3	35.5	22.7	19.6
Two to three years	11.8	22.8	9.9	10.3
Over three years	19.7	18.8	11.9	9.1
Total	310.5	665.7	696.6	682.4

We have funded a substantial portion of our capital commitments by cash flow from operating activities. Historically, our capital commitments were mainly attributable to the purchase of equipment and software and renovation of securities branches, and as we grow, we expect to continue to incur more capital commitments to support our business expansion.

As of December 31, 2012, 2013 and 2014, our underwriting commitments undertaken but not provided for amounted to RMB150.0 million, RMB300.0 million and RMB1,300.0 million, respectively. As of March 31, 2015, we had no underwriting commitments taken but not provided for.

CONTINGENT LIABILITIES

As of March 31, 2015, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial position and results of operations, although there can be no assurance that this will be the case in the future. As of the same date, we did not have any guarantees, mortgages, charges, or other material contingent liabilities.

The Directors confirm that there has been no material change in our contingent liabilities since March 31, 2015 to the date of this prospectus.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 52 to the Accountants' Report of our Group in Appendix IA to this prospectus were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

CAPITAL ADEQUACY AND RISK CONTROL INDICATORS

We have established a dynamic net capital monitoring mechanism to comply with the regulatory requirements for net capital. As of December 31, 2012, 2013 and 2014, March 31, 2015, June 30, 2015 and August 31, 2015, we were in compliance with all of our capital adequacy and risk control index requirements. As of March 31, 2015, June 30, 2015 and August 31, 2015, our Net Capital amounted to RMB4,170.4 million, RMB4,376.7 million and RMB4,325.0 million, respectively.

The following table sets forth our Company's net capital and key regulatory risk control index that we prepared according to relevant PRC regulatory requirements as of the years indicated:

	As of December 31,			As of March 31,	As of June 30,(5)	As of August 31,(5)	Warning level(1)	Minimum/ Maximum level
	2012	2013	2014	2015	2015	2015		
Net Capital(2) (RMB in millions)	3,557.5	3,204.6	4,073.4	4,170.4	4,376.7	4,325.0	>240.0	>200.0
Net Capital/total risk capital reserves(3) (%)	660.9%	661.3%	581.5%	494.4%	448.6%	532.1%	>120.0%	>100.0%
Net Capital/net assets (%)	82.6%	69.8%	77.7%	73.7%	56.2%	55.3%	>48.0%	>40.0%
Net Capital/total liabilities(4) (%)	382.4%	216.1%	52.5%	44.6%	35.2%	39.2%	>9.6%	>8.0%
Net asset/total liabilities (%)	463.0%	309.7%	67.6%	60.6%	62.7%	71.0%	>24.0%	>20.0%
Value of equity securities and derivatives held/Net capital (%)	30.5%	33.4%	34.1%	43.1%	42.4%	37.3%	<80.0%	<100.0%
Value of fixed income securities held/Net capital (%)	71.0%	61.9%	70.6%	71.3%	66.7%	110.7%	<400.0%	<500.0%

(1) Warning level is set by the CSRC according to the Administrative Measures for the Risk Control Indicators of Securities firms in the PRC: If the risk control index is required to stay above a certain level, the warning level is 120.0% of the required minimum requirement, and if the risk control index is required to stay below a certain level, the warning is 80.0% of the required maximum requirement.

(2) Net capital = net assets — risk adjustments of financial assets — risk adjustments of other assets and contingent Liabilities -/+ other adjustments determined or authorized by the CSRC.

(3) As set out in the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》), risk capital reserve is a business-related regulatory risk indicator for assessing a PRC securities firm's Net Capital adequacy. A securities firm needs to regularly monitor its

total risk capital reserves and report to the CSRC on a monthly basis, but is not required to set aside such reserves in its financial statements. Risk capital reserves are calculated with reference to a set of formula, which are based on certain key operating data of a securities firm's brokerage, investment and trading, investment banking, asset management and margin financing and securities lending businesses, as well as the number of branches and the amount of operating expenses.

(4) Total liabilities exclude the accounts payable to our brokerage clients.

(5) Our Company's net capital and key regulatory risk control indicators as of June 30, 2015 and August 31, 2015 are calculated based on our management accounts.

In addition to the risk control indicators mentioned above, we need to satisfy the following requirements to engage in proprietary trading in accordance with the Risk Control Indicator Measures: (i) the cost of holding one kind of equity securities should not exceed 30.0% of our Net Capital and (ii) the market value of one kind of equity securities we hold should not exceed 5.0% of its total market value, except for that owing to underwriting activities or otherwise approved by the CSRC.

In the meanwhile, we need to satisfy the following requirements to conduct margin financing and securities lending business (i) the value of margin financing granted to a single customer should not exceed 5.0% of our Net Capital, (ii) the value of securities lent to a single customer should not exceed 5.0% of our Net Capital and (iii) the market value of any single stock collateral should not exceed 20.0% of its total market capitalization.

We closely monitor all risk control indicators when conducting our proprietary trading as well as margin financing and securities lending businesses. During the Track Record Period, we did not have any non-compliance with these risk control indicators, nor have we received any warnings or penalties from the CSRC.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. Please see the section headed "Business — Risk Management" and note 54 of the Accountants' Report of our Group in Appendix IA to this prospectus for further information. We monitor and control key exposures to the credit risk, market risk, liquidity risk and operational risk. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and our actual results may be significantly different from the analyses and results due to events in the global economy or the markets where we operate, as well as other factors described below.

Credit Risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to downgrade of its credit rating. During the Track Record Period, we were exposed to three types of credit risk: (1) default risk of the issuer or counterparty in debt securities trading; (2) risk of losses arising from default of customers in credit business such as margin financing and securities lending and securities-backed lending; and (3) risk of losses to our funds or the funds of our customers arising from default of the financing party in innovative credit business.

The following table sets forth our maximum credit risk exposure, being the carrying amount of the respective recognized financial assets before the effect of mitigation through the use of collateral:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Refundable deposits	211.2	126.4	308.7	369.2
Other current assets	97.0	133.3	188.6	256.9
Margin accounts receivable	98.7	1,264.9	5,093.6	6,383.2
Available-for-sale financial assets	1,043.4	772.8	684.5	636.1
Financial assets at fair value through profit or loss	1,352.3	1,187.4	2,564.9	2,716.6
Financial assets held under resale agreements	—	28.2	669.5	401.3
Clearing settlement funds	347.5	107.1	414.7	752.2
Cash held for brokerage clients	4,115.5	3,786.2	7,438.6	10,677.5
Bank balances	763.2	709.3	1,445.0	1,183.5
Total	8,028.7	8,115.5	18,808.2	23,376.4

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We mainly manage interest rate risk through structuring and adjusting our asset portfolio, aiming at mitigating risks and improving profitability by diversification of assets.

Sensitivity Analysis

For those financial instruments we hold which expose us to fair value interest rate risk, we adopt sensitivity analysis to measure the potential effect of changes in interest rates on our net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Net profit for the period				
+100 basis points	(22.4)	(8.6)	(32.7)	(27.7)
-100 basis points	23.7	8.9	34.2	28.8

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Net other comprehensive income for the period				
+ 100 basis points	(15.7)	(7.3)	(7.8)	(6.8)
- 100 basis points	16.3	7.5	8.1	7.0

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The foreign currency assets and liabilities held by us are not material compared to the total assets and liabilities. In terms of our revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. We do not consider the effect of currency risk on our operations to be significant.

As we did not have any material exposure to foreign exchange during the Track Record Period, our Directors believe that major hedging strategies or measures were not required for our operations during the Track Record Period.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Changes in market prices could be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. We use VaR, risk sensitivity indicators and stress testing indicators to monitor our price risk.

The analysis below illustrates the impact on net profit and net other comprehensive income due to change in the prices of equity securities by 10.0%, assuming all other variables remain unchanged.

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Net profit				
Increase by 10.0%	21.2	28.1	97.7	159.9
Decrease by 10.0%	(21.2)	(28.1)	(97.7)	(159.9)

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Net other comprehensive income				
Increase by 10.0%	75.3	57.0	80.2	102.7
Decrease by 10.0%	(75.3)	(57.0)	(80.2)	(102.7)

Liquidity Risk

Liquidity risk arises in our investment activities, financing activities and capital management, and mainly includes: (1) market liquidity risk of being unable to make a large size of transaction at a reasonable price while trading volume in market is comparatively small; and (2) funding liquidity of being unable to meet financial obligations when they come due.

The following table set forth the details of the remaining contractual maturities and our non-derivative financial liabilities and derivative financial liabilities as of December 31, 2012, 2013 and 2014 and March 31, 2015. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay.

	As of December 31, 2012						
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One year to five year	Five year and above	Total
	(RMB in millions)						
Accounts payable to brokerage clients....	4,297.2	—	—	—	—	—	4,297.2
Other current liabilities	4.6	1.9	—	—	—	—	6.4
Financial assets sold under repurchase agreements............	—	824.8	—	—	—	—	824.8
Total	4,301.7	826.7	—	—	—	—	5,128.4

	As of December 31, 2013						
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One year to five year	Five year and above	Total
	(RMB in millions)						
Placements from other financial institutions	—	—	—	695.6	—	—	695.6
Accounts payable to brokerage clients....	3,722.6	—	—	—	—	—	3,722.6
Other current liabilities	4.9	1.2	—	8.8	—	—	14.9
Financial assets sold under repurchase agreements............	—	692.9	—	—	—	—	692.9
Total	3,727.5	694.1	—	704.4	—	—	5,126.1

	As of December 31, 2014						
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One year to five year	Five year and above	Total
	(RMB in millions)						
Short-term commercial paper issued	—	—	1,413.2	—	—	—	1,413.2
Placements from other financial institutions	—	380.8	379.3	896.6	—	—	1,656.8
Accounts payable to brokerage clients	7,555.5	—	—	—	—	—	7,555.5
Other current liabilities	4.5	18.9	11.4	427.8	626.3	—	1,088.9
Financial assets sold under repurchase agreements	—	1,330.4	202.2	1,458.5	—	—	2,991.1
Financial liabilities at fair value through profit or loss	—	52.9	—	—	—	—	52.9
Subordinated bonds payable	—	—	—	—	1,734.1	—	1,734.1
Total	7,559.9	1,783.1	2,006.0	2,782.9	2,360.4	—	16,492.4

	As of March 31, 2015						
	Overdue/ repayable on demand	Less than one month	One month to three months	Three months to one year	One year to five year	Five year and above	Total
	(RMB in millions)						
Short-term commercial paper issued	—	—	1,211.0	—	—	—	1,211.0
Placements from other financial institutions	—	546.2	346.4	561.9	—	—	1,454.4
Accounts payable to brokerage clients	10,835.5	—	—	—	—	—	10,835.5
Other current liabilities	3.6	31.0	12.9	852.9	660.2	—	1,560.7
Financial assets sold under repurchase agreements	—	1,034.5	11.3	3,632.6	—	—	4,678.4
Bonds payable	—	—	—	—	1,976.1	—	1,976.1
Total	10,839.1	1,611.7	1,581.6	5,047.4	2,636.3	—	21,716.1

DIVIDEND POLICY

Our Board is responsible for submitting proposals in respect of dividend payments to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant. We may distribute dividends in the form of cash, shares or a combination of cash and shares. All of our shareholders have equal rights to dividends and other distributions proportionate to their shareholding. According to PRC law and our Articles of Association, we shall pay dividends out of our after-tax profit only after we have made the following allocations:

- Recovering losses of the prior years;
- Withdrawing 10% after-tax profit as statutory common reserve fund;
- Withdrawing general risk reserves and trading risk reserves in accordance with relevant laws and regulations;
- Withdrawing discretionary common reserve fund according to resolutions of the general meeting; and
- Withdrawing other funds as provided by laws, regulations, departmental rules and the Articles of Association.

Furthermore, under CSRC rules, as a securities firm, we are not allowed to distribute as cash dividends the gains from fair value changes of financial assets that are included in distributable profits. We may also distribute stock dividends and interim dividends based on our financial performance and working capital requirements.

We issued subordinated perpetual bonds in June 2015 and our Board has approved our plan to issue corporate bonds later in 2015, both of which contain terms that restrict our ability to pay dividends to Shareholders under certain specific circumstances. For details, see "—Indebtedness—Subordinated Bonds" above.

After completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

We declared and paid cash dividends for 2012, 2013 and 2014 in the aggregate amount of RMB43.9 million, RMB43.9 million and RMB219.5 million, respectively, representing RMB0.2, RMB0.2 and RMB1.0 per ten Shares, respectively. Our Share dividend payout ratio (calculated by dividing dividend declared for the year by profit for the year attributable to owners of the company) was 39.4%, 11.0% and 33.6%, respectively. Our historical dividends may not be indicative of future dividend payments.

DISTRIBUTABLE RESERVES

As of March 31, 2015, we had RMB1,372.6 million in retained profits, as determined under IFRS, available for distribution to our shareholders.

FINANCIAL INFORMATION OF NEW CHINA FUND

As of March 31, 2015, we held a 43.75% equity interest in New China Fund, a PRC-incorporated fund management company. We entered into a capital increase agreement on February 26, 2015 to acquire additional equity interest in New China Fund to a total holding of 58.62%. Our acquisition of such additional equity interest in New China Fund was completed on July 29, 2015.

As of March 31, 2015, New China Fund managed 25 publicly-raised funds with an AUM of RMB26.1 billion, which included nine equity funds, eight hybrid funds, six bond funds and two money market funds. In addition, as of the same date, New China Fund managed 117 private equity funds with an AUM of RMB39.5 billion. New China Fund also develops fund products in cooperation with large Internet companies such as Xinhua Ali No.1 (新華阿里一號) and Xinhua A'xin No. 1 (新華阿鑫一號) in cooperation with a leading Internet finance company. Xinhua Ali No. 1 was the first capital guarantee funds launched through Internet in China. We intend to enhance our fund management capabilities through our controlling position of New China Fund. For details of the background of the New China Fund acquisition, see "History and Corporate Structure — Our Major Subsidiaries — New China Fund".

Due to the fact that New China Fund did not form part of our Group during the relevant period, New China Fund is not included within the historical consolidated financial information of our Group contained in the Accountants' Report of our Group.

The Accountants' Report of New China Fund is set out in Appendix IB to this prospectus.

Results of Operations of New China Fund

The following table sets forth summary results of operations of New China Fund for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Revenue					
Fee and commission income	115.2	170.8	248.6	50.9	110.7
Interest income	4.3	2.6	4.0	0.3	1.2
Net investment gains	—	4.9	3.0	—	—
Total revenue	119.5	178.3	255.6	51.3	111.9
Other income and gains/(losses)	2.5	(0.05)	1.9	—	0.002
Total revenue and other income	122.0	178.2	257.5	51.3	111.9
Fee and commission expenses	(27.1)	(40.6)	(42.5)	(7.9)	(20.8)
Staff costs	(50.3)	(61.8)	(92.7)	(25.2)	(55.3)
Depreciation and amortization expenses	(4.2)	(5.7)	(7.0)	(1.6)	(1.9)
Business tax and surcharges	(6.5)	(9.9)	(14.0)	(2.9)	(6.2)
Other operating expenses	(41.6)	(57.5)	(55.5)	(6.9)	(7.2)
Total operating expenses	(129.7)	(175.4)	(211.8)	(44.5)	(91.4)
Operating (losses)/profit	(7.8)	2.8	45.7	6.8	20.4
(Losses)/profit before income tax	(7.8)	2.8	45.7	6.8	20.4
Income tax expense	—	(1.2)	(11.1)	(3.5)	(3.4)
(Losses)/profit for the year/period	(7.8)	1.6	34.6	3.3	17.0

Revenue and Other Income

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Revenue					
Fee and commission income	115.2	170.8	248.6	50.9	110.7
Interest income	4.3	2.6	4.0	0.3	1.2
Net investment gains	—	4.9	3.0	—	—
Total revenue	119.5	178.3	255.6	51.3	111.9
Other income and gains/(losses)	2.5	(0.05)	1.9	—	0.002
Total revenue and other income	122.0	178.2	257.5	51.3	111.9

Total revenue and other income of New China Fund primarily consist of (1) fee and commission income earned from fund management and investment advisory services; (2) interest income earned from deposits in financial institutions; (3) net investment gains from available-for-sale financial assets; and (4) other income and gains, such as government grants and rental income.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

Total revenue and other income increased by 118.1% from RMB51.3 million for the three months ended March 31, 2014 to RMB111.9 million for the three months ended March 31, 2015. This increase primarily reflected a RMB59.8 million increase in fee and commission income, due primarily to the increase in management fees as a result of the increase in the scale of AUM from RMB32.1 billion as of March 31, 2014 to RMB65.7 billion as of March 31, 2015 and increases in performance fees and commission fees.

Year ended December 31, 2014 compared to year ended December 31, 2013

Total revenue and other income increased by 44.5% from RMB178.2 million for 2013 to RMB257.5 million for 2014. This increase primarily reflected a RMB77.8 million increase in fee and commission income, primarily attributable to the increase in management fees as a result of the increase in the scale of AUM from RMB25.5 billion for 2013 to RMB60.8 billion for 2014.

Year ended December 31, 2013 compared to year ended December 31, 2012

Total revenue and other income increased by 46.1% from RMB122.0 million for 2012 to RMB178.2 million for 2013. This increase primarily reflected a RMB55.6 million increase in fee and commission income, primarily attributable to the increase in management fees as a result of the increase in the scale of AUM from RMB11.7 billion as of December 31, 2012 to RMB25.5 billion as of December 31, 2013.

We consider fee and commission income as the principal component of New China Fund's total revenue and other income. The following discussion addresses New China Fund's fee and commission income for the relevant periods.

Fee and Commission Income

The following table sets forth New China Fund's fee and commission income for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Income from					
- Management fees	108.4	144.2	196.1	41.0	79.4
- Performance fees	—	—	4.9	—	12.8
- Commission fees	6.6	19.8	33.3	6.4	14.9
- Investment advisory fees	0.2	6.7	14.2	3.5	3.5
Total	115.2	170.8	248.6	50.9	110.7

Three months ended March 31, 2015 compared to three months ended March 31, 2014

New China Fund's fee and commission income increased by 117.5% from RMB50.9 million for the three months ended March 31, 2014 to RMB110.7 million for the three months ended March 31, 2015. This increase primarily reflected (1) a RMB38.4 million increase in income from management fees primarily attributable to the growth of New China Fund's AUM from from RMB32.1 billion for the three months ended March 31, 2014 to RMB65.7 billion for the three months ended March 31, 2015; (2) a RMB12.8 million increase in income from performance fees primarily attributable to the better performance of fund products under New China Fund's management; and (3) a RMB8.5 million increase in income from commission fees primarily attributable to the increased subscription and redemption activities by New China Fund's clients.

Year ended December 31, 2014 compared to year ended December 31, 2013

New China Fund's fee and commission income increased by 45.6% from RMB170.8 million for 2013 to RMB248.6 million for 2014. This increase primarily reflected (1) a RMB51.9 million increase in income from management fees primarily attributable to the increase in the scale of AUM from RMB25.5 billion for 2013 to RMB60.8 billion for 2014; (2) a RMB13.5 million increase in income from commission fees primarily attributable to the increased subscription and redemption activities by New China Fund's clients; and (3) a RMB7.5 million increase in income from investment advisory fees primarily attributable to the growth of New China Fund's private fund-related investment advisory services.

Year ended December 31, 2013 compared to year ended December 31, 2012

New China Fund's fee and commission income increased by 48.3% from RMB115.2 million for 2012 to RMB170.8 million for 2013. This increase primarily reflected (1) a RMB35.8 million increase in income from management fees primarily attributable to the increase in the scale of AUM from RMB11.7 billion for 2012 to RMB25.5 billion for 2013; (2) a RMB13.2 million increase in income from commission fees primarily attributable to the increased subscription and redemption activities by New China Fund's clients; and (3) a RMB6.5 million increase in income from investment advisory fees primarily attributable to the growth of New China Fund's private fund-related investment advisory services.

Operating Expenses

The following table sets forth the breakdown of New China Fund's total operating expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
			(RMB in millions)		
Fee and commission expenses	27.1	40.6	42.5	7.9	20.8
Staff costs	50.3	61.8	92.7	25.2	55.3
Depreciation and amortization expenses	4.2	5.7	7.0	1.6	1.9
Business tax and surcharges	6.5	9.9	14.0	2.9	6.2
Other operating expenses	41.6	57.5	55.5	6.9	7.2
Total operating expenses	129.7	175.4	211.8	44.5	91.4

New China Fund's operating expenses primarily comprised (1) staff costs, including salaries, bonuses and allowances and other employee benefits; (2) fee and commission expenses incurred by New China Fund for fund distribution; and (3) other operating expenses, which primarily consist of office expenses including software license fees, consulting fees paid for legal and professional services, conference expenses and rental expenses.

Three months ended March 31, 2015 compared to three months ended March 31, 2014

New China Fund's operating expenses increased by 105.4% from RMB44.5 million for the three months ended March 31, 2014 to RMB91.4 million for the three months ended March 31, 2015. This increase primarily reflected (1) a RMB12.9 million increase in fee and commission expenses primarily attributable to New China Fund's increased sales volume of fund products through third party distribution agencies; (2) a RMB30.1 million increase in staff costs primarily attributable to the increases in salaries and bonuses New China Fund paid to its employees and senior management in line with its increased revenue and profit; and (3) a RMB3.3 million increase in business tax and surcharges primarily attributable to the increases in New China Fund's revenue.

Year ended December 31, 2014 compared to year ended December 31, 2013

New China Fund's operating expenses increased by 20.8% from RMB175.4 million for 2013 to RMB211.8 million for 2014. This increase primarily reflected (1) a RMB30.9 million increase in staff costs, primarily attributable to the increases in salaries and bonuses New China Fund paid to its employees and senior management in line with its increased revenue and profit; and (2) a RMB4.1 million increase in business tax and surcharges primarily attributable to the increases in New China Fund's revenue.

Year ended December 31, 2013 compared to year ended December 31, 2012

New China Fund's operating expenses increased by 35.2% from RMB129.7 million for 2012 to RMB175.4 million for 2013. This increase primarily reflected (1) a RMB13.5 million increase in fee and commission expenses primarily attributable to New China Fund's increased sales volume of fund products through third party distribution agencies; (2) a RMB11.5 million increase in staff costs primarily attributable to the increases in salaries and bonuses New China Fund paid to its employees and senior management in line with its increased revenue and profit; and (3) a RMB15.9 million increase in other operating expenses primarily attributable to the increase in conference expenses to promote its fund product.

We consider fee and commission expenses, staff costs and other operating expenses as the principal components of New China Fund's expenses and important variables affecting New China Fund's financial results. The following discussion addresses these expenses.

Fee and Commission Expenses

The following table sets forth New China Fund's fee and commission expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Distribution fee expenses	27.1	34.8	32.4	6.9	18.4
Advisory fee expenses	—	5.8	8.8	1.0	1.3
Guarantee expenses	—	—	1.3	—	1.1
Total	27.1	40.6	42.5	7.9	20.8

New China Fund's fee and commission expenses increased by 163.3% from RMB7.9 million for the three months ended March 31, 2014 to RMB20.8 million for the three months ended March 31, 2015. This increase primarily reflected a RMB11.5 million increase in distribution fee expenses primarily attributable to New China Fund's increased sales volume of fund products through third party distribution agencies.

New China Fund's fee and commission expenses increased by 4.7% from RMB40.6 million for 2013 to RMB42.5 million for 2014. This increase primarily reflected (i) a RMB3.0 million increase in advisory fee expenses primarily attributable to the growth of New China Fund's private fund-related investment advisory services; and (ii) a RMB1.3 million increase in guarantee expenses primarily attributable to guarantee fees paid to guarantee companies for three capital guarantee funds launched in 2014. These increases were partially offset by a RMB2.4 million decrease in distribution fee expenses in 2014, primarily due to the increased number of institutional clients for private equity funds in 2014.

New China Fund's fee and commission expenses increased by 49.8% from RMB27.1 million for 2012 to RMB40.6 million for 2013. This increase primarily reflected (i) a RMB7.7 million increase in distribution fee expenses primarily attributable to New China Fund's increased sales volume of fund products in 2013; and (ii) a RMB5.8 million increase in advisory fee expenses primarily attributable to the growth of New China Fushi's private fund-related investment advisory services.

Staff Costs

The following table sets forth New China Fund's staff costs for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Short-term employee benefits	47.9	58.7	88.9	24.4	54.3
Defined contribution plans	2.4	3.1	3.8	0.8	1.1
Total	50.3	61.8	92.7	25.2	55.3

New China Fund's staff costs increased by 119.4% from RMB25.2 million for the three months ended March 31, 2014 to RMB55.3 million for the three months ended March 31, 2015. This increase primarily reflected a RMB29.9 million increase in short-term employee benefits primarily attributable to (i) the increases in salaries and bonuses New China Fund paid to its employees in line with its increased revenue and profit; and (ii) the increase in bonuses paid to senior management in line with our financial performance.

New China Fund's staff costs increased by 50.0% from RMB61.8 million for 2013 to RMB92.7 million for 2014. This increase primarily reflected a RMB30.2 million increase in short-term employee benefits primarily attributable to (i) the increases in salaries and bonuses New China Fund paid to its employees in line with its increased revenue and profit; and (ii) the increase in bonuses paid to senior management in line with our financial performance.

New China Fund's staff costs increased by 22.9% from RMB50.3 million for 2012 to RMB61.8 million for 2013. This increase primarily reflected a RMB10.8 million increase in short-term employee benefits primarily attributable to (i) the increases in salaries and bonuses New China Fund paid to its employees in line with its increased revenue and profit; and (ii) the increase in bonuses paid to senior management in line with our financial performance.

Other Operating Expenses

The following table sets forth New China Fund's other operating expenses for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Office expenses	7.3	11.1	14.0	1.5	1.7
Legal and professional fees	2.9	4.2	9.6	0.9	0.2
Conference expenses	3.8	15.4	8.1	1.1	1.0
Rental and property management expenses	3.6	4.0	7.1	1.5	2.0
Business travel expenses	4.7	5.6	4.9	0.8	0.9
Business entertainment expenses	4.9	5.0	3.3	0.5	0.6
Postal and communication expenses	1.6	3.9	3.1	0.4	0.6
Marketing expenses	7.4	2.0	2.7	0.05	—
Auditor's remuneration	0.2	0.3	0.4	0.07	0.08
Others	5.2	6.0	2.3	0.03	0.1
Total	41.6	57.5	55.5	6.9	7.2

New China Fund's other operating expenses increased by 4.3% from RMB6.9 million for the three months ended March 31, 2014 to RMB7.2 million for the three months ended March 31, 2015. This increase primarily reflected a RMB0.5 million increase in rental and property management expenses.

New China Fund's other operating expenses decreased by 3.5% from RMB57.5 million for 2013 to RMB55.5 million for 2014. This decrease primarily reflected (i) a RMB7.3 million decrease in conference expenses primarily because in 2013 New China Fund incurred significant conference expenses for conferences to promote products. It did not incur the same expenses in 2014; and (ii) a RMB3.7 million decrease in others primarily because in 2013 New China Fund incurred significant training expenses for training of client managers. It did not incur the same expenses in 2014. These decreases were partially offset by (i) a RMB2.9 million increase in office expenses primarily attributable to its increased business scale; (ii) a RMB5.4 million increase in legal and professional fees primarily because New China Fund launched nine public fund products in 2014; and (iii) a RMB3.1 million increase in rental and property management expenses primarily because New China Fushi rented an additional floor in 2014.

New China Fund's other operating expenses increased by 38.2% from RMB41.6 million for 2012 to RMB57.5 million for 2013. This increase primarily reflected (i) a RMB3.8 million increase in office expenses primarily because New China Fushi was established in 2013 and it incurred office expenses in 2013; (ii) a RMB11.6 million increase in conference expenses and a RMB2.3 million increase in postal and communication expenses primarily because in 2013 New China Fund incurred higher expenses in these categories for conferences to promote products and for training of investment managers. These increases were partially offset by a RMB5.4 million decrease in marketing expenses primarily because New China Fund incurred higher marketing expenses in 2012 for advertisements on the Internet and in subway stations.

(Losses)/Profit for the Year/Period and Net Margin

The following table sets forth the key measurements of New China Fund's profitability for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except percentages)				
Operating (losses)/profit [1]	(7.8)	2.8	45.7	6.8	20.4
Operating margin[2]	(6.4%)	1.6%	17.8%	13.3%	18.2%
(Losses)/profit for the year/period	(7.8)	1.6	34.6	3.3	17.0
Net margin[3]	(6.4%)	0.9%	13.4%	6.4%	15.2%
Return on average equity[4]	(5.0%)	1.0%	19.8%	2.1%	8.5%
Return on average total assets[5]	N/A	0.9%	15.5%	N/A	6.0%

(1) Operating (losses)/profit = total revenue and other income - total operating expenses

(2) Operating margin = operating profit / total revenue and other income

(3) Net margin = profit for the period / total revenue and other income

(4) Return on average equity = profit for this period / average amount of total equity at the beginning and at the end of the period.

(5) Return on average total assets = profit for the period / average balance of total assets at the beginning and at the end of the period. Return on average total assets is not applicable for the year ended December 31, 2012 and the three months ended March 31, 2014 because the beginning or ending balance of total assets, as applicable, is not available.

Profit for the period increased by 415.2% from RMB3.3 million for the three months ended March 31, 2014 to RMB17.0 million for the three months ended March 31, 2015. Net margin increased to 15.2% for the three months ended March 31, 2015 from 6.4% for the three months ended March 31, 2014. Return on average equity increased to 8.5% for the three months ended March 31, 2015 from 2.1% for the three months ended March 31, 2014.

Profit for the year increased by 2,062.5% from RMB1.6 million for 2013 to RMB34.6 million for 2014. Net margin increased to 13.4% for 2014 from 0.9% for 2013. Return on average equity increased from 1.0% for 2013 to 19.8% for 2014. Return on average total assets increased from 0.9% for 2013 to 15.5% for 2014.

Profit for the year increased to RMB1.6 million for 2013 from a loss of RMB7.8 million for 2012. Net margin increased to 0.9% for 2013 from a negative 6.4% for 2012.

Assets and Liabilities

Current Assets and Liabilities

The following table sets forth the components of New China Fund's current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Current assets				
Accounts receivable	10.8	21.8	28.7	52.0
Other receivables and prepayments	5.4	7.1	8.7	10.7
Cash and bank balances	91.5	107.8	169.4	198.6
Total current assets	107.7	136.7	206.8	261.2
Current liabilities				
Accounts payable	14.1	18.5	22.4	28.8
Employee benefits payable	0.6	2.5	14.7	36.6
Other payables and accruals	4.9	10.3	18.6	28.5
Current tax liabilities	—	1.2	10.2	9.5
Total current liabilities	19.7	32.5	65.9	103.4
Net current assets	88.0	104.3	140.8	157.8
Total assets less current liabilities	152.2	156.4	192.4	209.6
Current ratio	5.5	4.2	3.1	2.5

New China Fund's current assets consist primarily of management fee income receivable earned from New China Fund's fund management business and commission income receivable earned from New China Fund's fund sale business, interest receivable earned from New China Fund's deposit in financial institutions, prepayments for software development and for rent, and advance to staff, and cash and bank balances.

Current assets increased by 26.3% from RMB206.8 million as of December 31, 2014 to RMB261.2 million as of March 31, 2015, primarily due to (1) a RMB29.2 million increase in cash and bank balances as a result of the increase of investment capital in New China Fushi and increased cash generated from operating activities; and (2) a RMB23.3 million increase in accounts receivable.

Current liabilities increased by 56.9% from RMB65.9 million as of December 31, 2014 to RMB103.4 million as of March 31, 2015, primarily due to (1) a RMB6.4 million increase in accounts payable as a result of the increases in distribution fee payable to third party distribution agencies in line with the growth of New China Fund's fund management business; (2) a RMB21.9 million increase in employee benefits payable as a result of the increases in salaries and bonuses payable to employees and senior management in line with its increased revenue and profit; and (3) a RMB9.9 million increase in other payables and accruals as a result of the increases in tax and surcharges in line with New China Fund's increased revenue and profit.

Current assets increased by 51.3% from RMB136.7 million as of December 31, 2013 to RMB206.8 million as of December 31, 2014, primarily due to (1) a RMB61.6 million increase in cash and bank balances as a result of (A) an increase in profit before taxation; (B) cash generated from sale of available-for-sale financial assets; and (C) increased payable; and (2) a RMB6.9 million increase in accounts receivable primarily due to a significant increase in management fees receivable as a result of the increase in the AUM of the public funds under New China Fund's management.

Current liabilities increased by 102.8% from RMB32.5 million as of December 31, 2013 to RMB65.9 million as of December 31, 2014, primarily due to (1) a RMB3.9 million increase in accounts payable, primarily reflecting the growth of New China Fund's private equity fund-related investment advisory services; (2) a RMB12.2 million increase in employee benefits payable as a result of the increases in salaries and bonuses payable to employees and senior management in line with New China Fund's increased revenue and profit; and (3) a RMB8.3 million increase in other payables and accruals, primarily reflecting the increase of management fee income received in advance from clients and the increase of tax liabilities.

Current assets increased by 26.9% from RMB107.7 million as of December 31, 2012 to RMB136.7 million as of December 31, 2013, primarily due to (1) a RMB16.3 million increase in cash and bank balances primarily due to a RMB13.8 million increase in restricted bank deposit which is used as a risk reserve fund; and (2) a RMB11.0 million increase in accounts receivable primarily due to a significant increase in management fees receivable as a result of the increase in the AUM of the public funds under New China Fund's management.

Current liabilities increased by 65.0% from RMB19.7 million as of December 31, 2012 to RMB32.5 million as of December 31, 2013, primarily due to (1) a RMB4.4 million increase in accounts payable, primarily reflecting the increase in distribution fee payable to third party distribution agencies in line with the growth of New China Fund's fund management sale business; and (2) a RMB5.4 million increase in other payables and accruals, primarily reflecting the increase of management fee income received in advance from clients and the increase of tax liabilities.

Non-current Assets and Liabilities

The following table sets forth the components of New China Fund's non-current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Non-current assets				
Property and equipment	11.2	12.0	13.8	12.8
Intangible assets	6.4	6.6	8.9	8.2
Available-for-sale financial assets	37.6	20.1	12.0	12.2
Refundable deposits	5.4	8.4	10.2	10.2
Deferred tax assets	—	0.4	3.2	5.3
Other non-current assets	3.6	4.6	3.4	3.0
Total non-current assets	64.2	52.1	51.6	51.8

Non-current assets increased by 0.4% from RMB51.6 million as of December 31, 2014 to RMB51.8 million as of March 31, 2015.

Non-current assets decreased by 1.0% from RMB52.1 million as of December 31, 2013 to RMB51.6 million as of December 31, 2014, primarily due to a RMB8.1 million decrease in available-for-sale financial assets, primarily reflecting the maturity of fund products subscribed by New China Fund. This decrease was partially offset by (1) a RMB2.8 million increase in deferred tax assets; (2) a RMB2.3 million increase in intangible assets; and (3) a RMB1.8 million increase in refundable deposits in the CSDCC in line with the growth of New China Fund's fund management business.

Non-current assets decreased by 18.8% from RMB64.2 million as of December 31, 2012 to RMB52.1 million as of December 31, 2013, primarily due to a RMB17.5 million decrease in available-for-sale financial assets, primarily reflecting the maturity of fund products subscribed by New China Fund. This decrease was partially offset by a RMB3.0 million increase in refundable deposits in the CSDCC in line with the growth of New China Fund's fund management business.

Cash Flow

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Net cash (used in)/ generated from operating activities	(16.7)	(15.3)	44.4	3.9	13.6
Net cash (used in)/ generated from investing activities	(18.6)	17.8	1.5	(1.7)	(0.03)
Net cash (used in)/ generated from financing activities	—	—	—	—	10.0
Net (decrease)/increase in cash and cash equivalents	(35.4)	2.6	45.9	2.2	23.5
Cash and cash equivalents at beginning of year/period	86.0	50.6	53.2	53.2	99.0
Cash and cash equivalents at end of year/period	50.6	53.2	99.0	55.3	122.6

Operating Activities

New China Fund's operating activities primarily include fee and commission based services, such as fund management, fund product sales and private equity fund-related investment advisory services.

For the three months ended March 31, 2015, New China Fund's net cash generated from operating activities was RMB13.6 million, primarily reflecting (1) profit before income tax of RMB20.4 million; and (2) positive total adjustments before movements in working capital of RMB1.9 million, primarily reflected RMB1.9 million of positive adjustment for depreciation and amortization; and (3) negative movements in working capital of RMB2.5 million. Movements in working capital primarily reflected cash outflows due to (1) RMB24.9 million increase in receivables and prepayments as a result of the increases in management fee receivable in line with the growth of New China Fund's fund management business; and (2) RMB5.6 million increase in restricted bank deposits as a result of the growth of New China Fund's fund management business. The above cash outflows were partially offset by cash inflows due to RMB28.0 million increase in fees payable, benefits payable and other payables and accruals as a result of the increases in distribution fee payable and salaries and bonuses payable in line with the growth of New China Fund's fund management business.

For the year ended December 31, 2014, New China Fund's net cash generated from operating activities was RMB44.4 million, primarily reflecting (1) profit before income tax of RMB45.7 million; and (2) positive total adjustments before movements in working capital of RMB4.0 million, which in turn RMB7.0 million of positive adjustment for depreciation and amortization and RMB2.6 million of negative adjustment for dividends income from available-for-sale investment. Movements in working capital primarily reflected cash outflows due to (1) RMB15.7 million increase in restricted bank deposits; (2) RMB5.8 million increase in receivables and prepayments as a result of the growth of New China Fund's fund management business; and (3) RMB1.8 million increase in refundable deposits as a result of the growth of New China Fund's fund management business. The above cash outflows were partially offset by cash inflows due to RMB23.3 million increase in fees payable, benefits payable and other payable and accruals as a result of the increases in distribution fee payable and salaries and bonuses payable in line with the growth of New China Fund's fund management business.

For the year ended December 31, 2013, New China Fund's net cash used in operating activities was RMB15.3 million, primarily reflecting (1) profit before income tax of RMB2.8 million; and (2) positive total adjustments before movements in working capital of RMB0.8 million, which in turn primarily reflected RMB5.7 million of positive adjustment for depreciation and amortization and RMB4.9 million of negative adjustment for net realized gains from available-for-sale investments; and (3) negative movements in working capital of RMB18.4 million. Movements in working capital primarily reflected cash outflows due to (1) RMB13.8 million increase in restricted bank deposits; (2) RMB13.3 million increase in receivables and prepayments as a result of the increases in management fee receivable in line with the growth of New China Fund's fund management business; and (3) RMB3.0 million increase in refundable deposits as a result of the growth of New China Fund's fund management business. The above cash outflows were partially offset by cash inflows due to RMB11.7 million increase in fees payable, benefits payable and other payable and accruals as a result of the increases in distribution fee payable and salaries and bonuses payable in line with the growth of New China Fund's fund management business.

For the year ended December 31, 2012, New China Fund's net cash used in operating activities was RMB16.7 million, primarily reflecting (1) loss before income tax of RMB7.8 million; and (2) positive total adjustments before movements in working capital of RMB4.2 million, which in turn primarily reflected RMB4.2 million of positive adjustment for depreciation and amortization; and (3) negative movements in working capital of RMB13.2 million. Movements in working capital primarily reflected cash outflows due to (1) RMB11.2 million increase in restricted bank deposits; (2) RMB3.5 million increase in receivables and prepayments as a result of the increases in management fee receivable in line with the growth of New China Fund's fund management business; and (3) RMB1.2 million increase in refundable deposits as a result of the growth of New China Fund's fund management business. The above cash outflows were partially offset by cash inflows due to RMB2.7 million increase in fees payable, benefits payable and other payable and accruals as a result of the increases in distribution fee payable and salaries and bonuses payable in line with the growth of New China Fund's fund management business.

Investing Activities

New China Fund's investing activities consist primarily of purchase and disposal of available-for-sale financial assets, purchase and disposal of property and equipment and intangible assets.

For the three months ended March 31, 2015, New China Fund's net cash used in investing activities was RMB0.03 million, primarily reflecting cash outflows of RMB0.03 million of purchase of property and equipment, other non-current assets and other intangible assets.

For the year ended December 31, 2014, New China Fund's net cash generated from investing activities was RMB1.5 million, primarily reflecting cash inflows of (1) RMB10.4 million of proceeds on disposal of available-for-sale investments; and (2) RMB2.6 million of dividend income received from available-for-sale investment, which were partially offset by cash outflow of RMB11.6 million for purchase of property and equipment, other non-current assets and other intangible assets.

For the year ended December 31, 2013, New China Fund's net cash generated from investing activities was RMB17.8 million, primarily reflecting cash outflows of (1) RMB10.0 million for purchase of available-for-sale investments; and (2) RMB7.1 million for purchase of property and equipment, other non-current assets and other intangible assets, which were partially offset by cash inflow of RMB34.9 million of proceeds on disposal of available-for-sale investments.

For the year ended December 31, 2012, New China Fund's net cash used in investing activities was RMB18.6 million, primarily reflecting cash outflows of (1) RMB10.0 million for purchase of available-for-sale investments; and (2) RMB8.7 million for purchase of property and equipment, other non-current assets and other intangible assets.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table sets forth New China Fund's commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(RMB in millions)			
Capital commitments				
— Contracted but not provided for	1.4	2.4	2.3	2.3
Operating lease commitments				
Within one year	3.5	6.2	7.0	7.1
One to two years	3.3	6.1	6.5	7.3
Two to three years	3.3	5.7	0.7	—
Over three years	3.7	0.5	—	—
Total	15.2	20.9	16.5	16.7

New China Fund has funded a substantial portion of its capital commitments by cash flow from operating activities. The above-mentioned capital commitments mainly represent the long-term asset purchase contracts of New China Fund.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to our Shareholders which has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is set forth below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to the shareholders of the Company as of March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, due to its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2015[1]	Estimated net proceeds from the Global Offering[2][5]	Unaudited pro forma adjusted consolidated net tangible assets[3]	Unaudited pro forma adjusted consolidated net tangible assets per Share[4][6]	
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB)*	*(HK$)*
Based on the offer price of HK$3.92 for each Offer Share	5,658.1	1,073.2	6,731.3	2.64	3.22
Based on the offer price of HK$4.30 for each Offer Share	5,658.1	1,180.6	6,838.7	2.68	3.27

Notes:

(1) The consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2015, is compiled based on the financial information included in the Accountants' Report set out in Appendix IA to the prospectus, which is based on the consolidated total equity attributable to shareholders of the Company of RMB5,722.3 million less intangible assets of RMB51.1 million and goodwill of RMB13.1 million as of March 31, 2015.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$3.92 (being the minimum offer price) and HK$4.30 (being the maximum offer price) per H share and the assumption that there are 356,400,000 newly issued H shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets does not take into account the financial results or other transactions of the Group subsequent to March 31, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived on the basis of 2,551,107,412 shares in issue assuming that the Global Offering has been completed on March 31, 2015.

(5) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.8207 to HK$1.00, being the exchange rate set by the People's Bank of China prevailing on September 18, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(6) The unaudited pro forma adjusted consolidated net tangible assets per Share is translated into Hong Kong dollars at exchange rate of RMB0.8207 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

POST BALANCE SHEET DATE DEVELOPMENTS

Due to the recent market volatility, we have seen less trading activities and increased de-leveraging by our securities brokerage customers which have had a negative impact on fee and income from our securities brokerage business and interest income from our margin financing and securities lending business. The recent decline has had a negative impact on the financial performance of our proprietary trading business due to the reduction in the value of our trading and investment positions, and on our investment management segments due to the reduced value of our asset management portfolio and increased client redemptions. If the recent market volatility continues for the remainder of 2015, we would expect that our business, financial condition, results of operations and prospects may be materially and adversely affected.

For details regarding our indebtedness status, please see "— Indebtedness" for further information.

Except as disclosed above, our Directors confirm that there has been no other material adverse change in our financial or trading position or prospects since March 31, 2015, being the date of our latest audited financial statements, and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance which would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

We expect to incur RMB75.3 million of listing expenses (assuming an offer price of HK$4.11 per H Share, which is the mid-point of the stated range of the Offer Price between HK$3.92 and HK$4.30 per H Share) until the completion of the Global Offering, of which RMB5.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB69.6 million is expected to be accounted for as a deduction from our equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2015.

FUTURE PLANS

Please see the section headed "Business — Business Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$4.11 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.92 and HK$4.30 per H Share) and the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK$1,373.05 million from the Global Offering after deducting the underwriting commission and other estimated expenses in connection with the Global Offering. In line with our business strategies, we intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 50%, or HK$686.53 million, is expected to be used for our capital-based intermediary business, including providing funding for our margin financing and securities lending and securities-backed lending businesses and developing online margin financing, securities lending and securities-backed lending services, such as Beizhuanbao (倍賺寶). We expect client demand for margin financing and securities lending and securities-backed lending to continue to increase as result of the significant increase in the number of our brokerage clients in the first six months of 2015, which, in turn, was primarily due to the significant increase in the number of clients who opened brokerage accounts online. Following our launch of Beizhuanbao (倍賺寶) in August 2015, we expect our brokerage client base to further expand at a fast pace, which we believe will drive the demand for margin financing and securities lending and securities-backed lending to increase. We intend to use this portion of the net proceeds from the Global Offering to meet the expected increase in client demand for margin financing and securities lending and securities-backed lending. During the Track Record Period, the sources of funding for our capital-based intermediary business primarily included cash generated from our operating activities, placements from other financial institutions, proceeds from issuance of commercial paper and subordinated bonds, and financial assets sold under repurchase agreements. Going forward, we plan to reduce our borrowings from other financial institutions and increase the proportion of our own funds for the funding of our capital-based intermediary business. Even though the total value of balance of our margin financing and securities lending decreased from RMB8.6 billion as of June 30, 2015 to RMB5.1 billion as of August 31, 2015 as a result of the recent market turmoil, the existing clients' demand for margin financing and securities lending is still at a relatively high level. We believe that the capital-based intermediary business is expected to grow in long term after the market stabilizes. As the demand for margin financing and securities lending and securities-backed lending is expected to further increase as a result of the significant increase in the number of brokerage clients and the launch of Beizhuanbao (倍賺寶), we believe we can apply this portion of net proceeds from the Global Offering, which is lower than the existing demand, to sustain the development of our capital-based intermediary business;

- Approximately 30%, or HK$411.91 million, is expected to be used to grow our NEEQ market-making business, and plan to use proceeds from the Global Offering to acquire treasury shares of NEEQ-quoted companies with growth potential and market interest; and

- Approximately 20%, or HK$274.61 million, is expected to be used to continue to grow and enhance our Internet finance business. We are developing Internet finance channels with independent third-parties, and we are obligated to pay certain fees for clients originated from such Internet platform and mobile applications. In addition, we are also developing our Internet platforms, such as our private eqiuty financing platform for companies quoted or to be quoted on the NEEQ and P-to-P financing platform, which require capital commitment. Further, we are expanding our securities branch coverage in economically developed areas in order to provide local support to our clients originated from Internet channels.

We intend to use all the additional net proceeds proportionately as earmarked above. The allocation of the proceeds used for the above will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range or the Over-allotment Option is exercised. If the Offer Price is fixed at HK$4.30 per H Share, being the high end of the stated Offer Share range, our net proceeds will be increased by approximately HK$65.44 million. In such circumstances, we presently intend to use such additional proceeds to increase the net proceeds applied to the same purposes and in the same proportions as listed above. If the Offer Price is fixed at HK$3.92 per H Share, being the low end of the stated Offer Share range, our net proceeds will be decreased by approximately HK$65.44 million. In such circumstances, we presently intend to reduce the net proceeds applied to the same purposes and in the same proportions as listed above. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$213.01 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$4.11 per Share.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors currently intend that such proceeds will be placed in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market funds with licensed banks or financial institutions in Hong Kong or the PRC.

THE CORNERSTONE PLACING

We and the Joint Global Coordinators have entered into cornerstone investment agreements with three cornerstone investors (the "**Cornerstone Investors**," and each a "**Cornerstone Investor**"), who have agreed to subscribe, or cause their designated entities to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares), which may be purchased with an aggregate amount of approximately US$66.4 million (approximately HK$515.0 million) (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$3.92 (being the low-end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 131,364,000, representing approximately 33.6% of the Offer Shares and 5.1% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 29.2% of the Offer Shares and 5.0% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$4.11 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 125,292,000, representing approximately 31.9% of the Offer Shares and 4.9% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 27.9% of the Offer Shares and 4.8% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$4.30 (being the high-end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 119,755,000, representing approximately 30.6% of the Offer Shares and 4.7% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 26.6% of the Offer Shares and 4.6% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

The Cornerstone Placing will form a part of the International Offering and each Cornerstone Investor has agreed not to subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pani passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. Immediately following completion of the Global Offering, none of the Cornerstone Investors will have any representation on the Board, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — Hong Kong Public Offering — Reallocation" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, independent of other Cornerstone Investors, our connected persons and their respective associates.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around October 14, 2015.

CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

Kaiyuan Securities

Pursuant to the cornerstone investment agreement entered into among Kaiyuan Securities Co., Ltd. (開源證券股份有限公司) ("Kaiyuan Securities"), the Joint Global Coordinators and us, Kaiyuan Securities agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of RMB200 million at the Offer Price. Assuming the Offer Price of HK$3.92, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Kaiyuan Securities would subscribe for would be 62,166,000, representing approximately 15.9% of the Offer Shares and 2.4% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 13.8% of the Offer Shares and 2.4% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.11, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Kaiyuan Securities would subscribe for would be 59,293,000, representing approximately 15.1% of the Offer Shares and 2.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 13.2% of the Offer Shares and 2.3% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.30, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Kaiyuan Securities would subscribe for would be 56,673,000, representing approximately 14.5% of the Offer Shares and 2.2% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and approximately 12.6% of the Offer Shares and 2.2% of the Shares in issue immediately following completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Kaiyuan Securities was incorporated in the PRC and its ultimate controlling shareholder is Shaanxi Coal and Chemical Industry Group Co., Ltd. (陝西煤業化工集團有限責任公司). Kaiyuan Securities' business includes securities brokerage, securities investment consulting, financial consulting relating to securities trading and securities investment, securities underwriting, proprietary trading of securities, proxy sale of securities investment fund, intermediary introduction business for futures companies, margin financing and securities lending business, proxy sale of financial products. It provides one-stop shop to investors for their investment needs. Kaiyuan Securities provides individual and institutional customers with a full range of financial services.

Nice Hill

Pursuant to the cornerstone investment agreement entered into among Nice Hill International Limited ("Nice Hill"), the Joint Global Coordinators and us, Nice Hill agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$20 million at the Offer Price. Assuming the Offer Price of HK$3.92, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Nice Hill would subscribe for would be 39,542,000, representing approximately 10.1% of the Offer Shares and 1.5% of the Shares in issue immediately following completion of the Global Offering, assuming that the

Over-allotment Option is not exercised and approximately 8.8% of the Offer Shares and 1.5% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.11, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Nice Hill would subscribe for would be 37,714,000, representing approximately 9.6% of the Offer Shares and 1.5% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and approximately 8.4% of the Offer Shares and 1.4% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.30, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Nice Hill would subscribe for would be 36,047,000, representing approximately 9.2% of the Offer Shares and 1.4% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and approximately 8.0% of the Offer Shares and 1.4% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Nice Hill is incorporated in the British Virgin Islands and its ultimate controlling shareholder is Mason Financial Holdings Limited, a company incorporated in Hong Kong and listed in the Main Board of the Hong Kong Stock Exchange (stock code: 273). Nice Hill's business line includes securities trading and investment.

Pohua

Pursuant to the cornerstone investment agreement entered into among Pohua JT Private Equity Fund L.P. ("Pohua"), the Joint Global Coordinators and us, Pohua agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$15 million at the Offer Price. Assuming the Offer Price of HK$3.92, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Pohua would subscribe for would be 29,656,000, representing approximately 7.6% of the Offer Shares and 1.2% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and approximately 6.6% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.11, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Pohua would subscribe for would be 28,285,000, representing approximately 7.2% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and approximately 6.3% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming the Offer Price of HK$4.30, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Pohua would subscribe for would be 27,035,000, representing approximately 6.9% of the Offer Shares and 1.1% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and approximately 6.0% of the Offer Shares and 1.0% of the Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Pohua is a private equity fund established in the Cayman Islands. The investors in Pohua are limited partners. The general partner of Pohua is Pohua JT Capital Partners Limited, which controls the investment decisions of Pohua, and the directors of which are Mr. Li Haifeng, Mr.

Jin Weiguo and Ms. Zhong Yueyang. Pohua JT Capital Partners Limited is held as to 49% by Golden Port Holdings Limited with the balance of the equity interest in Pohua JT Capital Partners Limited held by three other minority shareholders. Pohua is mainly engaged in private equity fund investment.

CONDITIONS PRECEDENT

The subscription by each Cornerstone Investor is subject to, among other things, the satisfaction that:

a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become unconditional and not having been terminated by no later than the time and date as specified in those underwriting agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;

b) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

c) the respective representations, warranties, undertakings, and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and not misleading in any material respect, and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and

d) no Laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of the above Cornerstone Investors has agreed and has undertaken to our Company and the Joint Global Coordinators that unless it has obtained the prior written consent of each of our Company and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the respective cornerstone investment agreements) or any interest in any company or entity holding any of the Shares subscribed pursuant to the relevant cornerstone investment agreements, or agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such Shares.

Each Cornerstone Investor may transfer the H Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing that it will be bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement.

HONG KONG UNDERWRITERS

Joint Global Coordinators

BOCOM International Securities Limited
Haitong International Securities Company Limited

Joint Bookrunners

BOCOM International Securities Limited
Haitong International Securities Company Limited
BOCI Asia Limited
CCB International Capital Limited

Joint Lead Managers

BOCOM International Securities Limited
Haitong International Securities Company Limited

Co-lead Managers

RHB OSK Securities Hong Kong Limited
Convoy Investment Services Limited
Sun Hung Kai Investment Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 39,204,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our H Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (as a whole) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change involving a prospective change, or any event or series of events likely to result in any change in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1 and such related/mutated forms, economic sanction, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction in or on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, the PRC, the European Union (as a whole), Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, the Application Forms, the preliminary offering circular or the offering circular or other documents in connection with the Global Offering of the H Shares pursuant to the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance, or the Hong Kong Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange and/or the SFC in circumstances where the matter to be disclosed would, in the opinion of the Joint Global Coordinators, materially and adversely affect the marketing implementation of the Global Offering; or

(viii) any litigation or claim of any third party involving material amount being threatened or instigated against any member of our Group, except for those matters that have been disclosed in this prospectus; or

(ix) any contravention by any Group member or any Director of the Hong Kong Listing Rules or any applicable laws; or

(x) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any Director or any member of our Group; or

(xi) our chairman vacating his office, any Director being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xii) any material adverse change or prospective material adverse change in the earnings, results of operations business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or

(xiii) any valid demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of our Group, or any member of our Group making any composition or arrangement with our creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xiv) a governmental or regulatory prohibition on our Company for whatever reason from allotting or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) is or will be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder 's equity, profit, losses, results of operations, position (financial otherwise), or prospects of our Company or our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have the effect of making a part of the Hong Kong Underwriting Agreement (including but not limited to underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, or any of the Hong Kong Underwriters:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, incomplete or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and not based on reasonable assumptions; or

(ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the H Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable law or regulation which could have an adverse effect on the Global Offering, or the business or financial or trading positions of our Company or our Group as a whole; or

(iv) either (i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company or (ii) any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(v) any material breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vi) any event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement if such liability has an adverse effect on the business or financial or trading positions of our Group as a whole; or

(vii) a prohibition on our Company for whatever reason from allotting or selling the H Shares (including the H Shares to be sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(viii) any of the reporting accountant, or any of the counsel or advisor of our Company or other experts (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(ix) approval by the CSRC in connection with the application for the listing of the H Shares on the Hong Kong Stock Exchange is withdrawn; or

(x) approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued or sold under the Global Offering (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xi) our Company withdraws this prospectus (and/or any other material documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), after consultation with our Company and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

Undertakings by Us

We are expected to undertake to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering, no further shares or securities convertible into securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering, at any time during the First Six Month Period, we will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the its share capital or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other securities of our Company), or deposit any share capital or other securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that we will or may enter into any transaction described above.

In the event of an issue or disposal of any H Shares or any interest therein after the date falling six months from the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange, we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of us will, create a disorderly or false market for any Shares or other securities of us.

The International Offering

In connection with the International Offering, it is expected that our Company and the Selling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

We expect to grant to the International Underwriters, exercised by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 53,460,000 H Shares and the Selling Shareholders to sell up to 5,346,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering only.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission, Expenses and Joint Sponsors' Fee

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

Based on an Offer Price of HK$4.11 per H Share (being the mid-point of the indicative offer price range of HK$3.92 to HK$4.30 per H Share), the aggregate commission and fee, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "Commission and Fee") are estimated to be approximately HK$122.3 million in total.

Indemnity

We are expected to agree to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Joint Sponsors' Independence

Each of BOCOM International (Asia) Limited and Haitong International Capital Limited, being the Joint Sponsors, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members of their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 39,204,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in the section entitled "Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 352,836,000 H Shares, (comprising 317,196,000 H Shares to be issued by our Company and 35,640,000 Sale Shares to be offered by the Selling Shareholders, subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institution investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the H Shares under the Hong Kong Public Offering or apply for or indicate an interest for H Shares under the International Offering, but may not do both.

The H Shares to be offered under the Global Offering will represent approximately 15.4% of the enlarged issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company has obtained the requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

The number of the H Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "Reallocation" below.

HONG KONG PUBLIC OFFERING

Number of H Shares initially offered

Our Company is initially offering 39,204,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of the H Shares initially available under the Global Offering. Subject to the re-allocation of H Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 19,602,000 H Shares for pool A and 19,602,000 H Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of H Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 19,602,000 H Shares will be rejected.

Reallocation

Paragraph 4.2 Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of oversubscription under the Hong Kong Public Offering, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of H Shares available under the Hong Kong Public Offering will be 117,612,000 H Shares, representing approximately 30% of the H Shares initially available under the Global Offering.

- If the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 156,816,000 H Shares, representing approximately 40% of the H Shares initially available under the Global Offering.

- If the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 196,020,000 H Shares, representing approximately 50% of the H Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Offer shares from such offering to the other, in such proportion as the Joint Global Coordinators deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/her/it and any person(s) for whose benefit he/her/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up. or indicate an interest for, any H Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated H Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.30 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each H Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum price of HK$4.30 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for the Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of H Shares offered

The number of H Shares to be initially offered under the International Offering will be 352,836,000 H Shares, consisting of 317,196,000 H Shares to be issued by our Company and 35,640,000 Sale Shares to be offered by the Selling Shareholders, representing approximately 90% of the Offer Shares under the Global Offering. Subject to reallocation as described above, the number of H Shares to be initially offered under the International Offering will represent approximately 13.8% of our Company's enlarged issued share capital immediately after completion of the Global Offering.

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of H Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such H Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of H Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor 's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of H Shares under the Hong Kong Public Offering.

Possible Placing of H Shares to a QDII Fund

Certain employees of our Group intend to subscribe for Offer Shares in the International Offering through a Qualified Domestic Institutional Investors Fund ("**QDII Fund**"). The QDII Fund is established in the PRC in accordance with applicable PRC laws, regulations and regulatory documents and will be managed by a fund manager in the PRC which is an Independent Third Party (the "**QDII Manager**") of our Company.

To ensure that (i) any H Shares which will be allocated to the QDII Fund pursuant to the International Offering will not be held on behalf of any persons who are Connected Persons of our Company (including but not limited to any Directors), our Directors or our existing Shareholders or any of their respective close assoicates, whether in their own name or through nominees; and (ii) in accordance with Rule 10.01 of the Listing Rules and paragraph 7 of Appendix 6 to the Listing Rules entitled "Placing Guidelines for Equity Securities", the total number of H Shares to be allocated to the QDII Fund which are attributable to such employees will not exceed 10% of the H Shares offered in the International Offering, the following measures are in place:

- our Company will provide an up-to-date list of our Group's employees (the "**Employees List**") to the QDII Manager. QDII Manager will check the names of the investors participating in the QDII Fund against the Employees List;
- QDII Manager will require each of the employees participating in the QDII Fund to declare that he or she is not a Connected Person of our Company, our Directors and our existing Shareholders, or their respective close associate, and
- the placing of H Shares under the International Offering shall be conducted on a fair and impartial basis by the Joint Global Coordinators. There is no guarantee that any H Shares will be placed to the QDII Fund.

It is expected that the QDII Fund will be established at or around September 30, 2015, and its initial net asset value should be approximately RMB101.1 million. The Company will seek the advice of the PRC Legal Advisor to ensure that the QDII Fund is established in compliance with the relevant PRC Laws and Regulations. QDII Manager is not a connected client of the Lead broker or of any distributors (as defined in parapgraph 5) of the Placing Guidelines.

We expect to grant to the International Underwriters, exercised by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 53,460,000 H Shares and the Selling Shareholders to sell up to 5,346,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering only. In the event that the Over-allotment Option is exercised, we will make an announcement disclosing the particulars of such exercise.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriter(s), may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if recommended, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. As a result, demand for the H Shares, and their market price, mayfall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the H Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the H Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, October 7, 2015 (Hong Kong time), and in any event on or before Thursday, October 8, 2015 (Hong Kong time), by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) and the number of H Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price will not be more than HK$4.30 per H Share and is expected to be not less than HK$3.92 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Reduction in indicative Offer Price range and/or number of Offer Shares

The Joint Global Coordinators, for themselves and on behalf of the Joint Bookrunners and the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of the Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at http://www.cnht.com.cn an announcement/a supplemental prospectus (as appropriate) in connection with the reduction. Upon issue of such announcement/supplemental prospectus (as appropriate), the number of the Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement/ supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators.

Announcement of Offer Price and basis of allocation

The final Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Wednesday, October 14, 2015 through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares — Publication of Results" in this prospectus.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is expected to be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting" in this prospectus.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS, established and operated by the HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 15, 2015, it is expected that dealings in the H Shares on the Main Board of the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, October 15, 2015. Our H Shares will be traded in board lots of 1,000 H Shares each and the stock code of our H Shares will be 1476.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the H Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the H Shares being offered pursuant to the Global Offering (subject only to allotment and including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Thursday, October 8, 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for the Hong Kong Offer Shares." In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the H Shares are expected to be issued on Wednesday, October 14, 2015 but will only become valid evidence of title at 8:00 a.m. on Thursday, October 15, 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** service provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/ or any its subsidiaries;
- a Director or chief executive officer of the Company and/ or any of its subsidiaries;
- an associate (as defined in the Hong Kong Listing Rules) of any of the above;
- a connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, September 30, 2015 till 12:00 noon on Wednesday, October 7, 2015 from:

(i) any of the following offices of the Hong Kong Underwriters:

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch Name	Address
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Tsim Sha Tsui Sub-Branch	Shop Nos.1-3 on G/F., CFC Tower, 22-28 Mody Road, Tsim Sha Tsui
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
New Territories	Ma On Shan Sub-Branch	Shop No. 3062, Level 3, Sunshine City Plaza, Ma On Shan
	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin

Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok

District	Branch Name	Address
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, September 30, 2015 till 12:00 noon on Wednesday, October 7, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

TIME FOR LODGING APPLICATION FORMS

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Hengtou Securities Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, September 30, 2015, 9:00 a.m. to 5:00 p.m.
- Friday, October 2, 2015, 9:00 a.m. to 5:00 p.m.
- Saturday, October 3, 2015, 9:00 a.m. to 1:00 p.m.
- Monday, October 5, 2015, 9:00 a.m. to 5:00 p.m.
- Tuesday, October 6, 2015, 9:00 a.m. to 5:00 p.m.
- Wednesday, October 7, 2015, 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, October 7, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/ or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorise** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/ or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, September 30, 2015 until 11:30 a.m. on Wednesday, October 7, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 7, 2015 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "HENGTOU SECURITIES" **White Form eIPO** application submitted via the **www.eipo.com.hk** to support the funding of "Source of Dongjiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/ or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/ or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, September 30, 2015, 9:00 a.m. to 8:30 p.m.[(1)]
- Friday, October 2, 2015, 8:00 a.m. to 8:30 p.m.[(1)]
- Saturday, October 3, 2015, 8:00 a.m. to 1:00 p.m.[(1)]
- Monday, October 5, 2015, 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, October 6, 2015, 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, October 7, 2015, 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, September 30, 2015 until 12:00 noon on Wednesday, October 7, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, October 7, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 7, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit. All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares.

Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 7, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, October 7, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, October 14, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.cnht.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.cnht.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, October 14, 2015;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, October 14, 2015 to 12:00 midnight on Tuesday, October 20, 2015;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 14, 2015 to Saturday, October 17, 2015;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, October 14, 2015 to Friday, October 16, 2015 at the designated receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application to HKSCC or through White Form eIPO service, you agree that your application or the application** made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of offer price per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, October 14, 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/ collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, October 14, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, October 15, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

PERSONAL COLLECTION

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 14, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/ or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 14, 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 14, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 14, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 14, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m.

on Wednesday, October 14, 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 14, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 14, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, October 14, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 14, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 14, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 14, 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Date: September 30, 2015

The Directors
HENGTOU SECURITIES
(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

BOCOM International (Asia) Limited
Haitong International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to HENGTOU SECURITIES (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2012, December 31, 2013, December 31, 2014 and March 31, 2015, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group, for each of the years ended December 31, 2012, December 31, 2013, and December 31,2014, and the three months ended March 31, 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the prospectus of the Company dated September 30, 2015 (the "Prospectus").

The Company was established in Inner Mongolia, the People's Republic of China (the "PRC"), by Inner Mongolia Branch of People's Bank of China (the "PBOC") in 1988. It was restructured into a joint stock limited liability company pursuant to the approvals from the China Securities Regulatory Commission (the "CSRC") in 2008 and then was renamed as 恒泰证券股份有限公司 (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) as approved by and registered with the Registrar of Companies in Hong Kong on April 27, 2015.

All companies comprising the Group have adopted December 31, as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 58 of Section B. The statutory financial statements of these companies were prepared in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance (the "MOF") of the PRC and other relevant regulations (collectively known as the "PRC GAAP").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2012, December 31, 2013, and December 31, 2014, and the three months ended March 31, 2015 were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to March 31, 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the finanical position of the Group and the Company as at December 31, 2012, 2013 and 2014, and March 31, 2015 and of the Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three months ended March 31 2014, together with the notes thereon (the "Corresponding Financial Information") for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

I Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended December 31,			Three months ended March 31,	
		2012	2013	2014	2014	2015
					(Unaudited)	
Revenue						
Fee and commission income	4	538,679	797,614	1,106,555	177,596	536,497
Interest income	5	110,284	172,066	341,031	60,934	183,078
Net investment gains	6	218,726	430,781	800,523	144,503	385,649
Total revenue		867,689	1,400,461	2,248,109	383,033	1,105,224
Other income and gains	7	6,346	21,739	21,344	2,325	1,712
Total revenue and other income		874,035	1,422,200	2,269,453	385,358	1,106,936
Fee and commission expenses	8	(85,223)	(84,484)	(95,971)	(16,606)	(43,410)
Interest expenses	9	(58,769)	(51,570)	(203,299)	(24,926)	(144,646)
Staff costs	10	(261,000)	(312,487)	(664,588)	(141,493)	(169,129)
Depreciation and amortization expenses	11	(55,570)	(56,281)	(58,267)	(14,513)	(15,590)
Business tax and surcharges		(41,161)	(71,471)	(91,320)	(19,053)	(43,682)
Other operating expenses	12	(219,971)	(316,633)	(311,860)	(46,355)	(81,891)
Impairment losses	13	(735)	(4,779)	(21,966)	(2,097)	(5,818)
Total operating expenses		(722,429)	(897,705)	(1,447,271)	(265,043)	(504,166)
Operating profit		151,606	524,495	822,182	120,315	602,770
Share of (losses) /profits of associates		—	(419)	15,152	1,437	7,446
Profit before income tax		151,606	524,076	837,334	121,752	610,216
Income tax expense	14	(40,051)	(124,981)	(183,229)	(31,507)	(136,797)
Profit for the year/period and attributable to shareholders of the Company		111,555	399,095	654,105	90,245	473,419
Profit for the year/period and attributable to shareholders of the Company		111,555	399,095	654,105	90,245	473,419

	Note	Year ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2014	Three months ended March 31, 2014	Three months ended March 31, 2015
					(Unaudited)	
Other comprehensive income for the year/period, net of tax						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets: net movement in the investment revaluation reserve	46(e)	139,161	(65,432)	182,861	(71,059)	(26,161)
Share of other comprehensive income of associates		—	(48)	615	328	71
Total other comprehensive income for the year/period and attributable to shareholders of the Company, net of tax		139,161	(65,480)	183,476	(70,731)	(26,090)
Total comprehensive income for the year/period and attributable to shareholders of the Company		250,716	333,615	837,581	19,514	447,329
Basic and diluted earnings per share (in Renminbi yuan per share)	17	0.05	0.18	0.30	0.04	0.22

II Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at December 31,			As at March 31,
	Note	2012	2013	2014	2015
Non-current assets					
Property and equipment	18	207,965	350,941	333,675	330,488
Investment properties	19	22,422	21,595	20,768	20,561
Goodwill	20	13,135	13,135	13,135	13,135
Intangible assets	21	27,214	34,812	53,952	51,060
Interest in associates	23	—	153,533	169,300	176,818
Available-for-sale financial assets	24	91,408	145,042	268,158	553,517
Financial assets held under resale agreements	25	—	—	173,130	173,130
Refundable deposits	26	211,192	126,352	308,694	369,226
Deferred tax assets	27	6,443	9,096	2,726	2,043
Other non-current assets	28	44,276	46,405	41,595	36,938
Total non-current assets		624,055	900,911	1,385,133	1,726,916
Current assets					
Margin accounts receivables	29	98,726	1,264,929	5,093,571	6,383,227
Other current assets	30	98,699	135,180	252,088	286,323
Available-for-sale financial assets	24	1,950,741	1,387,415	1,485,927	1,451,807
Financial assets held under resale agreements	25	—	28,200	496,325	228,127
Financial assets at fair value through profit or loss	31	1,634,831	1,560,740	3,805,977	4,793,420
Cash held on behalf of brokerage clients	32	4,115,476	3,786,179	7,438,648	10,677,460
Clearing settlement funds	33	347,470	107,132	414,698	752,197
Cash and bank balances	34	763,292	709,447	1,445,151	1,183,594
Total current assets		9,009,235	8,979,222	20,432,385	25,756,155
Total assets		9,633,290	9,880,133	21,817,518	27,483,071

	Note	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at March 31, 2015
Current liabilities					
Short-term commercial papers issued	36	—	—	1,400,000	1,200,000
Placements from other financial institutions	37	—	680,000	1,635,000	1,436,000
Accounts payable to brokerage clients	38	4,297,157	3,722,632	7,555,457	10,835,534
Employee benefits payable	39	41,078	42,565	275,904	339,397
Other current liabilities	40	62,977	58,884	1,167,889	1,686,198
Current tax liabilities		3,599	12,739	69,671	107,138
Financial assets sold under repurchase agreements	41	823,560	691,964	2,979,550	4,530,485
Financial liabilities at fair value through profit or loss	42	—	—	52,914	—
Total current liabilities		5,228,371	5,208,784	15,136,385	20,134,752
Net current assets		3,780,864	3,770,438	5,296,000	5,621,403
Total assets less current liabilities		4,404,919	4,671,349	6,681,133	7,348,319
Non-current liabilities					
Subordinated bonds issued	43	—	—	1,300,000	1,500,000
Deferred revenue		4,250	14,462	13,746	5,167
Deferred tax liabilities	27	33,503	—	92,390	120,826
Total non-current liabilities		37,753	14,462	1,406,136	1,625,993
Net assets		4,367,166	4,656,887	5,274,997	5,722,326
Equity					
Share capital	45	2,194,707	2,194,707	2,194,707	2,194,707
Share premium	46	813,953	813,953	813,953	813,953
Reserves	46	1,358,506	1,648,227	2,266,337	2,713,666
Total equity attributable to shareholders of the Company		4,367,166	4,656,887	5,274,997	5,722,326

III Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

			Reserves					
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Retained earnings	Total equity attributable to shareholders of the Company
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*		
As at January 1, 2012	2,194,707	813,953	136,553	238,174	225,968	(1,589)	552,578	4,160,344
Change in equity for 2012								
Profit for the year	—	—	—	—	—	—	111,555	111,555
Other comprehensive income	—	—	—	—	—	139,161	—	139,161
Total comprehensive income	—	—	—	—	—	139,161	111,555	250,716
Appropriation to surplus reserve	—	—	12,279	—	—	—	(12,279)	—
Appropriation to general risk reserve	—	—	—	12,279	—	—	(12,279)	—
Appropriation to transaction risk reserve	—	—	—	—	12,279	—	(12,279)	—
Dividends declared during the year *(Note 47)*	—	—	—	—	—	—	(43,894)	(43,894)
As at December 31, 2012	2,194,707	813,953	148,832	250,453	238,247	137,572	583,402	4,367,166

			Reserves						
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity attributable to shareholders of the Company
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*			
As at January 1, 2013	2,194,707	813,953	148,832	250,453	238,247	137,572	—	583,402	4,367,166
Change in equity for 2013									
Profit for the year	—	—	—	—	—	—	—	399,095	399,095
Other comprehensive income	—	—	—	—	—	(65,432)	(48)	—	(65,480)
Total comprehensive income	—	—	—	—	—	(65,432)	(48)	399,095	333,615
Appropriation to surplus reserve	—	—	39,451	—	—	—	—	(39,451)	—
Appropriation to general risk reserve	—	—	—	40,005	—	—	—	(40,005)	—
Appropriation to transaction risk reserve	—	—	—	—	40,005	—	—	(40,005)	—
Dividends declared during the year *(Note 47)*	—	—	—	—	—	—	—	(43,894)	(43,894)
As at December 31, 2013	2,194,707	813,953	188,283	290,458	278,252	72,140	(48)	819,142	4,656,887

			Reserves						
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity attributable to shareholders of the Company
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*			
As at January 1, 2014	2,194,707	813,953	188,283	290,458	278,252	72,140	(48)	819,142	4,656,887
Change in equity for 2014									
Profit for the year	—	—	—	—	—	—	—	654,105	654,105
Other comprehensive income	—	—	—	—	—	182,861	615	—	183,476
Total comprehensive income	—	—	—	—	—	182,861	615	654,105	837,581
Appropriation to surplus reserve	—	—	55,100	—	—	—	—	(55,100)	—
Appropriation to general risk reserve	—	—	—	55,229	—	—	—	(55,229)	—
Appropriation to transaction risk reserve	—	—	—	—	55,229	—	—	(55,229)	—
Dividends declared during the year *(Note 47)*	—	—	—	—	—	—	—	(219,471)	(219,471)
As at December 31, 2014	2,194,707	813,953	243,383	345,687	333,481	255,001	567	1,088,218	5,274,997

			Reserves						
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity attributable to shareholders of the Company
As at January 1, 2014	2,194,707	813,953	188,283	290,458	278,252	72,140	(48)	819,142	4,656,887
Change in equity for the period									
Profit for the period (unaudited)	—	—	—	—	—	—	—	90,245	90,245
Other comprehensive income (unaudited)	—	—	—	—	—	(71,059)	328	—	(70,731)
Total comprehensive income (unaudited)	—	—	—	—	—	(71,059)	328	90,245	19,514
As at March 31, 2014 (unaudited)	2,194,707	813,953	188,283	290,458	278,252	1,081	280	909,387	4,676,401

			Reserves						
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity attributable to shareholders of the Company
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*			
As at January 1, 2015	2,194,707	813,953	243,383	345,687	333,481	255,001	567	1,088,218	5,274,997
Change in equity for the period									
Profit for the period	—	—	—	—	—	—	—	473,419	473,419
Other comprehensive income	—	—	—	—	—	(26,161)	71	—	(26,090)
Total comprehensive income	—	—	—	—	—	(26,161)	71	473,419	447,329
As at March 31, 2015	2,194,707	813,953	243,383	345,687	333,481	228,840	638	1,561,637	5,722,326

IV Consolidated statements of cash flows

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Cash flows from operating activities:					
Profit before income tax	151,606	524,076	837,334	121,752	610,216
Adjustment for:					
Interest expense	58,769	51,570	203,299	24,926	144,646
Share of losses/(profits) of associates	—	419	(15,152)	(1,437)	(7,446)
Depreciation and amortization	55,570	56,281	58,267	14,513	15,590
Impairment losses	735	4,779	21,966	2,097	5,818
(Gains)/losses on disposal of property and equipment	(218)	(10)	94	—	—
Foreign exchange losses/(gains)	44	643	(73)	(190)	(84)
Net realised gains from available-for-sale financial assets and held-to-maturity investments	(32,353)	(223,889)	(99,402)	(90,846)	(87,741)
Dividends income and interest income from available-for-sale financial assets and held-to-maturity investments	(96,002)	(66,053)	(56,458)	(14,435)	(16,248)
Change in fair value of financial instruments at fair value through profit or loss	27,214	31,092	(338,379)	(22,198)	(134,843)
	165,365	378,908	611,496	34,182	529,908

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Changes in operating assets					
Decrease/(increase) in refundable deposits	64,329	84,840	(182,342)	(34,113)	(60,532)
Increase in margin accounts receivable	(99,222)	(1,172,064)	(3,848,228)	(348,132)	(1,296,219)
Increase in receivables and prepayments	(35,769)	(42,114)	(120,227)	(134,947)	(46,832)
(Increase)/decrease in financial assets held under resale agreements	—	—	(468,400)	—	260,025
Decrease/(increase) in financial assets at fair value through profit or loss	1,084,221	42,921	(1,905,532)	(348,648)	(847,715)
Decrease/(increase) in cash on behalf of brokerage clients	140,812	329,297	(3,652,469)	(72,784)	(3,238,813)
Changes in operating liabilities					
(Decrease)/increase in accounts payable to brokerage clients	(212,493)	(574,525)	3,832,825	210,159	3,280,077
(Decrease)/increase in employee benefits payable	(20,872)	1,487	233,339	74,473	63,493
Increase/(decrease) in other payables and accruals	24,355	(1,906)	1,068,663	(563)	459,989
(Decrease)/increase in financial assets sold under repurchase agreements	(309,644)	(131,596)	2,287,586	318,500	1,550,935
Increase/(decrease) in financial liabilities at fair value through profit or loss	—	—	54,074	—	(54,074)
Increase/(decrease) in placements from other financial institutions	—	680,000	955,000	180,000	(199,000)

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Cash generated from/(used in) operating activities	801,082	(404,752)	(1,134,215)	(121,873)	401,242
Income taxes paid	(27,531)	(130,187)	(88,491)	(12,341)	(61,491)
Interest paid for operating activities	(57,909)	(43,466)	(149,142)	(11,790)	(80,897)
Net cash generated from/(used in) operating activities	715,642	(578,405)	(1,371,848)	(146,004)	258,854
Cash flows from investing activities:					
Proceeds on disposal of property and equipment, investment property, intangible assets and other non-current assets	2,175	2,392	7,927	1,157	489
Dividend income and interest income received from available-for-sale financial assets and held-to-maturity investments	111,105	72,769	59,641	24,046	29,150
Proceeds on disposal of available-for-sale financial assets	148,318	1,140,223	750,071	336,234	464,385
Proceeds on disposal of held-to-maturity investments	417,977	—	—	—	—
Purchases of property and equipment, investment property, intangible assets and other non-current assets	(62,245)	(210,539)	(57,524)	(5,260)	(5,137)
Acquisition of equity interests of associates	—	(154,000)	—	—	—
Purchases of available-for-sale financial assets	(917,231)	(493,886)	(628,483)	(126,113)	(662,764)
Other net cash flow from investing activities	20,000	88,000	(98,000)	47,000	35,000
Net cash (used in)/generated from investing activities	(279,901)	444,959	33,632	277,064	(138,877)

	Note	Year ended December 31, 2012	2013	2014	Three months ended March 31, 2014	2015
					(Unaudited)	
Cash flows from financing activities:						
Proceeds from issuance of short-term commercial papers		—	—	2,800,000	—	1,200,000
Proceeds from issuance of subordinated bonds		—	—	1,300,000	—	200,000
Payment of short-term commercial papers and subordinated bonds		—	—	(1,400,000)	—	(1,400,000)
Interest paid for financing activities		—	—	(17,016)	—	(17,731)
Dividends paid		(43,894)	(43,894)	(219,471)	—	—
Net cash (used in)/generated from financing activities		(43,894)	(43,894)	2,463,513	—	(17,731)
Effect of foreign exchange rate changes		(44)	(643)	73	190	84
Net increase/(decrease) in cash and cash equivalents		391,803	(177,983)	1,125,370	131,250	102,330
Cash and cash equivalents as at January 1		508,959	900,762	722,779	722,779	1,848,149
Cash and cash equivalents as at December/ March 31	35	900,762	722,779	1,848,149	854,029	1,950,479

V Statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at March 31, 2015
Non-current assets					
Property and equipment	18	131,606	282,261	280,283	277,927
Investment properties	19	14,922	14,357	13,792	13,651
Intangible assets	21	19,339	28,289	53,063	50,294
Investments in subsidiaries	22	399,804	699,804	699,804	699,804
Interest in associates	23	—	139,873	155,629	163,154
Available-for-sale financial assets	24	91,408	145,042	224,498	180,975
Financial assets held under resale agreements	25	—	—	173,130	173,130
Refundable deposits	26	47,128	54,257	178,890	204,922
Deferred tax assets	27	—	3,869	—	—
Other non-current assets	28	26,676	29,999	32,277	27,862
Total non-current assets		730,883	1,397,751	1,811,366	1,791,719
Current assets					
Margin accounts receivables	29	98,726	1,264,929	5,093,571	6,383,227
Other current assets	30	72,640	122,663	268,675	633,895
Available-for-sale financial assets	24	1,950,741	1,387,415	1,696,231	1,808,336
Financial assets held under resale agreements	25	—	—	429,625	186,027
Financial assets at fair value through profit or loss	31	1,615,728	1,467,722	2,333,700	2,763,731
Cash held on behalf of brokerage clients	32	3,136,277	2,805,905	7,127,180	10,262,392
Clearing settlement funds	33	317,592	89,208	354,357	694,351
Cash and bank balances	34	469,574	313,094	1,000,919	735,937
Total current assets		7,661,278	7,450,936	18,304,258	23,467,896
Total assets		8,392,161	8,848,687	20,115,624	25,259,615

	Note	As at December 31, 2012	2013	2014	As at March 31, 2015
Current liabilities					
Short-term commercial papers issued	36	—	—	1,400,000	1,200,000
Placements from other financial institutions	37	—	680,000	1,635,000	1,436,000
Accounts payable to brokerage clients	38	3,153,893	2,772,691	7,114,977	10,257,261
Employee benefits payable	39	37,212	39,984	273,794	336,709
Other current liabilities	40	28,520	46,182	119,235	230,530
Current tax liabilities		3,599	12,718	68,915	98,450
Financial assets sold under repurchase agreements	41	823,560	691,964	2,801,550	4,416,485
Financial liabilities at fair value through profits or loss	42	—	—	52,914	—
Total current liabilities		4,046,784	4,243,539	13,466,385	17,975,435
Net current assets		3,614,494	3,207,397	4,837,873	5,492,461
Total assets less current liabilities		4,345,377	4,605,148	6,649,239	7,284,180
Non-current liabilities					
Subordinated bonds issued	43	—	—	1,300,000	1,500,000
Deferred revenue		4,250	12,135	13,240	4,733
Deferred tax liabilities	27	33,251	—	92,317	120,050
Total non-current liabilities		37,501	12,135	1,405,557	1,624,783
Net assets		4,307,876	4,593,013	5,243,682	5,659,397
Equity					
Share capital	45	2,194,707	2,194,707	2,194,707	2,194,707
Share premium	46	813,953	813,953	813,953	813,953
Reserves	46	1,299,216	1,584,353	2,235,022	2,650,737
Total equity		4,307,876	4,593,013	5,243,682	5,659,397

B NOTES TO FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

The Company was set up in Inner Mongolia Automonous Region by Inner Mongolia Branch of PBOC in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the CSRC in 2008.The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is 14-18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region. As at March 31, 2015, the share capital of the Company is RMB2,194,707,412.

The Group principally engage in securities underwriting and sponsorship, agency sale of securities and financial product, securities and futures brokerage, asset management, investment consultancy, margin financing and securities lending, fund establishing and management, and other business as approved by the CSRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB").

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group for the Relevant Periods and early adopted Amendments to IAS27, Equity method in separate financial statements, except for any other new standards or interpretations that are not yet effective for the accounting period ended March 31, 2015. The revised and new accounting standards and interpretations issued but not yet effective and not yet adopted by the Group for the accounting period ended March 31, 2015 are set out in Note 56.

The Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out in Note 2 below have been consistently applied in preparing the Financial Information for the Relevant Periods. The corresponding Financial Information for the three months ended March 31, 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(2) Basis of measurement

The Financial Information has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 2(9).

(3) Functional and presentation currency

The Financial Information is presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group, except when otherwise indicated.

(4) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the Financial Information and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(27).

(5) Basis of consolidation

(i) ***Subsidiaries and non-controlling interests***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(5)(ii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(15), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) ***Associates and joint ventures***

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(6) and (15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)).

(6) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(15)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(7) Foreign currency

Monetary items denominated in foreign currency are translated into RMB at the foreign exchange rate ruling at the end of the reporting date and translation differences are recognised in profit or loss.

Non-monetary items measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate ruling at the transaction dates.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value having been within three months of maturity at acquisition.

(9) Financial instruments

(i) ***Recognition and measurement of financial assets and financial liabilities***

A financial asset or financial liability is recognised in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorised as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

— the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

— the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

— the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

— the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 2(9)(iii)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

— those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

— those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 2(9)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

— sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

— sales or reclassifications after the Group has collected substantially all of the asset's original principal; and

— sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend (see Note 2(21)(vi)). Foreign exchange gains or losses on available-for-sale financial assets are recognised in profit or loss (see Note 2(7)). Impairment losses are recognised in profit or loss (see Note 2(9)(iii)).

Other fair value changes, other than impairment losses (see Note 2(9)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(ii) ***Fair value measurement***

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) ***Impairment of financial assets***

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— disappearance of an active market for financial assets because of financial difficulties of the issuer;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

The Group assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. 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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment measured at fair value, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For 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. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(iv) ***Derecognition of financial assets and financial liabilities***

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

— the contractual rights to the cash flows from the financial asset expire; or

— the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(v) ***Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vi) ***Equity instruments***

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(vii) ***Derivative financial instruments***

Derivative financial instruments are recognised initially at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(10) Margin financing and securities lending

Margin financing and securities lending 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.

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 effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(11) Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(12) Property and equipment and construction in progress

(i) ***Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(ii) ***Reclassification to investment property***

When the use of a property changes from owner-occupied to investment property, the transfers don't change the carrying amount of property transferred and do not change the cost of that property for measurement or disclosure purpose.

(iii) ***Subsequent costs***

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iv) ***Depreciation***

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	5 years	0%	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the Financial Information at cost less accumulated depreciation, and impairment losses (see Note 2(15)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	Estimated residual values	Depreciation rates
Investment property	35 years	3%	2.77%

(14) Intangible assets

Intangible assets are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortization periods for intangible assets are as follows:

Types of assets	Estimated useful lives
Trading rights	7 to 10 years
Software	5 to 10 years

Both the period and method of amortization are reviewed annually.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the end of the Relevant Periods, the Group does not have any intangible assets with indefinite useful lives.

(15) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property and equipment

— investment property

— intangible assets

— equity investment in subsidiaries

— goodwill

— leasehold improvements and long-term deferred expenses

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(16) Employee benefits

(i) ***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) ***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, that have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) ***Termination benefits***

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(17) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

(i) ***Current tax***

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) ***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

— temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) ***Tax exposures***

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(18) Operating leases

(i) ***Operating lease charges***

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(ii) ***Assets leased out under operating leases***

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 2(12)(iv). Impairment losses are recognised in accordance with the accounting policies described in Note 2(15). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalized and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

(19) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(20) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(21) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) ***Commission income from brokerage business***

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) ***Underwriting and sponsor fees***

Underwriting and sponsor fees are recognised when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably.

(iii) ***Advisory fees***

Revenue arising from advisory services is recognised on completion of such services.

(iv) ***Asset management fees***

Asset management fees are recognised when the Group is entitled to receive the income under the asset management agreement.

(v) ***Interest income***

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(vi) ***Dividend income***

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vii) ***Other income***

Other income is recognised on an accrual basis.

(22) Expenses recognition

(i) ***Commission expenses***

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) ***Interest expenses***

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) ***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(iv) ***Other expenses***

Other expenses are recognised on an accrual basis.

(23) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the Relevant Periods, are not recognised as a liability at the end of the Relevant Periods but disclosed in the notes to the financial statements information separately.

(24) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(25) Related parties

A party is considered to be related to the Group if:

(i) The party is a person or a close member of that person's family and that person,

(a) has control or joint control over the Group;

(b) has significant influence over the group; or

(c) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group;

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) Both entities are joint ventures of the same third party;

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) The entity is controlled or jointly controlled by a person identified in (i);

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(26) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(27) Significant accounting estimates and judgements

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) ***Impairment of available-for-sale financial assets and held-to-maturity investments***

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess 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.

(ii) ***Fair value of financial instruments***

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) ***Classification of financial asset and liability***

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

— In classifying financial assets or liabilities as "trading", the Group has determined that it meets the definition of trading assets and liabilities set out in Note 2(9)(i).

— In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 2(9)(i).

— In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in Note 2(9)(i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the Group's intent and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(iv) ***Impairment of receivables***

Receivables that are measured at amortised cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(v) ***Impairment of non-financial assets***

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vi) ***Income taxes***

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vii) ***Depreciation and amortization***

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

(viii) ***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: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) 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 the manager, the Group assesses whether the combination of investments it holds, if any, 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 scheme shall be consolidated if the Group acts in the role of principal.

3 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate Income tax	Based on taxable profits	25%
Business tax	Based on taxable revenue	5%
Value added tax ("VAT")	Based on taxable revenue	17%
City maintenance and construction tax	Based on business tax and VAT paid	5%-7%
Education surcharge	Based on business tax and VAT paid	2%-3%

4 FEE AND COMMISSION INCOME

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Fee and commission income arising from:					
- Securities brokerage business	395,040	567,296	811,862	137,366	416,677
- Asset management business	40,119	106,049	129,495	17,080	40,007
- Underwriting and sponsoring business	77,801	75,470	98,552	10,350	52,742
- Futures brokerage business	24,023	32,772	38,032	6,168	11,610
- Financial advisory business	1,696	6,108	24,566	5,750	14,283
- Investment advisory business	—	9,919	4,048	882	1,178
Total	538,679	797,614	1,106,555	177,596	536,497

5 INTEREST INCOME

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest income arising from:					
- Deposit in financial institutions	104,607	101,792	142,440	29,951	46,323
- Margin trading and securities lending	243	58,047	185,444	30,420	125,924
- Financial assets held under resale agreements	5,434	12,227	11,348	563	10,581
- Others	—	—	1,799	—	250
Total	110,284	172,066	341,031	60,934	183,078

6 NET INVESTMENT GAINS

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Net realised gains from disposal of available-for-sale financial assets	20,240	223,889	99,402	90,846	87,741
Dividend income and interest income from available-for-sale financial assets	600	66,053	56,458	14,435	16,248
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(11,765)	83,760	85,122	(5,118)	27,519
Dividend income and interest income from financial assets at fair value through profit or loss	129,350	88,720	235,611	21,229	121,974
Net realised (losses)/gains from disposal of derivative financial instruments	—	(549)	(14,449)	913	(2,676)
Net realised gain from disposal of held-to-maturity investments	12,113	—	—	—	—
Interest income from held-to-maturity investments	95,402	—	—	—	—
Unrealised fair value changes of financial instruments at fair value through profit or loss	(27,214)	(31,170)	340,865	22,678	138,568
Unrealised fair value changes of derivative financial instruments	—	78	(2,486)	(480)	(3,725)
Total	218,726	430,781	800,523	144,503	385,649

7 OTHER INCOME AND GAINS

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Trading income	—	18,101	16,129	2,023	—
Rental income	2,279	2,178	2,397	109	1,573
Government grants	1,631	1,322	1,932	—	—
Gains/(losses) from disposal of property and equipment	218	10	(94)	—	—
Others	2,218	128	980	193	139
Total	6,346	21,739	21,344	2,325	1,712

The government grants were received unconditionally by the Company and its subsidiaries from their local government where they reside. The main purpose is to subsidise the operation of these entities.

8 FEE AND COMMISSION EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Expense arising from:					
Securities brokerage business	57,884	50,804	80,395	14,379	43,340
Underwriting and sponsorship	27,339	27,224	14,640	2,227	70
Financial advisory business	—	828	936	—	—
Investment advisory business	—	5,628	—	—	—
Total	85,223	84,484	95,971	16,606	43,410

9 INTEREST EXPENSES

	Year ended December 31,			Three months ended march 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest expenses for					
- Accounts payable to brokerage clients	17,491	14,796	16,436	3,341	7,178
- Placements from other financial institutions	—	17,493	66,022	13,127	21,631
- Financial assets sold under repurchase agreements	41,202	19,275	65,528	8,458	49,466
- Short-term commercial papers	—	—	21,535	—	17,426
- Subordinated bonds	—	—	10,501	—	24,091
- Others	76	6	23,277	—	24,854
Total	58,769	51,570	203,299	24,926	144,646

10 STAFF COSTS

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Short-term employee benefits	237,815	287,711	638,602	135,684	162,409
Defined contribution plans	23,185	24,776	25,986	5,809	6,720
Total	261,000	312,487	664,588	141,493	169,129

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

11 DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Depreciation of property and equipment	32,491	30,442	27,782	7,373	6,132
Depreciation of investment Properties	827	827	827	207	207
Amortization of intangible assets	7,878	9,203	11,747	2,819	4,120
Amortization of leasehold improvements and long-term deferred expenses	14,374	15,809	17,911	4,114	5,131
Total	55,570	56,281	58,267	14,513	15,590

12 OTHER OPERATING EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Consulting fees	15,328	51,710	49,525	3,460	10,914
Rental expenses	36,589	40,282	43,671	10,019	15,187
Running cost of electronic operation	25,008	29,692	31,459	3,820	7,491
Miscellaneous office expenses	21,668	27,910	28,131	4,043	8,545
Business travel expenses	14,740	22,461	26,739	2,974	8,858
Securities investor protection funds	10,961	11,150	15,550	3,016	6,898
Postal and communication expenses	14,532	14,308	12,855	2,384	2,705
Business entertainment expenses	13,777	16,591	12,125	2,357	2,243
Auditor's remuneration	978	2,896	2,890	100	198
Others	66,390	99,633	88,915	14,182	18,852
Total	219,971	316,633	311,860	46,355	81,891

13 IMPAIRMENT LOSSES

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Provision of margin financing and securities lending	496	5,860	19,586	2,167	6,563
Provision of financial assets held under resale agreements	—	—	2,245	—	(440)
Provision/(reversal) of impairment losses against other receivables	239	(1,081)	135	(70)	(305)
Total	735	4,779	21,966	2,097	5,818

14 INCOME TAX EXPENSE

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Current tax	45,671	139,326	145,423	46,871	98,958
Deferred tax					
Origination and reversal of temporary differences	(5,620)	(14,345)	37,806	(15,364)	37,839
Total	40,051	124,981	183,229	31,507	136,797

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

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit before income tax	151,606	524,076	837,334	121,752	610,216
National tax calculated using the PRC statutory tax rate	37,902	131,019	209,334	30,438	152,554
Tax effect of non-deductible expenses	2,356	2,776	4,329	1,437	209
Tax effect of non-taxable income	(205)	(8,814)	(30,208)	(368)	(15,966)
Others	(2)	—	(226)	—	—
Actual income tax expense	40,051	124,981	183,229	31,507	136,797

15 DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors who held office during the Relevant Periods is as follows:

	Year ended December 31, 2012,				
Name	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to social pension schemes**	**Total emoluments before tax**
Executive directors					
Pang Jiemin	—	1,813	—	41	1,854
Wu Yigang	—	872	—	24	896
Non-executive directors					
Ju Jin	—	—	—	—	—
Zhang Tao	50	—	—	—	50
Chen Guanglei[1]	50	—	—	—	50
Cheng Yu	50	—	—	—	50
Jiang Jing[2]	—	—	—	—	—
Independent Non-executive directors					
Wang Fangjun	100	—	—	—	100
Peng Diyun[3]	100	—	—	—	100
Guo Shuqiang	100	—	—	—	100
Huang Guitian[4]	—	—	—	—	—
Li Qingmin[5]	—	—	—	—	—
Supervisors					
Sun Zirong[6]	—	581	—	—	581
Zhou Hongguang[7]	—	117	—	—	117
Liu Haolan[8]	—	—	—	—	—
Guo Liwen	—	732	—	24	756
Wang Hui	—	206	—	41	247
Total	450	4,321	—	130	4,901

1 At the Group's 5th Extraordinary General Meeting held on August 8, 2012, Mr. Chen Guanglei has been a Director since September, 2012.

2 At the Group's 5th Extraordinary General Meeting held on August 8, 2012, Mr Jiang Jing ceased to be non-executive director effective from September, 2012.

3 At the Group's 3rd Extraordinary General Meeting held on June 22, 2012, Mr. Peng Diyun has been an independent non-executive Director since August, 2012.

4 At the Group's 2nd Extraordinary General Meeting held on March 28, 2012, Mr Huang Guitian ceased to be independent non-executive director effective from March, 2012.

5 At the Group's 2nd Extraordinary General Meeting held on March 28, 2012, Mr Li Qingmin was elected to be independent director effective from March, 2012 and ceased to be independent non-executive director effective from June, 2012.

[6] At the Group's 6th Extraordinary General Meeting held on November 28, 2012, Mr. Sun Zirong ceased to be supervisor.

[7] On July 24, 2012, Mr. Zhou Hongguang ceased to be worker supervisor and Mr. Wang Hui was elected to be worker supervisor.

[8] At the Group's 6th Extraordinary General Meeting held on November 28, 2012, Mr. Liu Haolan was elected to be supervisor.

	Year ended December 31, 2013,				
Name	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to social pension schemes**	**Total emoluments before tax**
Executive Directors					
Pang Jiemin	—	1,813	1,642	45	3,500
Wu Yigang	—	872	1,194	27	2,093
Non-executive directors					
Ju Jin	—	—	—	—	—
Zhang Tao	50	—	—	—	50
Chen Guanglei	50	—	—	—	50
Cheng Yu	50	—	—	—	50
Independent non-executive directors					
Wang Fangjun	100	—	—	—	100
Peng Diyun	100	—	—	—	100
Guo Shuqiang	100	—	—	—	100
Supervisors					
Guo Liwen	—	732	895	27	1,654
Wang Hui	—	234	27	43	304
Liu Haolan	30	—	—	—	30
Total	480	3,651	3,758	142	8,031

Name	Year ended December 31, 2014,				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
Executive directors					
Pang Jiemin	—	1,868	9,202	51	11,121
Wu Yigang	—	853	5,113	29	5,995
Non-executive directors					
Ju Jin	—	—	—	—	—
Zhang Tao	50	—	—	—	50
Chen Guanglei	50	—	—	—	50
Cheng Yu[1]	50	—	—	—	50
Sun Chao[2]	—	—	—	—	—
Independent non-executive directors					
Wang Fangjun[3]	100	—	—	—	100
Peng Diyun	100	—	—	—	100
Guo Shuqiang[4]	100	—	—	—	100
Supervisors					
Pei Jingjing[4]	—	—	—	—	—
Guo Liwen	—	733	5,113	29	5,875
Wang Hui	—	325	808	54	1,187
Liu Haolan[5]	30	—	—	—	30
Total	480	3,779	20,236	163	24,658

There were no amounts paid during the Relevant Periods to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join.

1 At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Cheng Yu ceased to be non-executive director.

2 At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Sun Chao was elected to be non-executive director.

3 At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Wang Fangjun was elected to be independent director. And on April 3, 2015, Mr. Wang Fangjun ceased to be independent non-executive director.

4 At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Guo Shuqiang ceased to be independent non-executive director.

5 At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Liu Haolan ceased to be supervisor and Ms. Pei Jingjing was elected to be supervisor.

Name	As at March 31, 2014, (unaudited) Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
Executive directors					
Pang Jiemin	—	466	1,380	13	1,859
Wu Yigang	—	213	767	7	987
Non-executive directors					
Ju Jin	—	—	—	—	—
Zhang Tao	13	—	—	—	13
Chen Guanglei	13	—	—	—	13
Cheng Yu	13	—	—	—	13
Independent non-executive directors					
Wang Fangjun	25	—	—	—	25
Peng Diyun	25	—	—	—	25
Guo Shuqiang	25	—	—	—	25
Supervisors					
Guo Liwen	—	183	767	7	957
Wang Hui	—	62	121	13	196
Liu Haolan	8	—	—	—	8
Total	122	924	3,035	40	4,121

	As at March 31, 2015				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
Executive directors					
Pang Jiemin	—	466	2,301	13	2,780
Wu Yigang	—	213	1,278	7	1,498
Non-executive directors					
Ju Jin	—	—	—	—	—
Zhang Tao	13	—	—	—	13
Chen Guanglei	13	—	—	—	13
Sun Chao	13	—	—	—	13
Independent non-executive directors					
Zhou Jianjun[1]	25	—	—	—	25
Peng Diyun	25	—	—	—	25
Lin Xiguang[2]	25	—	—	—	25
Supervisors					
Guo Liwen	—	183	1,278	7	1,468
Wang Hui	—	117	202	13	332
Pei Jingjing	8	—	—	—	8
Total	122	979	5,059	40	6,200

1. At the Group's 3rd Extraordinary General Meeting held on March 9, 2015, Mr. Zhou Jianjun was elected to be independent non-executive director.

2. At the Group's 3rd Extraordinary General Meeting held on March 9, 2015, Mr. Lin Xiguang was elected to be independent non-excutive director.

16 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, the five individuals with highest emoluments included two directors, two directors, one director, one director and one director of the Company, respectively, whose emoluments are disclosed in Note 15. The emoluments for the rest of the five highest paid individuals for the year ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2014 and 2015 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
				(Unaudited)	
Salaries and allowances	2,977	3,247	3,990	941	1,009
Discretionary bonuses	—	3,925	42,843	5,675	10,711
Employer's contribution to pension schemes	91	104	130	39	36
Total	3,068	7,276	46,963	6,655	11,756

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	Year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (Unaudited)*	*Number of individuals*
HKDnil to HKD1,000,000	—	—	—	—	—
HKD1,000,001 to HKD1,500,000	3	—	—	—	—
HKD1,500,001 to HKD2,000,000	—	—	—	2	—
HKD2,000,001 to HKD2,500,000	—	—	—	1	—
HKD2,500,001 to HKD3,000,000	—	2	—	1	—
HKD3,000,001 to HKD3,500,000	—	—	—	—	2
HKD3,500,001 to HKD4,000,000	—	1	—	—	1
HKD4,500,001 to HKD5,000,000	—	—	—	—	1
HKD12,500,001 to HKD13,000,000	—	—	2	—	—
HKD15,500,001 to HKD16,000,000	—	—	1	—	—
HKD18,000,001 to HKD18,500,000	—	—	1	—	—

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods.

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year/period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue. There has been no change in the number of ordinary shares during the Relevant Periods.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Profit attributable to shareholders of the Company	111,555	399,095	654,105	90,245	473,419
Weighted average number of ordinary shares in issue (thousands)	2,194,707	2,194,707	2,194,707	2,194,707	2,194,707
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)	0.05	0.18	0.30	0.04	0.22

For the years ended December 31, 2012, 2013, 2014 and three months ended March 31, 2014 and 2015, there were no dilutive potential ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

18 PROPERTY AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2012	140,512	20,727	167,616	22,050	26,983	377,888
Additions	13,449	547	13,354	1,117	30,156	58,623
Transfer during the year	—	—	—	—	(27,592)	(27,592)
Disposals	(26)	(148)	(24,542)	(1,933)	—	(26,649)
As at December 31, 2012	153,935	21,126	156,428	21,234	29,547	382,270
Accumulated depreciation						
As at January 1, 2012	(26,237)	(14,086)	(109,628)	(14,728)	—	(164,679)
Charge for the year	(3,830)	(3,805)	(22,822)	(2,034)	—	(32,491)
Disposals	8	87	22,850	1,796	—	24,741
As at December 31, 2012	(30,059)	(17,804)	(109,600)	(14,966)	—	(172,429)
Impairment						
As at January 1, 2012	(719)	—	(1,484)	(193)	—	(2,396)
Charge for the year	—	—	—	—	—	—
Disposals	—	—	473	47	—	520
As at December 31, 2012	(719)	—	(1,011)	(146)	—	(1,876)
Carrying amount						
As at December 31, 2012	123,157	3,322	45,817	6,122	29,547	207,965
Cost						
As at January 1, 2013	153,935	21,126	156,428	21,234	29,547	382,270
Additions	19,555	2,492	13,937	1,310	194,106	231,400
Transfer during the year	—	—	—	—	(55,651)	(55,651)
Disposals	—	(2,834)	(20,394)	(4,127)	—	(27,355)
As at December 31, 2013	173,490	20,784	149,971	18,417	168,002	530,664
Accumulated depreciation						
As at January 1, 2013	(30,059)	(17,804)	(109,600)	(14,966)	—	(172,429)
Charge for the year	(4,550)	(2,552)	(21,478)	(1,862)	—	(30,442)
Disposals	—	2,667	18,248	4,021	—	24,936
As at December 31, 2013	(34,609)	(17,689)	(112,830)	(12,807)	—	(177,935)
Impairment						
As at January 1, 2013	(719)	—	(1,011)	(146)	—	(1,876)
Charge for the year	—	—	—	—	—	—
Disposals	—	—	68	20	—	88
As at December 31, 2013	(719)	—	(943)	(126)	—	(1,788)
Carrying amount						
As at December 31, 2013	138,162	3,095	36,198	5,484	168,002	350,941

The Group

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2014	173,490	20,784	149,971	18,417	168,002	530,664
Additions	6,881	519	12,996	2,339	18,463	41,198
Transfer during the year	—	—	—	—	(23,254)	(23,254)
Disposals	(6,526)	(1,329)	(18,500)	(2,103)	—	(28,458)
As at December 31 2014	173,845	19,974	144,467	18,653	163,211	520,150
Accumulated depreciation						
As at January 1, 2014	(34,609)	(17,689)	(112,830)	(12,807)	—	(177,935)
Charge for the year	(7,476)	(1,218)	(17,057)	(2,031)	—	(27,782)
Disposals	2,680	1,329	15,112	1,874	—	20,995
As at December 31, 2014	(39,405)	(17,578)	(114,775)	(12,964)	—	(184,722)
Impairment						
As at January 1, 2014	(719)	—	(943)	(126)	—	(1,788)
Charge for the year	—	—	—	—	—	—
Disposals	—	—	28	7	—	35
As at December 31, 2014	(719)	—	(915)	(119)	—	(1,753)
Carrying amount						
As at December 31, 2014	133,721	2,396	28,777	5,570	163,211	333,675
Cost						
As at January 1, 2015	173,845	19,974	144,467	18,653	163,211	520,150
Additions	9	—	2,933	1,993	197	5,132
Transfer during the period	—	—	—	—	(1,699)	(1,699)
Disposals	—	—	(1,270)	(203)	—	(1,473)
As at March 31, 2015	173,854	19,974	146,130	20,443	161,709	522,110
Accumulated depreciation						
As at January 1, 2015	(39,405)	(17,578)	(114,775)	(12,964)	—	(184,722)
Charge for the period	(1,236)	(279)	(3,958)	(659)	—	(6,132)
Disposals	—	—	821	164	—	985
As at March 31, 2015	(40,641)	(17,857)	(117,912)	(13,459)	—	(189,869)
Impairment						
As at January 1, 2015	(719)	—	(915)	(119)	—	(1,753)
Charge for the period	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at March 31, 2015	(719)	—	(915)	(119)	—	(1,753)
Carrying amount						
As at March 31, 2015	132,494	2,117	27,303	6,865	161,709	330,488

The Company

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2012	75,352	18,939	108,717	13,905	24,896	241,809
Additions	13,449	547	5,804	665	25,201	45,666
Transfer during the year *(Note 30)*	—	—	—	—	(22,059)	(22,059)
Disposals	(26)	(148)	(17,189)	(1,396)	—	(18,759)
As at December 31, 2012	88,775	19,338	97,332	13,174	28,038	246,657
Accumulated depreciation						
As at January 1, 2012	(15,582)	(12,923)	(73,963)	(10,168)	—	(112,636)
Charge for the year	(2,066)	(3,638)	(13,380)	(1,245)	—	(20,329)
Disposals	8	87	16,498	1,384	—	17,977
As at December 31, 2012	(17,640)	(16,474)	(70,845)	(10,029)	—	(114,988)
Impairment						
As at January 1, 2012	—	—	(162)	—	—	(162)
Charge for the year	—	—	—	—	—	—
Disposals	—	—	99	—	—	99
As at December 31, 2012	—	—	(63)	—	—	(63)
Carrying amount						
As at December 31, 2012	71,135	2,864	26,424	3,145	28,038	131,606
Cost						
As at January 1, 2013	88,775	19,338	97,332	13,174	28,038	246,657
Additions	19,555	1,563	10,647	1,037	189,149	221,951
Transfer during the year *(Note 30)*	—	—	—	—	(51,460)	(51,460)
Disposals	—	(2,834)	(17,022)	(3,013)	—	(22,869)
As at December 31, 2013	108,330	18,067	90,957	11,198	165,727	394,279
Accumulated depreciation						
As at January 1, 2013	(17,640)	(16,474)	(70,845)	(10,029)	—	(114,988)
Charge for the year	(2,787)	(2,332)	(11,906)	(1,075)	—	(18,100)
Disposals	—	2,667	15,491	2,970	—	21,128
As at December 31, 2013	(20,427)	(16,139)	(67,260)	(8,134)	—	(111,960)
Impairment						
As at January 1, 2013	—	—	(63)	—	—	(63)
Charge for the year	—	—	—	—	—	—
Disposals	—	—	5	—	—	5
As at December 31, 2013	—	—	(58)	—	—	(58)
Carrying amount						
As at December 31, 2013	87,903	1,928	23,639	3,064	165,727	282,261

The Company

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2014	108,330	18,067	90,957	11,198	165,727	394,279
Additions	6,881	41	12,543	2,312	17,384	39,161
Transfer during the year *(Note 30)*	—	—	—	—	(20,547)	(20,547)
Transfer to subsidiaries	—	(1,807)	(524)	(157)	—	(2,488)
Transfer from subsidiaries	—	1,044	53,110	7,100	—	61,254
Disposals	(6,526)	(1,329)	(18,433)	(2,103)	—	(28,391)
As at December 31, 2014	108,685	16,016	137,653	18,350	162,564	443,268
Accumulated depreciation						
As at January 1, 2014	(20,427)	(16,139)	(67,260)	(8,134)	—	(111,960)
Charge for the year	(5,712)	(786)	(15,413)	(1,980)	—	(23,891)
Transfer to subsidiaries	—	1,401	180	57	—	1,638
Transfer from subsidiaries	—	(928)	(43,138)	(4,615)	—	(48,681)
Disposals	2,680	1,329	15,064	1,870	—	20,943
As at December 31, 2014	(23,459)	(15,123)	(110,567)	(12,802)	—	(161,951)
Impairment						
As at January 1, 2014	—	—	(58)	—	—	(58)
Charge for the year	—	—	—	—	—	—
Transfer to subsidiaries	—	—	—	—	—	—
Transfer from subsidiaries	—	—	(885)	(126)	—	(1,011)
Disposals	—	—	28	7	—	35
As at December 31, 2014	—	—	(915)	(119)	—	(1,034)
Carrying amount						
As at December 31, 2014	85,226	893	26,171	5,429	162,564	280,283

The Company

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2015	108,685	16,016	137,653	18,350	162,564	443,268
Additions	9	—	2,882	1,992	197	5,080
Transfer during the period *(Note 30)*	—	—	—	—	(1,699)	(1,699)
Transfer to subsidiaries	—	—	—	—	—	—
Transfer from subsidiaries	—	—	—	—	—	—
Disposals	—	—	(1,270)	(203)	—	(1,473)
As at March 31, 2015	108,694	16,016	139,265	20,139	161,062	445,176
Accumulated depreciation						
As at January 1, 2015	(23,459)	(15,123)	(110,567)	(12,802)	—	(161,951)
Charge for the period	(796)	(163)	(3,645)	(645)	—	(5,249)
Transfer to subsidiaries	—	—	—	—	—	—
Transfer from subsidiaries	—	—	—	—	—	—
Disposals	—	—	821	164	—	985
As at March 31, 2015	(24,255)	(15,286)	(113,391)	(13,283)	—	(166,215)
Impairment						
As at January 1, 2015	—	—	(915)	(119)	—	(1,034)
Charge for the period	—	—	—	—	—	—
Transfer to subsidiaries	—	—	—	—	—	—
Transfer from subsidiaries	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
As at March 31, 2015	—	—	(915)	(119)	—	(1,034)
Carrying amount						
As at March 31, 2015	84,439	730	24,959	6,737	161,062	277,927

The carrying amount of premises without title deeds as at December 31, 2012, 2013, 2014 and March 31, 2015 was RMB88,094 thousands, RMB81,308 thousands, RMB73,882 thousands and RMB73,225 thousands, respectively. The Group is still in the progress of application for the outstanding title deeds for the above premises. Management of the Group expected that there would be no significant cost in obtaining the title deeds.

19 INVESTMENT PROPERTIES

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cost				
As at January, 1	29,664	29,664	29,664	29,664
As at December, 31/March 31	29,664	29,664	29,664	29,664
Accumulated depreciation				
As at January, 1	(6,415)	(7,242)	(8,069)	(8,896)
Charge for the year/period	(827)	(827)	(827)	(207)
As at December, 31 /March 31	(7,242)	(8,069)	(8,896)	(9,103)
Carrying amount	22,422	21,595	20,768	20,561

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cost				
As at January 1	20,221	20,221	20,221	20,221
As at December 31/March 31	20,221	20,221	20,221	20,221
Depreciation				
As at January 1	(4,734)	(5,299)	(5,864)	(6,429)
Charge for the year/period	(565)	(565)	(565)	(141)
As at December 31/March 31	(5,299)	(5,864)	(6,429)	(6,570)
Carrying amount	14,922	14,357	13,792	13,651

20 GOODWILL

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cost	13,135	13,135	13,135	13,135
Less: provision for impairment losses	—	—	—	—
Carrying amount	13,135	13,135	13,135	13,135

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Futures brokerage	13,135	13,135	13,135	13,135

The Group acquired the entire equity interest in Hengtai Futures Co., Ltd. in 2009. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The recoverable amount of the CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the Group performed its goodwill impairment test. No impairments were recognised for the goodwill related to futures brokerage CGU since the recoverable amount was greater than its carrying amount.

21 INTANGIBLE ASSETS

The Group

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2012	9,589	48,247	5,289	63,125
Additions	—	12,895	—	12,895
Disposals	—	(605)	—	(605)
As at December 31, 2012	9,589	60,537	5,289	75,415
Accumulated amortization				
As at January 1, 2012	(9,000)	(26,522)	(4,837)	(40,359)
Charge for the year	(284)	(7,392)	(202)	(7,878)
Disposals	—	36	—	36
As at December 31, 2012	(9,284)	(33,878)	(5,039)	(48,201)
Carrying amount				
As at December 31, 2012	305	26,659	250	27,214

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2013	9,589	60,537	5,289	75,415
Additions	—	16,851	—	16,851
Disposals	—	(106)	—	(106)
As at December 31, 2013	9,589	77,282	5,289	92,160
Accumulated amortization				
As at January 1, 2013	(9,284)	(33,878)	(5,039)	(48,201)
Charge for the year	(5)	(8,998)	(200)	(9,203)
Disposals	—	56	—	56
As at December 31, 2013	(9,289)	(42,820)	(5,239)	(57,348)
Carrying amount				
As at December 31, 2013	300	34,462	50	34,812

The Group

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2014	9,589	77,282	5,289	92,160
Additions	—	31,480	—	31,480
Disposals	—	(825)	—	(825)
As at December 31, 2014	9,589	107,937	5,289	122,815
Accumulated amortization				
As at January 1, 2014	(9,289)	(42,820)	(5,239)	(57,348)
Charge for the year	—	(11,697)	(50)	(11,747)
Disposals	—	232	—	232
As at December 31, 2014	(9,289)	(54,285)	(5,289)	(68,863)
Carrying amount				
As at December 31, 2014	300	53,652	—	53,952

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2015	9,589	107,937	5,289	122,815
Additions	—	1,230	—	1,230
Disposals	—	(22)	—	(22)
As at March 31, 2015	9,589	109,145	5,289	124,023
Accumulated amortization				
As at January 1, 2015	(9,289)	(54,285)	(5,289)	(68,863)
Charge for the period	—	(4,120)	—	(4,120)
Disposals	—	20	—	20
As at March 31, 2015	(9,289)	(58,385)	(5,289)	(72,963)
Carrying amount				
As at March 31, 2015	300	50,760	—	51,060

The Company

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2012	7,556	37,933	5,289	50,778
Additions	—	8,709	—	8,709
Disposals	—	(56)	—	(56)
As at December 31, 2012	7,556	46,586	5,289	59,431
Accumulated amortization				
As at January 1, 2012	(7,140)	(22,458)	(4,837)	(34,435)
Charge for the year	(111)	(5,380)	(202)	(5,693)
Disposals	—	36	—	36
As at December 31, 2012	(7,251)	(27,802)	(5,039)	(40,092)
Carrying amount				
As at December 31, 2012	305	18,784	250	19,339

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2013	7,556	46,586	5,289	59,431
Additions	—	15,771	—	15,771
Disposals	—	(106)	—	(106)
As at December 31, 2013	7,556	62,251	5,289	75,096
Accumulated amortization				
As at January 1, 2013	(7,251)	(27,802)	(5,039)	(40,092)
Charge for the year	(5)	(6,566)	(200)	(6,771)
Disposals	—	56	—	56
As at December 31, 2013	(7,256)	(34,312)	(5,239)	(46,807)
Carrying amount				
As at December 31, 2013	300	27,939	50	28,289

The Company

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2014	7,556	62,251	5,289	75,096
Additions	—	31,182	—	31,182
Transform in	2,033	13,907	—	15,940
Disposals	—	(825)	—	(825)
As at December 31, 2014	9,589	106,515	5,289	121,393
Accumulated amortization				
As at January 1, 2014	(7,256)	(34,312)	(5,239)	(46,807)
Charge for the year	—	(11,484)	(50)	(11,534)
Transform in	(2,033)	(8,188)	—	(10,221)
Disposals	—	232	—	232
As at December 31, 2014	(9,289)	(53,752)	(5,289)	(68,330)
Carrying amount				
As at December 31, 2014	300	52,763	—	53,063

	Trading rights	Software	Others	Total
Cost				
As at January 1, 2015	9,589	106,515	5,289	121,393
Additions	—	1,230	—	1,230
Disposals	—	(22)	—	(22)
As at March 31, 2015	9,589	107,723	5,289	122,601
Accumulated amortization				
As at January 1, 2015	(9,289)	(53,752)	(5,289)	(68,330)
Charge for the period	—	(3,997)	—	(3,997)
Disposals	—	20	—	20
As at March 31, 2015	(9,289)	(57,729)	(5,289)	(72,307)
Carrying amount				
As at March 31, 2015	300	49,994	—	50,294

22 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Unlisted shares, at cost	399,804	699,804	699,804	699,804
Total	399,804	699,804	699,804	699,804

The following list contains the particulars of all subsidiaries.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held by the Company as at December 31, 2012	2013	2014	As at March 31, 2015	Principal activity
Hengtai Changcai Securities Co., Ltd. 恒泰長財證券有限責任公司[1] ("Hengtai Changcai")	Changchun, PRC June, 2009	200,000	100%	100%	100%	100%	Securities brokerage business
Hengtai Futures brokage. Co., Ltd. 恒泰期貨有限公司[1,2] ("Hengtai Futures")	Shanghai, PRC November, 2009	100,000	100%	100%	100%	100%	Futures brokerage business
Hengtai Pioneer Investments Co., Ltd. 恒泰先鋒投資有限公司[1] ("Hengtai Pioneer")	Shanghai, PRC January 2013	100,000	n/a	100%	100%	100%	Investment, advisory and business management
Hengtai Capital Investment Co., Ltd. 恒泰資本投資有限責任公司[1] ("Hengtai Capital")	Shenzhen, PRC June 2013	200,000	n/a	100%	100%	100%	Equity investment, and funds management
Shanghai Yingwo Investment Management Co.,Ltd. 上海盈沃投資管理有限公司[1] ("Shanghai Yingwo")	Shanghai,PRC July 2013	10,000	n/a	100%	100%	100%	Investment advisory and business management
Hengtai Capital Equity Investment Fund Management Co., Ltd. 深圳恒泰資本股權投資基金管理有限責任公司[1] ("Hengtai Capital Equity")	Shenzhen, PRC September 2013	10,000	n/a	100%	100%	100%	Equity investment, and funds management

Note:

1 The English translation of the names is for reference only. The official names of these entities are in Chinese.

2. On September 16, 2015, Hengtai Futures was converted into a joint stock company with limited liability (恒泰期貨股份有限公司), which was held by the Company and Hengtai Capital as to 80% and 20%, respectively.

Apart from the above subsidiaries, the Company has consolidated structured entities which are controlled by the Company.

23 INTEREST IN ASSOCIATES

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Share of net assets	—	153,533	169,300	176,818

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Share of net assets	—	139,873	155,629	163,154

The following list contains all associates which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest as at December 31, 2013, 2014 and March 31,2015			
Name of Associate	Place of incorperation and business	Paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
New China Fund Management Co., Ltd. 新華基金管理有限公司[1] ("New China Fund")	Shanghai, PRC	RMB160 million	43.75%	43.75%	—	Funds investment
Beijing Pioneer Movie Venture Investment Management Centre (Limited Partnership) 北京先鋒創影投資管理中心(有限合伙)[1] ("Pioneer Movie")	Beijing, PRC	RMB43 million	32.56%	—	32.56%	Private Entity investment

Note:

1 The English translation of the names is for reference only. The official names of these entities are in Chinese.

Summarised financial information of the Group's associates, and reconciled to the carrying amounts in the consolidated financial information, are disclosed below:

New China Fund

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Gross amounts of the associates				
Total assets	—	188,848	258,327	312,980
Total liabilities	—	32,470	65,935	103,390
Net assets	—	156,378	192,392	209,590
Total revenue	—	178,277	255,581	111,872
Profit for the year/period	—	1,627	34,609	17,033
Other comprehensive income	—	2,551	1,405	165
Total comprehensive income	—	4,178	36,014	17,198
Dividend received from the associate	—	—	—	—
Reconciled to the Group's interest in the associate				
Net assets of the associate	—	156,378	192,392	209,590
The Group's effective interest	—	43.75%	43.75%	43.75%
The Group's share of net assets of the associate	—	68,415	84,171	91,696
Other adjustment	—	71,458	71,458	71,458
Carrying amount in the consolidated financial information	—	139,873	155,629	163,154

Pioneer Movie

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Gross amounts of the associates				
Total assets	—	41,954	41,987	41,967
Total liabilities	—	—	—	—
Net assets	—	41,954	41,987	41,967
Total revenue	—	—	—	—
Profit for the year/period	—	(1,044)	33	(20)
Other comprehensive income	—	—	—	—
Total comprehensive income	—	(1,044)	33	(20)
Dividend received from the associate	—	—	—	—
Reconciled to the Group's interest in the associate				
Net assets of the associate	—	41,954	41,987	41,967
The Group's effective interest	—	32.56%	32.56%	32.56%
The Group's share of net assets of the associate	—	13,660	13,671	13,664
Carrying amount in the consolidated financial information	—	13,660	13,671	13,664

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
At fair value:				
- Equity securities	—	—	134,050	270,450
- Asset management schemes	91,408	145,042	82,605	130,407
- Trust schemes	—	—	51,503	152,660
Total	91,408	145,042	268,158	553,517
Analysed into:				
Unlisted	91,408	145,042	268,158	553,517
Total	91,408	145,042	268,158	553,517

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
At fair value:				
- Equity securities	912,024	575,520	629,386	512,028
- Debt securities	1,038,717	772,783	684,535	636,110
- Asset management schemes	—	39,112	168,006	302,669
- Wealth management products	—	—	3,000	—
- Trust schemes	—	—	1,000	1,000
Total	1,950,741	1,387,415	1,485,927	1,451,807
Analysed into:				
Listed outside Hong Kong	1,228,778	887,543	1,002,844	1,053,078
Unlisted	721,963	499,872	483,083	398,729
Total	1,950,741	1,387,415	1,485,927	1,451,807

The Company

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
At fair value:				
- Unlisted assets management schemes	91,408	145,042	224,498	180,975

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
At fair value:				
- Equity securities	912,024	575,520	629,386	512,028
- Debt securities	1,038,717	772,783	684,535	636,110
- Asset management schemes	—	39,112	382,310	660,198
Total	1,950,741	1,387,415	1,696,231	1,808,336
Analysed into:				
Listed outside Hong Kong	1,228,778	887,543	948,961	987,104
Unlisted	721,963	499,872	747,270	821,232
Total	1,950,741	1,387,415	1,696,231	1,808,336

As at December 31, 2012, 2013 and 2014, the equity securities with lock-up periods held by the Group and Company are RMB60,423 thousand, RMB78,000 thousand and RMB127,146 thousand respectively.

As at March 31, 2015, the Group and Company do not held any equity securities with lock-up periods.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

25 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

The Group

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Equity securities	—	—	174,000	174,000
Less: Impairment	—	—	(870)	(870)
Subtotal	—	—	173,130	173,130

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Debt securities	—	28,200	203,300	42,100
Equity securities	—	—	294,400	186,962
Less: Impairment	—	—	(1,375)	(935)
Subtotal	—	28,200	496,325	228,127
Total	—	28,200	669,455	401,257

The Company

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Equity securities	—	—	174,000	174,000
Less: Impairment	—	—	(870)	(870)
Subtotal	—	—	173,130	173,130

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Debt securities	—	—	156,000	—
Equity securities	—	—	275,000	186,962
Less: Impairment	—	—	(1,375)	(935)
Subtotal	—	—	429,625	186,027
Total	—	—	602,755	359,157

(b) **Analysed by market:**

The Group

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Shenzhen stock exchange	—	—	174,000	174,000
Less: Impairment	—	—	(870)	(870)
Subtotal	—	—	173,130	173,130

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Inter-bank market	—	—	156,000	—
Shanghai stock exchange	—	28,200	197,300	202,524
Shenzhen stock exchange	—	—	125,000	26,538
Others	—	—	19,400	—
Less: Impairment	—	—	(1,375)	(935)
Subtotal	—	28,200	496,325	228,127
Total	—	28,200	669,455	401,257

The Company

Non-current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Shenzhen stock exchange	—	—	174,000	174,000
Less: Impairment	—	—	(870)	(870)
Subtotal	—	—	173,130	173,130

Current

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Inter-bank market	—	—	156,000	—
Shanghai stock exchange	—	—	150,000	160,424
Shenzhen stock exchange	—	—	125,000	26,538
Less: Impairment	—	—	(1,375)	(935)
Subtotal	—	—	429,625	186,027
Total	—	—	602,755	359,157

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the Group did not hold any collaterals under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions.

26 REFUNDABLE DEPOSITS

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Deposits with stock exchanges				
- China Securities Depository and Clearing Corporation Limited Shanghai Branch	6,635	20,456	21,614	39,819
- China Securities Depository and Clearing Corporation Limited Shenzhen Branch	51,578	11,860	15,874	20,444
- China Securities Depository and Clearing Corporation Limited Beijing Branch	—	—	828	828
	58,213	32,316	38,316	61,091
Deposits with futures and commodity exchanges				
- Shanghai Futures Exchanges	69,048	29,072	27,131	19,862
- Dalian Commodity Exchanges	31,149	17,059	55,727	48,307
- Zhengzhou Commodity Exchanges	39,344	8,531	19,967	19,248
- Everbright Futures Co., Ltd	13,438	13,624	32,372	83,668
	152,979	68,286	135,197	171,085
Deposits with other institutions				
- China Securities Finance Corporation Limited	—	25,750	135,181	137,050
	—	25,750	135,181	137,050
Total	211,192	126,352	308,694	369,226

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Deposits with stock exchanges				
- China Securities Depository and Clearing Corporation Limited Shanghai Branch	3,597	17,012	21,175	39,006
- China Securities Depository and Clearing Corporation Limited Shenzhen Branch	43,531	10,410	15,649	20,158
- China Securities Depository and Clearing Corporation Limited Beijing Branch	—	—	828	828
	47,128	27,422	37,652	59,992
Deposits with futures and commodity exchanges				
- Everbright Future Co., Ltd	—	1,085	6,057	7,880
Deposits with other institutions				
- China Securities Finance Corporation Limited	—	25,750	135,181	137,050
Total	47,128	54,257	178,890	204,922

27 DEFERRED TAXATION

(a) The Group

The components of deferred tax recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial liabilities	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2012	6,844	15,284	(9,198)	—	530	247	13,707
Recognised in profit or loss	(1,459)	(5,139)	6,804	—	—	5,414	5,620
Recognised in other comprehensive income	—	—	—	—	(46,387)	—	(46,387)
As at December 31, 2012	5,385	10,145	(2,394)	—	(45,857)	5,661	(27,060)
As at January 1, 2013	5,385	10,145	(2,394)	—	(45,857)	5,661	(27,060)
Recognised in profit or loss	1,173	365	7,793	(19)	—	5,033	14,345
Recognised in other comprehensive income	—	—	—	—	21,811	—	21,811
As at December 31, 2013	6,558	10,510	5,399	(19)	(24,046)	10,694	9,096
As at January 1, 2014	6,558	10,510	5,399	(19)	(24,046)	10,694	9,096
Recognised in profit or loss	5,483	58,218	(56,464)	622	—	(45,665)	(37,806)
Recognised in other comprehensive income	—	—	—	—	(60,954)	—	(60,954)
As at December 31, 2014	12,041	68,728	(51,065)	603	(85,000)	(34,971)	(89,664)
As at January 1, 2015	12,041	68,728	(51,065)	603	(85,000)	(34,971)	(89,664)
Recognised in profit or loss	1,447	15,506	(32,453)	931	—	(23,270)	(37,839)
Recognised in other comprehensive income	—	—	—	—	8,720	—	8,720
As at March 31, 2015	13,488	84,234	(83,518)	1,534	(76,280)	(58,241)	(118,783)

(b) The Company

The components of deferred tax recognised in the Company's statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial liabilities	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2012	5,012	14,301	(9,123)	—	530	245	10,965
Recognised in profit or loss	(1,356)	(5,059)	6,981	—	—	1,605	2,171
Recognised in other comprehensive income	—	—	—	—	(46,387)	—	(46,387)
As at December 31, 2012	3,656	9,242	(2,142)	—	(45,857)	1,850	(33,251)
As at January 1, 2013	3,656	9,242	(2,142)	—	(45,857)	1,850	(33,251)
Recognised in profit or loss	1,193	716	8,186	(19)	—	5,233	15,309
Recognised in other comprehensive income	—	—	—	—	21,811	—	21,811
As at December 31, 2013	4,849	9,958	6,044	(19)	(24,046)	7,083	3,869
As at January 1, 2014	4,849	9,958	6,044	(19)	(24,046)	7,083	3,869
Recognised in profit or loss	7,011	58,360	(57,060)	622	—	1,701	10,634
Recognised in other comprehensive income	—	—	—	—	(106,820)	—	(106,820)
As at December 31, 2014	11,860	68,318	(51,016)	603	(130,866)	8,784	(92,317)
As at January 1, 2015	11,860	68,318	(51,016)	603	(130,866)	8,784	(92,317)
Recognised in profit or loss	1,446	15,488	(32,109)	931	—	(2,028)	(16,272)
Recognised in other comprehensive income	—	—	—	—	(11,461)	—	(11,461)
As at March 31, 2015	13,306	83,806	(83,125)	1,534	(142,327)	6,756	(120,050)

(c) Reconciliation to the statements of financial position

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Net deferred tax assets recognised in the consolidated statements of financial position	6,443	9,096	2,726	2,043
Net deferred tax liabilities recognised in the consolidated statements of financial position	(33,503)	—	(92,390)	(120,826)
Total	(27,060)	9,096	(89,664)	(118,783)

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Net deferred tax assets recognised in the statements of financial position	—	3,869	—	—
Net deferred tax liabilities recognised in the statements of financial position	(33,251)	—	(92,317)	(120,050)
Total	(33,251)	3,869	(92,317)	(120,050)

(d) Deferred tax assets not recognised

The Group has no material unrecognized deferred tax assets or liabilities as at March 31, 2015, December 31, 2012, 2013 and 2014.

28 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Leasehold improvements and long-term deferred expenses	42,876	45,005	35,195	30,538
Long-term accounts receivable	1,400	1,400	6,400	6,400
	44,276	46,405	41,595	36,938

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Leasehold improvements and long-term deferred expenses	26,676	29,999	32,277	27,862

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

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
As at January 1	38,932	42,876	45,005	35,195
Additions	18,318	17,938	8,101	474
Amortization	(14,374)	(15,809)	(17,911)	(5,131)
As at December 31/March 31	42,876	45,005	35,195	30,538

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
As at January 1	26,644	26,676	29,999	32,277
Additions	10,385	14,037	19,236	472
Amortization	(10,353)	(10,714)	(16,958)	(4,887)
As at December 31 /March 31	26,676	29,999	32,277	27,862

29 MARGIN ACCOUNTS RECEIVABLES

(a) Analysed by nature:

The Group and the Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Individuals	99,222	1,255,034	5,087,106	6,384,855
Institutions	—	16,251	32,407	30,877
Less: impairment	(496)	(6,356)	(25,942)	(32,505)
Total	98,726	1,264,929	5,093,571	6,383,227

(b) Analysed by fair value of collaterals:

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

The Group and the Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Fair value of collaterals:				
- Equity securities	371,440	2,918,486	11,765,741	17,197,603
- Cash	9,379	62,404	539,812	1,016,110
Total	380,819	2,980,890	12,305,553	18,213,713

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

30 OTHER CURRENT ASSETS

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Fee and commission receivable *(note a)*	2,960	22,858	8,363	28,177
Interest receivable *(note b)*	65,350	64,193	133,342	156,808
Deferred expenses	3,576	4,073	12,569	7,389
Other receivables	26,813	44,056	97,814	93,949
Total	98,699	135,180	252,088	286,323

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Fee and commission receivable *(note a)*	2,960	22,858	7,691	30,385
Interest receivable *(note b)*	60,756	59,056	106,718	131,689
Deferred expenses	—	—	11,459	6,824
Other receivables	8,924	40,749	142,807	464,997
Total	72,640	122,663	268,675	633,895

(a) Fee and commission receivable

As at the end of the reporting period, the aging analysis of fee and commission receivable, based on the invoice date, is as follows:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Within 1 year	2,960	22,858	8,363	28,177
Total	2,960	22,858	8,363	28,177

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Within 1 year	2,960	22,858	7,691	30,385
Total	2,960	22,858	7,691	30,385

(b) Interest receivable

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Available-for-sale financial assets	36,299	29,583	26,400	13,498
Financial assets at fair value through profit or loss	24,457	16,893	74,394	91,736
Margin financing and securities lending	—	14,000	28,947	47,672
Bank deposits	4,594	3,712	2,278	2,979
Financial assets held under resale agreements	—	5	1,358	958
Less: Impairment	—	—	(35)	(35)
Total	65,350	64,193	133,342	156,808

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Available-for-sale financial assets	36,299	29,583	26,400	13,498
Financial assets at fair value through profit or loss	24,457	15,473	50,061	69,596
Margin financing and securities lending	—	14,000	28,947	47,672
Financial assets held under resale a greements	—	—	1,345	958
Less: Impairment	—	—	(35)	(35)
Total	60,756	59,056	106,718	131,689

31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Held for trading:				
- Debt securities	1,352,304	1,186,725	2,521,536	2,663,874
- Equity securities	77,327	152,827	565,115	1,063,723
- Funds	205,200	215,268	689,126	1,034,609
- Asset management schemes	—	5,920	30,200	31,214
Total	1,634,831	1,560,740	3,805,977	4,793,420

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Held for trading:				
- Debt securities	1,333,201	1,101,428	1,700,527	1,860,695
- Equity securities	77,327	151,026	150,620	432,123
- Funds	205,200	215,268	482,553	470,913
Total	1,615,728	1,467,722	2,333,700	2,763,731

(b) Analysed by listed:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Held for trading:				
- Listed outside Hong Kong	506,460	650,531	2,225,647	3,550,254
- Unlisted	1,128,371	910,209	1,580,330	1,243,166
Total	1,634,831	1,560,740	3,805,977	4,793,420

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Held for trading:				
- Listed outside Hong Kong	487,357	563,433	783,570	1,551,778
- Unlisted	1,128,371	904,289	1,550,130	1,211,953
Total	1,615,728	1,467,722	2,333,700	2,763,731

32 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group and the Company maintain segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group and the Company have classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position and the statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory by third-party depository institutions as per CSRC regulations.

33 CLEARING SETTLEMENT FUNDS

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Deposits with stock exchanges				
- China Securities Depository and Clearing Corporation Limited Shanghai Branch	194,518	61,967	262,312	436,702
- China Securities Depository and Clearing Corporation Limited Shenzhen Branch	125,554	25,450	111,996	259,914
- China Securities Depository and Clearing Corporation Limited Beijing Branch	—	—	1,975	9,788
Deposits with futures and commodity exchanges	27,398	19,715	38,415	45,793
Total	347,470	107,132	414,698	752,197

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Deposits with stock exchanges				
- China Securities Depository and Clearing Corporation Limited Shanghai Branch	192,419	59,899	238,875	420,313
- China Securities Depository and Clearing Corporation Limited Shenzhen Branch	125,173	25,302	111,721	259,192
- China Securities Depository and Clearing Corporation Limited Beijing Branch	—	—	1,975	9,788
Deposits with futures and commodity exchanges	—	4,007	1,786	5,058
Total	317,592	89,208	354,357	694,351

34 CASH AND BANK BALANCES

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cash on hand	126	134	112	120
Bank balances	763,166	709,313	1,445,039	1,183,474
Total	763,292	709,447	1,445,151	1,183,594

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cash on hand	87	88	82	72
Bank balances	469,487	313,006	1,000,837	735,865
Total	469,574	313,094	1,000,919	735,937

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

35 CASH AND CASH EQUIVALENTS

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Cash on hand	126	134	112	120
Bank balances with original maturity within 3 months	553,166	587,313	1,230,039	1,003,475
Clearing settlement funds	347,470	107,132	414,698	752,197
Financial assets held under resale agreements with original maturity within 3 months	—	28,200	203,300	194,687
Total	900,762	722,779	1,848,149	1,950,479

36 SHORT-TERM COMMERCIAL PAPERS ISSUED

The Group and the Company

Name	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2014	Issuance	Redemption	Book value as at December 31, 2014
14 恒泰証券 CP001 (071441001)...	26/05/2014	25/08/2014	4.90%	—	700,000	(700,000)	—
14 恒泰証券 CP002 (071441002)...	20/08/2014	19/11/2014	4.85%	—	700,000	(700,000)	—
14 恒泰証券 CP003 (071441003)...	14/11/2014	13/02/2015	4.16%	—	700,000	—	700,000
14 恒泰証券 CP004 (071441004)...	26/12/2014	27/03/2015	6.00%	—	700,000	—	700,000
Total				—	2,800,000	(1,400,000)	1,400,000

Name	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2015	Issuance	Redemption	Book value as at March 31, 2015
14 恒泰証券 CP003 (071441003)...	14/11/2014	13/02/2015	4.16%	700,000	—	(700,000)	—
14 恒泰証券 CP004 (071441004)...	26/12/2014	27/03/2015	6.00%	700,000	—	(700,000)	—
15 恒泰証券 CP001 (071541001)...	09/02/2015	12/05/2015	5.00%	—	500,000	—	500,000
15 恒泰証券 CP002 (071541002)...	23/03/2015	23/06/2015	5.15%	—	700,000	—	700,000
Total				1,400,000	1,200,000	(1,400,000)	1,200,000

As at December 31, 2012 and 2013, there was no short-term commercial paper issued.

37 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

The Group and the Company

	Note	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at March 31, 2015
Placements from China Securities Finance Co. Ltd.	(1)	—	680,000	1,335,000	1,436,000
Placements from banks	(2)	—	—	300,000	—
Total		—	680,000	1,635,000	1,436,000

(1) As at December 31, 2013 and 2014, the placements from China Securities Finance Corporation Limited bear interest at 7.1% and 5.8%-6.6% per annum respectively, with remaining maturities within 6 months. As at March 31, 2015, the placement from China Securities Finance Co. Ltd bears interest at 5.8%-6.6% per annum with remaining maturity within 3 months.

(2) As at December 31, 2014, the placements from banks are unsecured, bear interest rate at 7% per annum and are with maturities within 7 days.

38 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The Group

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at March 31, 2015
Clients' deposits for margin financing and securities lending	6,819	57,573	514,537	863,000
Clients' deposits for other brokerage business	4,290,338	3,665,059	7,040,920	9,972,534
Total	4,297,157	3,722,632	7,555,457	10,835,534

The Company

	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at March 31, 2015
Clients' deposits for margin financing and securities lending	6,819	57,573	514,537	863,000
Clients' deposits for other brokerage business	3,147,074	2,715,118	6,600,440	9,394,261
Total	3,153,893	2,772,691	7,114,977	10,257,261

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin trading and securities lending. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

39 EMPLOYEE BENEFITS PAYABLE

The Group

	As at December 31, 2012			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	61,613	237,815	(258,493)	40,935
Defined contribution plans	337	23,185	(23,379)	143
Total	61,950	261,000	(281,872)	41,078

	As at December 31, 2013			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	40,935	287,711	(286,184)	42,462
Defined contribution plans	143	24,776	(24,816)	103
Total	41,078	312,487	(311,000)	42,565

	As at December 31, 2014			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	42,462	638,602	(405,387)	275,677
Defined contribution plans	103	25,986	(25,862)	227
Total	42,565	664,588	(431,249)	275,904

	As at March 31, 2015			
	As at January 1	Accrued for the period	Payments made	As at December 31
Short-term employee benefits	275,677	162,409	(99,419)	338,667
Defined contribution plans	227	6,720	(6,217)	730
Total	275,904	169,129	(105,636)	339,397

The Company

	As at December 31, 2012			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	57,178	186,043	(206,072)	37,149
Defined contribution plans	89	16,513	(16,539)	63
Total	57,267	202,556	(222,611)	37,212

	As at December 31, 2013			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	37,149	228,018	(225,268)	39,899
Defined contribution plans	63	17,809	(17,787)	85
Total	37,212	245,827	(243,055)	39,984

	As at December 31, 2014			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	39,899	575,972	(342,304)	273,567
Defined contribution plans	85	21,803	(21,661)	227
Total	39,984	597,775	(363,965)	273,794

	As at March 31, 2015			
	As at January 1	Accrued for the period	Payments made	As at December 31
Short-term employee benefits	273,567	144,926	(82,499)	335,994
Defined contribution plans	227	5,552	(5,064)	715
Total	273,794	150,478	(87,563)	336,709

40 OTHER CURRENT LIABILITIES

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Payable to other investors of consolidated assets management schemes	—	—	1,023,265	1,498,068
Other payables	49,260	40,565	64,355	69,297
Interests payable	860	8,965	46,106	92,125
Business tax and other tax payable	12,857	9,354	34,163	26,708
Total	62,977	58,884	1,167,889	1,686,198

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Other payables	19,673	28,987	43,738	114,775
Interests payable	860	8,965	46,096	92,125
Business tax and other tax payable	7,987	8,230	29,401	23,630
Total	28,520	46,182	119,235	230,530

41 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Debt securities	823,560	691,964	1,329,550	1,022,985
Rights and interests in margin financing	—	—	1,650,000	3,507,500
Total	823,560	691,964	2,979,550	4,530,485

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Debt securities	823,560	691,964	1,151,550	908,985
Rights and interests in margin financing	—	—	1,650,000	3,507,500
Total	823,560	691,964	2,801,550	4,416,485

(b) Analysed by market:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Inter-bank market	660,660	179,940	559,550	346,500
Shanghai stock exchange	162,900	497,300	730,000	652,700
Shenzhen stock exchange	—	14,724	40,000	23,785
Bank and other financial institutions	—	—	1,650,000	3,507,500
Total	823,560	691,964	2,979,550	4,530,485

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Inter-bank market	660,660	179,940	559,550	346,500
Shanghai stock exchange	162,900	497,300	552,000	538,700
Shenzhen stock exchange	—	14,724	40,000	23,785
Bank and other financial institutions	—	—	1,650,000	3,507,500
Total	823,560	691,964	2,801,550	4,416,485

(c) Analysed by transaction type:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Pledged	720,000	691,964	2,979,550	4,530,485
Sold	103,560	—	—	—
Total	823,560	691,964	2,979,550	4,530,485

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Pledged	720,000	691,964	2,801,550	4,416,485
Sold	103,560	—	—	—
Total	823,560	691,964	2,801,550	4,416,485

(d) Analysed by collateral:

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the carrying amount of the financial assets at fair value through profit or loss, available-for-sale financial assets and margin accounts receivables that had been placed as financial assets sold under repurchase agreements of the Group and the Company were listed as below:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Financial assets at fair value through profit or loss	292,156	444,602	1,215,654	606,613
Available-for-sale financial assets	561,176	311,222	234,028	505,505
Margin accounts receivables	—	—	1,951,145	4,214,464
Total	853,332	755,824	3,400,827	5,326,582

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Financial assets at fair value through profit or loss	292,156	444,602	993,154	464,113
Available-for-sale financial assets	561,176	311,222	234,028	505,505
Margin accounts receivables	—	—	1,951,145	4,214,464
Total	853,332	755,824	3,178,327	5,184,082

42 FINANCIAL LIABILITES AT FAIR VALUE THROUGH PORFIT OR LOSS

The Group and the Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Financial liabilities at fair value through profit or loss:				
- Debt securities	—	—	52,914	—

43 SUBORDINATED BONDS ISSUED

The Group and the Company

As at December 31, 2014

Name	Par value	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2014	Issuance	Book value as at December 31, 2014
14恒泰債 (123321)	1,000,000	11/11/2014	11/11/2019 (with early redemption option on 11/11/2017)	6.90%	—	1,000,000	1,000,000
14恒泰02 (123291)	300,000	16/12/2014	16/12/2019 (with early redemption option on 16/12/2017))	6.54%	—	300,000	300,000
Total							1,300,000

As at March 31, 2015

Name	Par value	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2015	Issuance	Book value as at March 31, 2015
14恒泰債 (123321) .	1,000,000	11/11/2014	11/11/2019 (with early redemption option on 11/11/2017)	6.90%	1,000,000		1,000,000
14恒泰02 (123291) .	300,000	16/12/2014	16/12/2019 (with early redemption option on 16/12/2017)	6.54%	300,000	—	300,000
14恒泰03 (123262) .	200,000	30/01/2015	30/01/2020 (with early redemption option on 30/01/2018)	6.70%	—	200,000	200,000
Total...........							1,500,000

As approved by CSRC, the Company issued 5-year subordinated bonds with a nominal value of RMB1 billion on November 11, 2014, RMB300 million on December 16, 2014 and RMB200 million on January 30, 2015, respectively. These subordinated bonds were listed at Shanghai Stock Exchange.

44 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each of the Relevant Periods are set out below:

	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*			
As at January 1, 2012	2,194,707	813,953	136,553	202,819	190,613	(1,589)	—	552,764	4,089,820
Change in equity for 2012									
Profit for the year	—	—	—	—	—	—	—	122,789	122,789
Other comprehensive income	—	—	—	—	—	139,161	—	—	139,161
Total comprehensive income	—	—	—	—	—	139,161	—	122,789	261,950
Appropriation to surplus reserve	—	—	12,279	—	—	—	—	(12,279)	—
Appropriation to general risk reserve	—	—	—	12,279	—	—	—	(12,279)	—
Appropriation to transaction risk reserve	—	—	—	—	12,279	—	—	(12,279)	—
Dividends declared during the year *(Note 47)*.	—	—	—	—	—	—	—	(43,894)	(43,894)
As at December 31, 2012	2,194,707	813,953	148,832	215,098	202,892	137,572	—	594,822	4,307,876
As at January 1, 2013	2,194,707	813,953	148,832	215,098	202,892	137,572	—	594,822	4,307,876
Change in equity for 2013									
Profit for the year	—	—	—	—	—	—	—	394,511	394,511
Other comprehensive income	—	—	—	—	—	(65,432)	(48)	—	(65,480)
Total comprehensive income	—	—	—	—	—	(65,432)	(48)	394,511	329,031
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	39,451	—	—	—	—	(39,451)	—
Appropriation to general risk reserve	—	—	—	39,451	—	—	—	(39,451)	—
Appropriation to transaction risk reserve	—	—	—	—	39,451	—	—	(39,451)	—
Dividends declared during the year *(Note 47)*.	—	—	—	—	—	—	—	(43,894)	(43,894)
As at December 31, 2013	2,194,707	813,953	188,283	254,549	242,343	72,140	(48)	827,086	4,593,013
As at January 1, 2014	2,194,707	813,953	188,283	254,549	242,343	72,140	(48)	827,086	4,593,013

	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total
	(Note 45)	*(Note 46(a))*	*(Note 46(b))*	*(Note 46(c))*	*(Note 46(d))*	*(Note 46(e))*			
Change in equity for 2014									
Profit for the year	—	—	—	—	—	—	—	549,066	549,066
Other comprehensive income	—	—	—	—	—	320,459	615	—	321,074
Total comprehensive income	—	—	—	—	—	320,459	615	549,066	870,140
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	55,100	—	—	—	—	(55,100)	—
Appropriation to general risk reserve	—	—	—	55,100	—	—	—	(55,100)	—
Appropriation to transaction risk reserve	—	—	—	—	55,100	—	—	(55,100)	—
Dividends declared during the year *(Note 47)*.	—	—	—	—	—	—	—	(219,471)	(219,471)
As at December 31, 2014	2,194,707	813,953	243,383	309,649	297,443	392,599	567	991,381	5,243,682
As at January 1, 2014	2,194,707	813,953	188,283	254,549	242,343	72,140	(48)	827,086	4,593,013
Change in equity for the period									
Profit for the year	—	—	—	—	—	—	—	97,842	97,842
Other comprehensive income	—	—	—	—	—	(71,059)	328	—	(70,731)
Total comprehensive income	—	—	—	—	—	(71,059)	328	97,842	27,111
As at March 31, 2014 (unaudited)	2,194,707	813,953	188,283	254,549	242,343	1,081	280	924,928	4,620,124
As at January 1, 2015	2,194,707	813,953	243,383	309,649	297,443	392,599	567	991,381	5,243,682
Change in equity for 2015									
Profit for the period	—	—	—	—	—	—	—	381,261	381,261
Other comprehensive income	—	—	—	—	—	34,383	71	—	34,454
Total comprehensive income	—	—	—	—	—	34,383	71	381,261	415,715
As at March 31, 2015	2,194,707	813,953	243,383	309,649	297,443	426,982	638	1,372,642	5,659,397

45 SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Number of shares registered, issued and fully paid (at RMB1 per share)	2,194,707	2,194,707	2,194,707	2,194,707

46 RESERVES

(a) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

(b) Surplus reserve

Under relevant PRC Laws, the Company and the Company's subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(c) General risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on December 18, 2007, the Company and its subsidiary, Hengtai Changcai appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(d) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on December 18, 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai appropriate 10% from its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

(e) Investment revaluation reserve

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
As at January 1	(1,589)	137,572	72,140	255,001
Change in fair value recognised in other comprehensive income	205,788	136,645	343,216	52,860
Less: deferred income tax	(51,447)	(34,161)	(85,804)	(13,215)
Transfer to profit or loss upon disposal	(20,240)	(223,888)	(99,401)	(87,741)
Less: deferred income tax	5,060	55,972	24,850	21,935
As at December 31/March 31	137,572	72,140	255,001	228,840

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
As at January 1	(1,589)	137,572	72,140	392,599
Change in fair value recognised in other comprehensive income	205,788	136,645	526,680	133,580
Less: deferred income tax	(51,447)	(34,161)	(131,670)	(33,395)
Transfer to profit or loss upon disposal	(20,240)	(223,888)	(99,401)	(87,736)
Less: deferred income tax	5,060	55,972	24,850	21,934
As at December 31/March 31	137,572	72,140	392,599	426,982

(f) Distributable profits

The Company's distributable profits for equity shareholders of the Company are based on the retained profits of the Company as determined under PRC GAAP and IFRS, whichever is lower.

47 PROFIT DISTRIBUTION

(a) Profit appropriation other than dividends declared during the track periods

The Group:

	For the year ended December 31,			For the three months ended March 31,
	2012	2013	2014	2015
Appropriations to				
Statutory surplus reserve	12,279	39,451	55,100	—
General risk reserve	12,279	40,005	55,229	—
Transaction risk reserve	12,279	40,005	55,229	—
As at December 31 /March 31	36,837	119,461	165,558	—

The Company:

	For the year ended December 31,			For the three months ended March 31,
	2012	2013	2014	2015
Appropriations to				
Statutory surplus reserve	12,279	39,451	55,100	—
General risk reserve	12,279	39,451	55,100	—
Transaction risk reserve	12,279	39,451	55,100	—
As at December 31 /March 31	36,837	118,353	165,300	—

(b) Dividend distribution during the track period

(1) In accordance with the resolution of the Company's 2011 Annual General Meeting held on April 26, 2012, the Company declared cash dividends for the year 2011 of RMB 0.2 per ten shares before tax and in aggregation of RMB 43,894 thousands.

(2) In accordance with the resolution of the Company's 2012 Annual General Meeting held on 10 April, 2013, the Company declared cash dividends for the year 2012 of RMB 0.2 per ten shares before tax and in aggregation of RMB 43,894 thousands.

(3) In accordance with the resolution of the Company's 2013 Annual General Meeting held on 22 April, 2014, the Company declared cash dividends for the year 2013 of RMB 1.00 per ten shares before tax and in aggregation of RMB219,471 thousands.

48 TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

(1) Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling, for which the customers provide the Group with collaterals that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized.

The Group and the Company

	As at December 31,						As at March 31,	
	2012		2013		2014		2015	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	100,896	103,560	—	—	—	—	—	—
Securities lending	4,652	—	635	—	43,400	—	52,681	—

49 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at December 31, 2012, 2013 and 2014 and March 31, 2015 not provided for in the financial information were as follows:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Authorised, but not contracted for	223,079	177,188	247,320	242,758
Contracted, but not provided for	14,100	368,552	361,847	361,847
Total	237,179	545,740	609,167	604,605

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Authorised, but not contracted for	208,967	174,380	240,049	235,538
Contracted, but not provided for	8,970	366,852	361,847	361,847
Total	217,937	541,232	601,896	597,385

The above-mentioned capital commitments mainly represent the construction of properties of the Group and the Company, as well as the investment commitments on the subsidiaries.

(b) Operating lease commitments

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Within 1 year (inclusive)	24,467	42,772	43,300	38,781
1-2 years (inclusive)	17,277	35,526	22,706	19,609
2-3 years (inclusive)	11,819	22,812	9,937	10,314
After 3 years	19,694	18,833	11,947	9,140
Total	73,257	119,943	87,890	77,844

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Within 1 year (inclusive)	14,953	31,135	36,276	31,954
1-2 years (inclusive)	9,312	25,550	18,924	16,131
2-3 years (inclusive)	7,093	16,868	7,503	7,821
After 3 years	11,596	5,639	7,377	5,222
Total	42,954	79,192	70,080	61,128

(c) Underwriting commitments

According to the relevant tendering documents, underwriting commitments taken but not provided for by the Group at December 31, 2012, 2013 and 2014 were RMB 150,000 thousand, RMB 300,000 thousand and RMB 1,300,000 thousand, respectively. There was no underwriting commitment taken but not provided for at March 31, 2015.

50 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at December 31, 2012 and 2013, no asset management scheme is consolidated by the Group. As at December 31, 2014 and at March 31, 2015, the total assets of the consolidated asset management schemes are RMB1,595,745 thousand and RMB2,141,103 thousand, respectively, and the carrying value of interests held by the Group in the consolidated asset management schemes are RMB 379,844 thousand and RMB561,751 thousand, respectively, which are accounted for as available-for-sale financial assets.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include asset management schemes, trust schemes, wealth management products, fund products and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at December 31, 2012, 2013, 2014 and at March 31, 2015, which are listed as below:

	As at December 31, 2012		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	—	205,200	205,200
Total	—	205,200	205,200

	As at December 31, 2013		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Asset management schemes	—	5,920	5,920
Funds	—	215,268	215,268
Total	—	221,188	221,188

	As at December 31, 2014		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Asset management schemes	77,530	30,200	107,730
Trust schemes	52,503	—	52,503
Wealth management products	3,000	—	3,000
Funds	—	689,126	689,126
Asset-backed securities products	—	160,785	160,785
Total	133,033	880,111	1,013,144

	As at March 31, 2015		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Asset management schemes	252,470	31,214	283,684
Trust schemes	153,660	—	153,660
Funds	—	1,034,609	1,034,609
Asset-backed securities products	—	139,183	139,183
Total	406,130	1,205,006	1,611,136

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 50 (a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at December 31, 2012, 2013, 2014 and at March 31, 2015, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB14,804,463 thousand, RMB25,056,741 thousand, RMB11,628,651 thousand and RMB14,078,729 thousand, respectively.

The carrying amount of the investments held by the Group in these unconsolidated structured entities as at December 31, 2012, 2013, 2014 and as at March 31, 2015 amounted to RMB 91,407 thousand, RMB 184,154 thousand, RMB 173,081 thousand and RMB 180,605 thousand, respectively.

The fees receivables held by the Group in these unconsolidated structured entities as at December 31, 2012, 2013, 2014 and as at March 31, 2015 amounted to RMB 2,371 thousand, RMB 20,362 thousand, RMB5,420 thousand and RMB6,822 thousand, respectively.

51 CONTINGENCIES

Contingent liability in respect of legal claim

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings which the Group and the Company expect would have significant adverse impact on their financial position and operating results, should unfavourable rulings have been handed down.

52 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) ***Major shareholders***

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Baotou Huazi Industry Co., Ltd	14.03%	14.03%	14.03%	14.03%
Beijing Qingyun Intercontinental Technology Co., Ltd.	9.38%	10.34%	10.34%	10.34%
Beijing Financial Street, Xihuan Properties Co., Ltd.	10.25%	10.25%	10.25%	10.25%
Beijing Huijin Jiaye Investment Ltd.	4.33%	9.39%	9.39%	9.39%
Beijing Financial Street Investment (Group) Co., Ltd	8.02%	8.02%	8.02%	8.02%
Beijing Huarong Infrastructure Investment Co.,Ltd.	7.52%	7.52%	7.52%	7.52%
Beijing Hongzhi Hui Industrial Co., Ltd. ..	7.02%	7.02%	7.02%	7.02%
Shenzhen Huifa Investment Co., Ltd.	7.02%	7.02%	7.02%	7.02%
Zhongchang Hengyuan Holding Co., Ltd	3.42%	3.42%	3.42%	3.42%
Shanghai Yida Technology Investment Co., Ltd	2.77%	2.77%	2.77%	2.77%

(ii) ***Subsidiaries of the Company***

The detailed information of the Company's subsidiaries is set out in Note 22.

(iii) ***Associates of the Company***

The detailed information of the Company's associates is set out in Note 23.

(iv) ***Other related parties***

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related parties transactions and balances

(i) ***Transactions between the Group and major shareholders:***

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Accounts payable to brokerage clients ...	435	338	49,644	6,713

	Year ended December 31,			Period ended March 31,
	2012	2013	2014	2015
Transaction during the year/period:				
Fee and commission income	392	296	642	118
Interest expenses	37	7	58	19
Rental expenses	—	5,587	7,507	2,181
Other operating expenses	—	494	564	159
Purchases	—	152,550	—	—

(ii) ***Transactions between the Group and associates:***

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Financial assets at fair value through profit or loss	200,218	137,593	359,507	370,094
Available-for-sale financial assets	—	—	53,883	65,973
Accounts receivable	—	—	—	1,765

	Year ended December 31,			Period ended March 31,
	2012	2013	2014	2015
Transaction during the year/period:				
Investment in financial assets at fair value through profit or loss	200,000	220,000	744,673	895
Investment in available-for-sale financial assets	—	—	50,000	—
Disposal of financial assets at fair value through profit or loss	—	251,018	548,514	5,174
Fee and commission income	—	10,181	38,759	12,733
Gain from disposal of financial assets at fair value through profit or loss	—	1,000	(70,289)	—
Dividend income and interest income from financial assets at fair value through profit or loss	18	34,928	38,940	—

(iii) ***Transactions between the Company and subsidiaries***

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Balances at the end of the year/period:				
Available-for-sale financial assets	—	—	379,844	561,751
Other receivables and prepayments	—	2	80,268	393,001
Clearing settlement funds.......................	—	4,007	1,786	5,058
Refundable deposits...............................	—	1,085	6,057	7,880
Accounts payable to brokerage clients ...	12,728	95,528	127	4,428
Other current liabilities	—	—	—	70,000

	Year ended December 31,			Period ended March 31,
	2012	2013	2014	2015
Transaction during the year/period:				
Net investment gains	—	1	5	3
Fee and commission income	—	84	32	9
Interest income	—	—	485	2,094
Other operating expenses	—	—	1,130	283
Interest expenses...................................	—	1,913	7,158	44

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 15 and certain of the five highest paid individuals as disclosed in Note 16, is as follows:

	Year ended December 31,			Period ended March 31,
	2012	2013	2014	2015
Short-term employee benefits				
- Fees, salaries, allowances and bonuses	10,355	21,549	105,039	26,302
Post-employment benefits				
- Contribution to pension scheme	346	422	507	129
Total...	10,701	21,971	105,546	26,431

Total remuneration is included in "staff costs" (see Note 10).

53 SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

— Brokerage and wealth mangement segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products, margin financing and securities lending, securities-backed lending;

— Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as New Over-the-Counter Board-related services to institutional clients; Also, as chief agency broker, provides services to companies entering into NEEQ for share quotation and transfer;

— Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;

— Investment management segment includes businesses on asset management, private equity investment and alternative investment;

— Other segment mainly represents other operations of head office, including investment in associates, as well as interest income and interest expense arising from general working capital.

The Company and its subsidiaries mainly operate in the mainland China The Group's operating assets are substantially situated in the mainland China. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

Business segments

For the year ended December 31, 2012

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
— External	522,209	79,529	223,223	40,119	2,609	867,689
—Inter-segment	—	—	—	—	—	—
Other income and gains	2,649	136	417	—	3,144	6,346
Segment revenue and other income	524,858	79,665	223,640	40,119	5,753	874,035
Segment expenses	(461,059)	(93,583)	(69,344)	(28,945)	(69,498)	(722,429)
Segment operating profit/(loss)	63,799	(13,918)	154,296	11,174	(63,745)	151,606
Share of profits of associates	—	—	—	—	—	—
Profit/(loss) before income tax	63,799	(13,918)	154,296	11,174	(63,745)	151,606
Other segment information:						
Interest income	103,146	32	7,106	—	—	110,284
Interest expenses	(17,573)	—	(41,174)	—	(22)	(58,769)
Depreciation and amortization	(48,334)	(533)	(111)	(199)	(6,393)	(55,570)
Impairment losses	(506)	—	—	—	(229)	(735)
Capital expenditure	49,897	65	361	806	11,116	62,245
Segment assets	5,452,234	5,015	3,596,971	133,535	439,092	9,626,847
Deferred tax assets						6,443
Total assets						9,633,290
Segment liabilities	4,311,005	1,330	829,400	612	90,274	5,232,621
Deferred tax liabilities						33,503
Total liabilities						5,266,124

For the year ended December 31, 2013

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
— External	766,360	85,172	433,384	115,316	229	1,400,461
— Inter-segment	83	980	1	846	(1,910)	—
Other income and gains	2,138	194	519	—	18,888	21,739
Segment revenue and other income	768,581	86,346	433,904	116,162	17,207	1,422,200
Segment expenses	(538,493)	(89,436)	(86,234)	(72,123)	(111,419)	(897,705)
Segment operating profit/(loss)	230,088	(3,090)	347,670	44,039	(94,212)	524,495
Share of profits of associates	—	—	—	(340)	(79)	(419)
Profit/(loss) before income tax	230,088	(3,090)	347,670	43,699	(94,291)	524,076
Other segment information:						
Interest income	158,366	1,601	9,182	2,917	—	172,066
Interest expenses	(32,288)	—	(19,168)	(114)	—	(51,570)
Depreciation and amortization	(49,388)	(518)	(214)	(473)	(5,688)	(56,281)
Impairment losses	(5,861)	—	—	—	1,082	(4,779)
Capital expenditure	18,057	2,906	605	3,502	185,468	210,538
Segment assets	6,283,587	90,901	2,929,041	334,161	233,347	9,871,037
Deferred tax assets						9,096
Total assets						9,880,133
Segment (Total) liabilities	4,435,738	3,920	700,182	1,769	81,637	5,223,246

For the year ended December 31, 2014

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
— External	1,161,116	137,715	584,679	353,547	11,052	2,248,109
— Inter-segment	(1,093)	8,536	(4,865)	4,069	(6,647)	—
Other income and gains	(540)	3,552	—	—	18,332	21,344
Segment revenue and other income	1,159,483	149,803	579,814	357,616	22,737	2,269,453
Segment expenses	(783,530)	(102,579)	(165,390)	(140,566)	(255,206)	(1,447,271)
Segment operating profit/(loss)	375,953	47,224	414,424	217,050	(232,469)	822,182
Share of profits of associates	—	—	—	11	15,141	15,152
Profit/(loss) before income tax	375,953	47,224	414,424	217,061	(217,328)	837,334
Other segment information:						
Interest income	308,582	11,747	18,361	2,341	—	341,031
Interest expenses	(111,999)	—	(58,787)	(25,896)	(6,617)	(203,299)
Depreciation and amortization	(47,791)	(2,706)	(307)	(1,722)	(5,741)	(58,267)
Impairment losses	(21,966)	—	—	—	—	(21,966)
Capital expenditure	20,345	1,866	97	1,279	33,937	57,524
Segment assets	15,084,757	327,138	3,958,798	1,999,189	444,910	21,814,792
Deferred tax assets						2,726
Total assets						21,817,518
Segment liabilities	10,040,156	88,754	3,607,096	1,258,551	1,455,574	16,450,131
Deferred tax liabilities						92,390
Total liabilities						16,542,521

For the period ended March 31, 2014 (unaudited)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
— External	202,660	17,933	145,246	15,628	1,566	383,033
— Inter-segment	(7)	—	—	7	—	—
Other income and gains	190	2,023	—	—	112	2,325
Segment revenue and other income	202,843	19,956	145,246	15,635	1,678	385,358
Segment expenses	(127,930)	(16,834)	(19,100)	(6,032)	(95,147)	(265,043)
Segment operating profit/(loss)	74,913	3,122	126,146	9,603	(93,469)	120,315
Share of profits of associates	—	—	—	(3)	1,440	1,437
Profit/(loss) before income tax	74,913	3,122	126,146	9,600	(92,029)	121,752
Other segment information:						
Interest income	59,127	1,242	405	160	—	60,934
Interest expenses	(16,468)	—	(8,377)	(81)	—	(24,926)
Depreciation and amortization	(12,605)	(152)	(66)	(269)	(1,421)	(14,513)
Impairment losses	(2,167)	—	—	—	70	(2,097)
Capital expenditure	1,317	3,003	—	1,200	9,700	15,220

For the period ended March 31, 2015

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
— External	610,142	70,624	268,173	154,580	1,705	1,105,224
— Inter-segment	12	—	(3)	(7)	(2)	—
Other income and gains	84	68	—	—	1,560	1,712
Segment revenue and other income	610,238	70,692	268,170	154,573	3,263	1,106,936
Segment expenses	(285,966)	(30,127)	(36,042)	(49,839)	(102,192)	(504,166)
Segment operating profit/(loss)	324,272	40,565	232,128	104,734	(98,929)	602,770
Share of profits of associates	—	—	—	(6)	7,452	7,446
Profit/(loss) before income tax	324,272	40,565	232,128	104,728	(91,477)	610,216
Other segment information:						
Interest income	178,463	3,059	267	1,039	250	183,078
Interest expenses	(89,537)	—	(23,067)	(25,668)	(6,374)	(144,646)
Depreciation and amortization	(12,879)	(692)	(59)	(362)	(1,598)	(15,590)
Impairment losses	(6,120)	—	—	—	302	(5,818)
Capital expenditure	425	52	—	—	4,661	5,138
Segment assets	18,498,557	362,838	4,123,186	2,710,381	1,786,066	27,481,028
Deferred tax assets						2,043
Total assets						27,483,071
Segment liabilities	17,168,874	16,185	1,843,912	1,664,027	946,921	21,639,919
Deferred tax liabilities						120,826
Total liabilities						21,760,745

54 FINANCIAL INSTUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; and (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

(i) *Maximum exposure to credit risk of the Group and the Company without taking account of any collateral and other credit enhancements:*

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Refundable deposits	211,192	126,352	308,694	369,226
Other current asset	97,046	133,258	188,580	256,926
Margin accounts receivables	98,726	1,264,929	5,093,571	6,383,227
Available-for-sale financial assets	1,043,369	772,783	684,535	636,110
Financial assets at fair value through profit or loss	1,352,304	1,187,361	2,564,935	2,716,555
Financial assets held under resale agreements	—	28,200	669,455	401,257
Clearing settlement funds	347,470	107,132	414,698	752,197
Cash held on behalf of brokerage clients	4,115,476	3,786,179	7,438,648	10,677,460
Bank balances	763,166	709,313	1,445,039	1,183,474
Total maximum credit risk exposure	8,028,749	8,115,507	18,808,155	23,376,432

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Refundable deposits	47,128	54,257	178,890	204,922
Other current assets	71,677	121,905	206,277	605,064
Margin accounts receivables	98,726	1,264,929	5,093,571	6,383,227
Available-for-sale financial assets	1,043,369	772,783	684,535	636,110
Financial assets at fair value through profit or loss	1,333,201	1,102,063	1,743,927	1,913,376
Financial assets held under resale agreements	—	—	602,755	359,157
Clearing settlement funds	317,592	89,208	354,357	694,351
Cash held on behalf of brokerage clients	3,136,277	2,805,905	7,127,180	10,262,392
Bank balances	469,488	313,006	1,000,837	735,865
Total maximum credit risk exposure	6,517,458	6,524,056	16,992,329	21,794,464

(ii) *Risk concentrations*

The Group and the Company's major credit exposures are with counterparties domiciled in the PRC as of December 31, 2012, 2013 and 2014, and March 31, 2015.

(iii) *Credit rating analysis of financial assets*

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying value of debt securities at the end of the relevant period are categorised by rating distribution as follows:

The Group

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Rating				
- AAA	461,156	283,264	371,021	408,635
- AAA-	—	—	—	—
- From AA- to AA+	1,610,790	1,067,601	2,226,911	2,159,061
- A-1	269,307	578,845	209,701	250,120
Sub-total	2,341,253	1,929,710	2,807,633	2,817,816
Non-rating	49,768	29,798	398,438	482,168
Total	2,391,021	1,959,508	3,206,071	3,299,984

The Company

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Rating				
- AAA	461,156	283,264	268,990	288,603
- AAA-	—	—	—	—
- From AA- to AA+	1,591,687	982,304	1,507,934	1,475,914
- A-1	269,307	578,845	209,701	250,120
Sub-total	2,322,150	1,844,413	1,986,625	2,014,637
Non-rating	49,768	29,798	398,437	482,168
Total	2,371,918	1,874,211	2,385,062	2,496,805

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	As at December 31, 2012								
Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable to brokerage clients	4,297,157	4,297,157	—	—	—	—	—	—	4,297,157
Other current liabilities	6,449	4,585	1,864	—	—	—	—	—	6,449
Financial assets sold under repurchase agreements	823,560	—	824,822	—	—	—	—	—	824,822
Total	5,127,166	4,301,742	826,686	—	—	—	—	—	5,128,428

Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
	As at December 31, 2013								
Placements from other financial institutions	680,000	—	—	—	695,636	—	—	—	695,636
Accounts payable to brokerage clients	3,722,632	3,722,632	—	—	—	—	—	—	3,722,632
Other current liabilities	14,882	4,909	1,220	—	8,753	—	—	—	14,882
Financial assets sold under repurchase agreements	691,964	—	692,912	—	—	—	—	—	692,912
Total	5,109,478	3,727,541	694,132	—	704,389	—	—	—	5,126,062

The Group

Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
	As at December 31, 2014								
Short-term commercial paper issued	1,400,000	—	—	1,413,211	—	—	—	—	1,413,211
Placements from Other financial institutions	1,635,000	—	380,834	379,299	896,623	—	—	—	1,656,756
Accounts payable to brokerage clients	7,555,457	7,555,457	—	—	—	—	—	—	7,555,457
Other current liabilities	1,088,869	4,484	18,915	11,357	427,779	626,334	—	—	1,088,869
Financial assets sold under repurchase agreements	2,979,550	—	1,330,432	202,170	1,458,545	—	—	—	2,991,147
Financial liabilities at fair value through profit or loss	52,914	—	52,914	—	—	—	—	—	52,914
Subordinated bonds issued	1,300,000	—	—	—	—	1,734,060	—	—	1,734,060
Total	16,011,790	7,559,941	1,783,095	2,006,037	2,782,947	2,360,394	—	—	16,492,414

The Group

	As at March 31, 2015								
Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term commercial paper issued	1,200,000	—	—	1,211,006	—	—	—	—	1,211,006
Placements from other financial institutions	1,436,000	—	546,177	346,366	561,868	—	—	—	1,454,411
Accounts payable to brokerage clients	10,835,534	10,835,534	—	—	—	—	—	—	10,835,534
Other current liabilities	1,560,672	3,582	31,023	12,917	852,909	660,241	—	—	1,560,672
Financial assets sold under repurchase agreements	4,530,485	—	1,034,470	11,296	3,632,639	—	—	—	4,678,405
Subordinated bonds issued	1,500,000	—	—	—	—	1,976,067	—	—	1,976,067
Total	21,062,691	10,839,116	1,611,670	1,581,585	5,047,416	2,636,308	—	—	21,716,095

The Company

	As at December 31, 2012								
Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable to brokerage clients	3,153,893	3,153,893	—	—	—	—	—	—	3,153,893
Other current liabilities	2,475	610	1,865	—	—	—	—	—	2,475
Financial assets sold under repurchase agreements	823,560	—	824,822	—	—	—	—	—	824,822
Total	3,979,928	3,154,503	826,687	—	—	—	—	—	3,981,190

	As at December 31, 2013								
Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Placements from other financial institutions	680,000	—	—	—	695,636	—	—	—	695,636
Accounts payable to brokerage clients	2,772,691	2,772,691	—	—	—	—	—	—	2,772,691
Other current liabilities	10,482	509	1,220	—	8,753	—	—	—	10,482
Financial assets sold under repurchase agreements	691,964	—	692,912	—	—	—	—	—	692,912
Total	4,155,137	2,773,200	694,132	—	704,389	—	—	—	4,171,721

The Company

	As at December 31, 2014								
Financial Liabilities	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term commercial paper issued	1,400,000	—	—	1,413,211	—	—	—	—	1,413,211
Placements from other financial institutions	1,635,000	—	380,834	379,299	896,623	—	—	—	1,656,756
Accounts payable to brokerage clients	7,114,977	7,114,977	—	—	—	—	—	—	7,114,977
Other current liabilities	52,116	4,021	5,970	11,277	20,347	10,501	—	—	52,116
Financial assets sold under repurchase agreements	2,801,550	—	1,152,376	202,170	1,458,545	—	—	—	2,813,091
Financial liabilities at fair value through profit or loss	52,914	—	52,914	—	—	—	—	—	52,914
Subordinated bonds issued	1,300,000	—	—	—	—	1,734,060	—	—	1,734,060
Total	14,356,557	7,118,998	1,592,094	2,005,957	2,375,515	1,744,561	—	—	14,837,125

The Company

	As at March 31, 2015								
Financial Liabilities	**Carrying amount**	**Repayable on demand**	**Less than 1 month**	**More than 1 month but less than 3 months**	**More than 3 months but less than 1 year**	**More than 1 year but less than 5 years**	**More than 5 years**	**Undated**	**Total**
Short-term commercial paper issued	1,200,000	—	—	1,211,006	—	—	—	—	1,211,006
Placements from other financial institutions	1,436,000	—	546,177	346,366	561,868	—	—	—	1,454,411
Accounts payable to brokerage clients	10,257,261	10,257,261	—	—	—	—	—	—	10,257,261
Other current liabilities	97,028	3,078	15,970	12,898	30,490	34,592	—	—	97,028
Financial assets sold under repurchase agreements	4,416,485	—	920,447	11,296	3,632,639	—	—	—	4,564,382
Subordinated bonds issued	1,500,000	—	—	—	—	1,976,067	—	—	1,976,067
Total	18,906,774	10,260,339	1,482,594	1,581,566	4,224,997	2,010,659	—	—	19,560,155

(c) Market risk

Market risk is the risk of loss, in respect of the Company's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Company monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

(i) *Interest rate risk of proprietary trading portfolios*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's and the Company's net profit and net other comprehensive income. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

The Group

	Sensitivity of net profit			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points.....	(22,428)	(8,648)	(32,664)	(27,651)
Decrease 100 basis points ...	23,675	8,890	34,219	28,789

	Sensitivity of net other comprehensive income			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points.....	(15,658)	(7,256)	(7,849)	(6,791)
Decrease 100 basis points ...	16,261	7,469	8,101	6,998

The Company

	Sensitivity of net profit			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points.....	(21,795)	(6,704)	(17,667)	(13,453)
Decrease 100 basis points ...	23,000	6,853	18,437	13,881

	Sensitivity of net other comprehensive income			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points.....	(15,658)	(7,256)	(7,849)	(6,791)
Decrease 100 basis points ...	16,261	7,469	8,101	6,998

(ii) ***Currency risk***

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's and the Company's currency risk primarily relates to the Group's and Company's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

The foreign currency assets and liabilities held by the Group and the Company are not material compared to the total assets and liabilities. In terms of the Group's and Company's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group and the Company consider that their currency risk is immaterial.

(iii) ***Price risk***

The Group is exposed to equity price changes arising from equity investments concluded in financial assets at fair value through profit or loss and available for sale financial instruments. Price risk the Group facing is manily the proportionate fluctuation in the Group's net profits due to the price fluatuation of the held for trading financial instruments and the proportionate fluctuation in the Group's net other comprehensive income due to the price fluctuation of these financial instruments.

The analysis below is performed to show the impact on Group's and Company's net profit and net other comprehensive income due to change in the prices of equity securities by 10% with all other variables held constant.

The Group

	Sensitivity of net profit			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Increase by 10%	21,190	28,051	97,690	159,850
Decrease by 10%	(21,190)	(28,051)	(97,690)	(159,850)

	Sensitivity of net other comprehensive income			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Increase by 10%	75,257	56,976	80,216	102,691
Decrease by 10%	(75,257)	(56,976)	(80,216)	(102,691)

The Company

	Sensitivity of net profit			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Increase by 10%	21,190	27,472	47,488	67,728
Decrease by 10%	(21,190)	(27,472)	(47,488)	(67,728)

	Sensitivity of net other comprehensive income			
	As at December 31,			As at March 31,
	2012	2013	2014	2015
Increase by 10%	75,257	56,976	92,715	101,490
Decrease by 10%	(75,257)	(56,976)	(92,715)	(101,490)

(d) Capital management

The Group's and the Company's objectives of capital management are:

(i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's and the Company's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and

(vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the Company maintained the above ratios as follows:

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Net Capital	3,557,539	3,204,613	4,073,418	4,170,382
Ratio 1	660.88%	661.27%	581.46%	494.36%
Ratio 2	82.58%	69.77%	77.68%	73.69%
Ratio 3	382.37%	216.09%	52.51%	44.64%
Ratio 4	463.02%	309.71%	67.60%	60.57%
Ratio 5	30.53%	33.40%	34.11%	43.09%
Ratio 6	71.03%	61.92%	70.61%	71.29%

Similar to the Company, certain subsidiary of the Group is also subject to capital requirements set by the CSRC, and it has complied with the capital requirements as at December 31, 2012, 2013 and 2014, and March 31, 2015.

55 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying values approximate the fair values.

(ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of short-term commercial paper issued and subordinated bonds issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Margin accounts receivables and other current assets, accounts payable to brokerage clients are within one year. Accordingly, the carrying values approximate the fair values.

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying value and fair value of short-term commercial paper issued and subordinated bonds issued which are not presented at fair value are listed as below:

The Group and the Company

Carrying value

	As at December 31,			As at March 31,
	2012	2013	2014	2015
Financial liabilities				
- Short-term commercial papers issued...	—	—	1,400,000	1,200,000
- Subordinated bonds issued	—	—	1,300,000	1,500,000
Total...	—	—	2,700,000	2,700,000

Fair value

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Financial liabilities				
- Short-term commercial papers issued...	—	1,398,366	—	1,398,366
- Subordinated bonds issued	—	1,269,899	—	1,269,899
Total...	—	2,668,265	—	2,668,265

	As at March 31, 2015			
	Level I	Level II	Level III	Total
Financial liabilities				
- Short-term commercial paper issued.....	—	1,199,450	—	1,199,450
- Subordinated bonds issued	—	1,458,870	—	1,458,870
Total...	—	2,658,320	—	2,658,320

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group and the Company's statements of financial position approximate their fair values.

(c) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The Group

	As at December 31, 2012			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	190,593	1,161,711	—	1,352,304
- Equity securities	77,327	—	—	77,327
- Funds	205,200	—	—	205,200
Available-for-sale financial assets				
- Debt securities	245,907	792,810	—	1,038,717
- Equity securities	912,024	—	—	912,024
- Asset management schemes	—	91,408	—	91,408
Total	1,631,051	2,045,929	—	3,676,980

The Group

	As at December 31, 2013			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	108,110	1,078,615	—	1,186,725
- Equity securities	152,827	—	—	152,827
- Funds	215,268	—	—	215,268
- Asset management schemes	—	5,920	—	5,920
Available-for-sale financial assets				
- Debt securities	100,020	672,763	—	772,783
- Equity securities	575,520	—	—	575,520
- Asset management schemes	—	184,154	—	184,154
Total	1,151,745	1,941,452	—	3,093,197

The Group

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	459,402	1,912,134	150,000	2,521,536
- Equity securities	565,115	—	—	565,115
- Funds	689,126	—	—	689,126
- Asset management schemes	—	—	30,200	30,200
Available-for-sale financial assets				
- Debt securities	134,345	550,190	—	684,535
- Equity securities	629,386	—	134,050	763,436
- Asset management schemes	—	248,436	2,175	250,611
- Wealth management products	—	3,000	—	3,000
- Trust schemes	—	51,503	1,000	52,503
Total	2,477,374	2,765,263	317,425	5,560,062
Liabilities				
Financial liabilities at fair value through profit or loss	—	52,914	—	52,914
Total	—	52,914	—	52,914

The Group

	As at March 31, 2015			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	188,520	2,225,354	250,000	2,663,874
- Equity securities	1,063,723	—	—	1,063,723
- Funds	1,034,609	—	—	1,034,609
- Asset management schemes	—	—	31,214	31,214
Available-for-sale financial assets				
- Debt securities	241,046	395,064	—	636,110
- Equity securities	512,028	—	270,450	782,478
- Asset management schemes	—	389,945	43,131	433,076
- Trust schemes	—	152,660	1,000	153,660
Total	3,039,926	3,163,023	595,795	6,798,744

The Company

	As at December 31, 2012			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	171,491	1,161,710	—	1,333,201
- Equity securities	77,327	—	—	77,327
- Funds	205,200	—	—	205,200
Available-for-sale financial assets				
- Debt securities	245,907	792,810	—	1,038,717
- Equity securities	912,024	—	—	912,024
- Asset management schemes	—	91,408	—	91,408
Total	1,611,949	2,045,928	—	3,657,877

The Company

	As at December 31, 2013			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	103,212	998,216	—	1,101,428
- Equity securities	151,026	—	—	151,026
- Funds	215,268	—	—	215,268
Available-for-sale financial assets				
- Debt securities	100,020	672,763	—	772,783
- Equity securities	575,520	—	—	575,520
- Asset management schemes	—	184,154	—	184,154
Total	1,145,046	1,855,133	—	3,000,179

The Company

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	170,264	1,380,263	150,000	1,700,527
- Equity securities	150,620	—	—	150,620
- Funds	482,553	—	—	482,553
Available-for-sale financial assets				
- Debt securities	134,345	550,190	—	684,535
- Equity securities	629,386	—	—	629,386
- Asset management schemes	—	532,942	73,866	606,808
Total	1,567,168	2,463,395	223,866	4,254,429
Liabilities				
Financial liabilities at fair value through profit or loss	—	52,914	—	52,914
Total	—	52,914	—	52,914

The Company

	As at March 31, 2015			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	7	1,610,688	250,000	1,860,695
- Equity securities	432,123	—	—	432,123
- Funds	470,913	—	—	470,913
Available-for-sale financial assets				
- Debt securities	241,046	395,064	—	636,110
- Equity securities	512,028	—	—	512,028
- Asset management schemes	—	725,186	115,987	841,173
Total	1,656,117	2,730,938	365,987	4,753,042

For the year ended December 31, 2012, 2013 and 2014, and three months ended March 31, 2015, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

(i) ***Financial instruments in Level I***

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statements of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I.

(ii) ***Financial instruments in Level II***

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) ***Valuation methods for specific investments***

As at December 31, 2012, 2013 and 2014, and March 31, 2015, the Company's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date, valuation techniques are used to determine the fair value.

(2) For open-end funds and collective asset management schemes, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through, convertible bonds and financial bonds, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and the over-the-counter ("OTC") market, fair values are determined using valuation techniques.

(iv) ***Financial instruments in Level III***

The Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2014	—	—	—
Gains or losses for the year	290	—	290
Changes in fair value recognised in other comprehensive income	—	135	135
Purchases	179,910	137,090	317,000
Sales and settlements	—	—	—
As at December 31, 2014	180,200	137,225	317,425
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	290	—	290

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2015	180,200	137,225	317,425
Gains or losses for the period	1,014	—	1,014
Changes in fair value recognised in other comprehensive income	—	7,554	7,554
Purchases	100,000	169,802	269,802
As at March 31, 2015	281,214	314,581	595,795
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	1,014	—	1,014

The Company

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2014	—	—	—
Gains or losses for the year	—	—	—
Changes in fair value recognised in other comprehensive income	—	21,825	21,825
Purchases	150,000	52,041	202,041
As at December 31, 2014	150,000	73,866	223,866
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	—	—

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2015	150,000	73,866	223,866
Gains or losses for the period	—	—	—
Changes in fair value recognised in other comprehensive income	—	8,719	8,719
Purchases	100,000	33,402	133,402
Sales and settlements			
As at March 31, 2015	250,000	115,987	365,987
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	—	—	—

There is no financial instrument in Level III for the year ended December 31, 2012 and 2013.

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Significant unobservable input(s)
Asset management schemes, private placements bonds, trust schemes	Level III	Discounted cash flows models	Risk adjusted discount rates	The lower the risk adjusted discount rate, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount rate for lack of marketability	The lower the discount rate, the higher the fair value

56 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

The IASB has issued a number of new and revised IFRSs. The revised and new accounting standards and interpretations issued but not yet effective for the the relevant periods and have not been adopted in the Financial Information, which may be relevant to the Group, are set out below:

		Effective for accounting period beginning on or after
IFRS 11	Joint Arrangements	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IAS 16	Property, plant and equipment	January 1, 2016
IAS 38	Intangible assets	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
IFRS 9	Financial Instruments	January 1, 2018

The Group is in the process of assessing the impact of these new standards and amendments on the financial statements in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements except for the following:

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments:Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group is assessing the potential impact on its Financial statements resulting from the application of IFRS 15 and IFRS 9.

57 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On April 8, 2015, the Company's wholly subsidiary, Hengtai Pioneer set up a wholly-owned subsidiary, Beijing Hengtai Hongze Investment Co., Ltd. ("Hengtai Hongze") with a registered capital of RMB 10 million. The scope of business of Hengtai Hongze includes project investment and investment management services.

On April 17, 2015, the Company's wholly subsidiary, Hengtai Pioneer set up a wholly-owned subsidiary, Beijing Hengtai Hengfu Information Service Co., Ltd. ("Hengtai Hengfu") with a registered capital of RMB10 million. The scope of business of Hengtai Hengfu includes provision of consulting services, investment management and asset management services.

On April 17, 2015, the Company issued the 2015 third tranche of short-term commercial papers. The short-term commercial paper with the face value of RMB700 million was raised on April 20, 2015, bearing interest at 4.65% per annum and was repaid by the Company on July 18, 2015.

On May 4, 2015, the Company's wholly owned subsidiary, Hengtai Capital set up a wholly-owned sub-subsidiary, Shanghai Hongdian Investment Management Co., Ltd. ("Hongdian") with a registered capital of RMB 100 million.

From April 1, 2015 to June 29, 2015, the Company has completed issuance of beneficiary certificates with total nominal value of RMB1,795 million which bear interest rate at 6.0% to 7.1% and are repayable within 3 months to 2 years. On July 20, 2015, the Company repaid beneficiary certificates with total nominal value of RMB200.0 million with an interest rate of 7.1% and a maturity period of 3 months.

On June 29, 2015, the Company issued perpetual subordinated bonds with nominal value of RMB1.5 billion which bears interest rate of 6.80% per annum. The registration procedures are expected to be completed within one month. An asset management scheme sponsored by the Company has subscribed for RMB150 million.

On July 16, 2015, the Company's wholly subsidiary, Hengtai Pioneer set up a wholly-owned subsidiary, Beijing Hengtai Hengzhong Information Service Co., Ltd ("Hengtai Hengzhong") with a registered capital of RMB10 million. The scope of business of Hengtai Hengzhong includes investment management services, asset management and project investment.

The Company injected capital of RMB97.75 million to New China Fund on July 23, 2015. The registration of the change in shareholding and the renewal of the business license with the State Administration of Industry and Commerce were completed on July 29, 2015.

The Company's Board has approved and is awaiting regulatory approval to issue corporate bonds up to an aggregate principal amount of RMB1.5 billion, which are expected to be issued later in 2015 and listed and traded on the Shanghai Stock Exchange. These corporate bonds are expected to include a floating rate tranche with a principal amount of RMB100.0 million for a term of three years, and a fixed rate tranche with a principal amount of RMB1.4 billion for a term of three years.

58 STATUTORY AUDITOR

The statutory financial statements of the companies comprising the Group which are subject to audit during the Relevant Periods were audited by the following auditors:

Name of company[2]	Financial periods[1]	Statutory auditors[2]
The Company	Year ended December 31, 2012	RSM China Certified Public Accountants 中瑞岳華會計師事務所 ("RSM")
	Years ended December 31, 2013 and 2014	Ruihua Certified Public Accountants 瑞華會計師事務所 ("Ruihua")
Hengtai Changcai	Year ended December 31, 2012	RSM
	Years ended December 31, 2013 and 2014	Ruihua
Hengtai Futures	Year ended December 31, 2012	RSM
	Years ended December 31, 2013 and 2014	Ruihua
Hengtai Pioneer	Years ended December 31, 2013 and 2014	Ruihua
Hengtai Capital	Years ended December 31, 2013 and 2014	Ruihua
Shanghai Yingwo	Years ended December 31, 2013 and 2014	Ruihua
Hengtai Capital Equity	Years ended December 31, 2013 and 2014	Ruihua

Note:

1 There are no statutory audited financial statements for Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司), Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司) for the year ended December 31, 2012 as these entites were established in 2013.

2 The English translation of the names is for reference only. The official names of these entities and auditors are in Chinese.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to March 31, 2015. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to March 31, 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 30, 2015

The Directors
HENGTOU SECURITIES
(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))
BOCOM International (Asia) Limited
Haitong International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to New China Fund Management Co., Ltd. (the "NCF") and its subsidiary (hereinafter collectively referred to as the "NCF Group") comprising the consolidated statements of financial position of the NCF Group and the statements of financial position of NCF as at December 31, 2012, 2013 and 2014 and March 31, 2015 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the NCF Group, for each of the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the prospectus of HENGTOU SECURITIES (the "Company") dated September 30, 2015 (the "Prospectus").

NCF was incorporated in Chongqing, the People's Republic of China (the "PRC") on December 9, 2004 as a limited liability company under the Companies Law of the PRC.

All companies comprising the NCF Group have adopted December 31, as their financial year end date. Details of the companies comprising the NCF Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 43 of Section B. The statutory financial statements of these companies were prepared in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance (the "MOF") of the PRC and other relevant regulations (collectively known as the "PRC GAAP").

The directors of NCF have prepared the consolidated financial statements of the NCF Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of NCF, its subsidiaries or the NCF Group in respect of any period subsequent to March 31, 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the NCF Group and NCF as at December 31, 2012, 2013 and 2014 and March 31, 2015 and of the NCF Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the NCF Group comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three months ended March 31, 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

I Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended December 31			Three months ended March 31	
		2012	2013	2014	2014	2015
					(Unaudited)	
Revenue						
Fee and commission income	4	115,216	170,780	248,556	50,931	110,654
Interest income	5	4,265	2,577	4,000	345	1,218
Net investment gains	6	—	4,920	3,025	—	—
Total revenue		119,481	178,277	255,581	51,276	111,872
Other income and gains/(losses)	7	2,515	(49)	1,882	—	2
Total revenue and other income		121,996	178,228	257,463	51,276	111,874
Fee and commission expenses	8	(27,133)	(40,562)	(42,496)	(7,891)	(20,762)
Staff costs	9	(50,317)	(61,785)	(92,743)	(25,249)	(55,348)
Depreciation and amortisation expenses	10	(4,219)	(5,656)	(7,040)	(1,570)	(1,873)
Business tax and surcharges	11	(6,458)	(9,925)	(14,004)	(2,852)	(6,221)
Other operating expenses	12	(41,622)	(57,508)	(55,505)	(6,905)	(7,228)
Total operating expenses		(129,749)	(175,436)	(211,788)	(44,467)	(91,432)
Operating (losses)/profit		(7,753)	2,792	45,675	6,809	20,442
(Losses)/profit before income tax		(7,753)	2,792	45,675	6,809	20,442
Income tax expense	13	—	(1,165)	(11,066)	(3,517)	(3,409)
(Losses)/profit for the year/period		(7,753)	1,627	34,609	3,292	17,033
Other comprehensive income for the year/period, net of tax						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets	33					
- Net changes in fair value		998	7,471	1,850	750	165
- Reclassified to profit or loss		—	(4,920)	(445)	—	—
Total other comprehensive income for the year/period, net of tax		998	2,551	1,405	750	165
Total comprehensive income for the year/period		(6,755)	4,178	36,014	4,042	17,198

II Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at December 31			As at March 31
	Note	2012	2013	2014	2015
Non-current assets					
Property and equipment	16	11,223	11,962	13,841	12,785
Intangible assets	17	6,433	6,612	8,853	8,235
Available-for-sale financial assets	19	37,558	20,110	12,020	12,240
Refundable deposits	20	5,400	8,400	10,200	10,200
Deferred tax assets	21	—	387	3,204	5,315
Other non-current assets	22	3,555	4,647	3,436	2,983
Total non-current assets		64,169	52,118	51,554	51,758
Current assets					
Accounts receivable	23	10,758	21,782	28,658	51,955
Other receivables and prepayments	24	5,435	7,107	8,694	10,685
Cash and bank balances	25	91,503	107,841	169,421	198,582
Total current assets		107,696	136,730	206,773	261,222
Total assets		171,865	188,848	258,327	312,980
Current liabilities					
Accounts payable	27	14,106	18,492	22,389	28,789
Employee benefits payable	28	610	2,536	14,715	36,583
Other payables and accruals	29	4,949	10,289	18,613	28,474
Current tax liabilities	30	—	1,153	10,218	9,544
Total current liabilities		19,665	32,470	65,935	103,390
Net current assets		88,031	104,260	140,838	157,832
Total assets less current liabilities		152,200	156,378	192,392	209,590
Total non-current liabilities		—	—	—	—
Net assets		152,200	156,378	192,392	209,590
Equity					
Paid-in capital	32	160,000	160,000	160,000	160,000
Capital premium	33	48,000	48,000	48,000	48,000
Reserves	33	39,374	56,675	73,875	79,681
Accumulated losses		(95,174)	(108,297)	(89,483)	(78,091)
Total equity		152,200	156,378	192,392	209,590

III Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2012	160,000	48,000	30,874	(3,439)	(76,480)	158,955
Change in equity for 2012						
Loss for the year	—	—	—	—	(7,753)	(7,753)
Other comprehensive income	—	—	—	998	—	998
Total comprehensive income	—	—	—	998	(7,753)	(6,755)
Appropriation to general risk reserve	—	—	10,941	—	(10,941)	—
As at December 31, 2012	160,000	48,000	41,815	(2,441)	(95,174)	152,200

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2013	160,000	48,000	41,815	(2,441)	(95,174)	152,200
Change in equity for 2013						
Profit for the year	—	—	—	—	1,627	1,627
Other comprehensive income	—	—	—	2,551	—	2,551
Total comprehensive income	—	—	—	2,551	1,627	4,178
Appropriation to general risk reserve	—	—	14,750	—	(14,750)	—
As at December 31, 2013	160,000	48,000	56,565	110	(108,297)	156,378

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2014	160,000	48,000	56,565	110	(108,297)	156,378
Change in equity for 2014						
Profit for the year	—	—	—	—	34,609	34,609
Other comprehensive income	—	—	—	1,405	—	1,405
Total comprehensive income	—	—	—	1,405	34,609	36,014
Appropriation to general risk reserve	—	—	15,795	—	(15,795)	—
As at December 31, 2014	160,000	48,000	72,360	1,515	(89,483)	192,392

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
As at January 1, 2014	160,000	48,000	56,565	110	(108,297)	156,378
Change in equity for three months ended March 31, 2014						
Profit for the period (unaudited)	—	—	—	—	3,292	3,292
Other comprehensive income (unaudited)	—	—	—	750	—	750
Total comprehensive income (unaudited)	—	—	—	750	3,292	4,042
Appropriation to general risk reserve (unaudited)	—	—	3,050	—	(3,050)	—
As at March 31, 2014 (unaudited)	160,000	48,000	59,615	860	(108,055)	160,420

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2015	160,000	48,000	72,360	1,515	(89,483)	192,392
Change in equity for three months ended March 31, 2015						
Profit for the period	—	—	—	—	17,033	17,033
Other comprehensive income	—	—	—	165	—	165
Total comprehensive income	—	—	—	165	17,033	17,198
Appropriation to general risk reserve	—	—	5,641	—	(5,641)	—
As at March 31, 2015	160,000	48,000	78,001	1,680	(78,091)	209,590

IV Consolidated statements of cash flows

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Cash flows from operating activities:					
(Loss)/profit before income tax	(7,753)	2,792	45,675	6,809	20,442
Adjustment for:					
Depreciation and amortisation	4,219	5,656	7,040	1,570	1,873
Losses on disposal of property and equipment	27	57	23	—	—
Net realised gains from available-for-sale investments	—	(4,920)	(445)	—	—
Dividends income from available-for-sale investment	—	—	(2,580)	—	—
	(3,507)	3,585	49,713	8,379	22,315
Changes in operating assets					
Increase in refundable deposits	(1,200)	(3,000)	(1,800)	—	—
Increase in receivables and prepayments	(3,476)	(13,324)	(5,774)	(5,954)	(24,856)
Increase in restricted bank deposits	(11,207)	(13,769)	(15,725)	(4,043)	(5,638)
Changes in operating liabilities					
Increase in fees payable, benefits payable and other payables and accruals	2,653	11,652	23,288	8,586	27,983
Cash (used in)/generated from operations	(16,737)	(14,856)	49,702	6,968	19,804
Income taxes paid	—	(399)	(5,323)	(3,078)	(6,249)
Net cash (used in)/generated from operating activities	(16,737)	(15,255)	44,379	3,890	13,555

	Note	Year ended December 31			Three months ended march 31	
		2012	2013	2014	2014	2015
					(Unaudited)	
Cash flows from investing activities:						
Proceeds on disposal of property and equipment, other non-current assets and other intangible assets		58	6	10	—	—
Dividend income received from available-for-sale investment		—	—	2,580	—	—
Proceeds on disposal of available-for-sale investments		—	34,920	10,445	—	—
Purchases of property and equipment, other non-current assets and other intangible assets		(8,691)	(7,102)	(11,559)	(1,729)	(32)
Purchases of available-for-sale investments		(10,000)	(10,000)	—	—	—
Net cash (used in)/generated from investing activities		(18,633)	17,824	1,476	(1,729)	(32)
Cash flows from financing activities:						
Net cash (used in)/generated from financing activities		—	—	—	—	10,000
Net (decrease)/increase in cash and cash equivalents		(35,370)	2,569	45,855	2,161	23,523
Cash and cash equivalents as at January 1		85,984	50,614	53,183	53,183	99,038
Cash and cash equivalents as at December 31/March 31	26	50,614	53,183	99,038	55,344	122,561

V STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at December 31			As at March 31
	Note	2012	2013	2014	2015
Non-current assets					
Property and equipment	16	11,223	11,846	13,464	12,441
Intangible assets	17	6,433	6,612	8,853	8,235
Investments in subsidiary	18	—	20,000	20,000	20,000
Available-for-sale financial assets	19	37,558	20,110	12,020	12,240
Refundable deposits	20	5,400	8,400	10,200	10,200
Deferred tax assets	21	—	—	1,061	4,558
Other non-current assets	22	3,555	3,627	2,351	1,963
Total non-current assets		64,169	70,595	67,949	69,637
Current assets					
Accounts receivable	23	10,758	18,741	22,819	45,520
Other receivables and prepayments	24	5,435	6,302	6,661	18,668
Cash and bank balances	25	91,503	83,851	133,662	147,873
Total current assets		107,696	108,894	163,142	212,061
Total assets		171,865	179,489	231,091	281,698
Current liabilities					
Accounts payable	27	14,106	18,012	21,589	28,789
Employee benefits payable	28	610	881	5,710	32,463
Other payables and accruals	29	4,949	7,610	13,106	15,746
Current tax liabilities	30	—	—	6,984	7,839
Total current liabilities		19,665	26,503	47,389	84,837
Net current assets		88,031	82,391	115,753	127,224
Total assets less current liabilities		152,200	152,986	183,702	196,861
Total non-current liabilities		—	—	—	—
Net assets		152,200	152,986	183,702	196,861
Equity					
Paid-in capital	32	160,000	160,000	160,000	160,000
Capital premium	33	48,000	48,000	48,000	48,000
Reserves	33	39,374	56,675	73,875	79,681
Accumulated losses		(95,174)	(111,689)	(98,173)	(90,820)
Total equity		152,200	152,986	183,702	196,861

B NOTES TO FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

New China Fund Management Company Limited (新華基金管理有限公司) ("NCF"), formerly known as New Century Fund Management Company Limited, was approved by China Securities Regulatory Commission ("CSRC"), and registered with the Administration for Industry and Commerce of the PRC on December 9, 2004, with a registered capital of RMB160 million.

Shenzhen New China Fushi Asset Management Company Limited (深圳新華富時資產管理有限公司) ("New China Fushi"), NCF's wholly owned subsidiary, was approved by the CSRC, and registered with the Administration for Industry and Commerce of Shenzhen on March 22, 2013, with a registered capital of RMB 20 million.

NCF and its subsidiary ("the NCF Group") principally engage in the business set out on NCF's and its subsidiary's business license, which includes: Launch and distribution of mutual funds, asset management schemes and other activities approved by the CSRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and related interpretations, issued by the International Accounting Standards Board (the "IASB").

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the NCF Group has adopted all applicable new and revised IFRSs in issue which are relevant to the NCF Group for the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended March 31, 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended March 31, 2015 are set out in Note 41.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been consistently applied in preparing the Financial Information for the Relevant Periods. The corresponding Financial Information for the three months ended March 31, 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(2) Basis of measurement

The Financial Information has been prepared on the historical cost basis except for available-for-sale financial assets which are measured at their fair value. The methods used to measure fair value are discussed further in Note 2(7)(ii).

(3) Functional and presentation currency

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousands, which is the functional currency of the NCF Group, except when otherwise indicated.

(4) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making the judgments on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgments that have a significant effect on the Financial Information and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(22).

(5) Basis of consolidation

Subsidiaries are entities controlled by the NCF Group. The NCF Group controls an entity when it is exposed, 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. When assessing whether the NCF Group has power, only substantive rights (held by the NCF Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(6) Cash and cash equivalents

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

(7) Financial instruments

(i) ***Recognition and measurement of financial assets and financial liabilities***

A financial asset or financial liability is recognised in the statements of financial position when the NCF Group becomes a party to the contractual provisions of a financial instrument.

The NCF Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorised as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

— the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

— the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

— the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

— the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognised in profit or loss.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 2(7)(iii)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the NCF Group has the positive intention and ability to hold to maturity, other than

— those that the NCF Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

— those that meet the definition of receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 2(7)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the NCF Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

— sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

— sales or reclassifications after the NCF Group has collected substantially all of the asset's original principal; and

— sales or reclassifications that are attributable to non-recurring isolated events beyond the NCF Group's control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the NCF Group becomes entitled to the dividend (see Note 2(17)(v)). Impairment losses are recognised in profit or loss (see Note 2(7)(iii)).

Other fair value changes, other than impairment losses (see Note 2(7)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(ii) ***Fair value measurement***

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the NCF Group considers all factors including, but not limited to, risk-free interest rate, credit risk and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The NCF Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) ***Impairment of financial assets***

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the NCF Group at the end of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— disappearance of an active market for financial assets because of financial difficulties of the issuer;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Receivables

The NCF Group assess impairment losses on a collective basis. Receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. 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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment measured at fair value, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

For 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. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(iv) ***Derecognition of financial assets and financial liabilities***

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

— the contractual rights to the cash flows from the financial asset expire; or

— the NCF Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the NCF Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the NCF Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the NCF Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(v) ***Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the NCF Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(8) Investments in subsidiary

In the NCF Group's consolidated Financial Information, investments in subsidiary are accounted for in accordance with the principles described in Note 2(5).

In NCF's statements of financial position, investments in subsidiary are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(11)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the NCF Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

(9) Property and equipment

(i) ***Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(11)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) ***Subsequent costs***

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the NCF Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) ***Depreciation***

Items of property and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the NCF Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	**Estimated useful lives**	**Estimated residual values**	**Depreciation rates**
Electronic equipment	5 years	4%	19.2%
Office equipment	5 years	4%	19.2%
Motor vehicles	8 years	4%	12%
Furniture and fixtures	8 years	4%	12%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(10) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(11)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortization periods for intangible assets are as follows:

Type of asset	Estimated useful lives
Software	5 years

Both the period and method of amortization are reviewed annually.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the NCF Group. At the end of the Relevant Periods, the NCF Group does not have any intangible assets with indefinite useful lives.

(11) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

— property and equipment

— intangible assets

— investment in subsidiary

— leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(12) Employee benefits

(i) ***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the NCF Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) ***Termination benefits***

Termination benefits are recognised as an expense when the NCF Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the NCF Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(13) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

(i) ***Current tax***

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) ***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiary to the extent that the NCF Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the NCF Group expects, at the ends of Relevant Periods, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) ***Tax exposures***

In determining the amount of current and deferred tax, the NCF Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the NCF Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(14) Operating leases charges

Assets that are held by the NCF Group under leases which do not transfer substantially all the risks and rewards of ownership to the NCF Group are classified as operating leases.

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(15) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the NCF Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(16) Fiduciary activities

The NCF Group acts in a fiduciary activity as an asset manager. Assets held by the NCF Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(17) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the NCF Group and when revenue can be measured reliably, on the following basis:

(i) ***Fees from investment management activities***

Management fee income are recognized on a time-proportion basis with reference to the net asset value of the investment funds and managed accounts.

Performance fee income are recognized on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

(ii) ***Fees from fund distribution activities***

Commission income is recognized upon the rendering of fund initial subscription, subscription and redemption services.

(iii) ***Investment advisory fees***

Investment advisory fee income is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of investment advisory services can be estimated reliably, revenue from the rendering of investment advisory services is recognized by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed. Investment advisory fee income is recognized according to contracts or agreements, by reference to the stage of completion of the service performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognized to the extent of the costs incurred that are expected to be recoverable if the costs incurred are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognized.

(iv) ***Interest income***

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(v) ***Dividend income***

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vi) ***Other income***

Other income is recognised on an accrual basis.

(18) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the Relevant Periods, are not recognised as a liability at the end of the Relevant Periods but disclosed in the notes to the financial statements separately.

(19) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the NCF Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the NCF Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(20) Related parties

A party is considered to be related to the NCF Group if:

(i) The party is a person or a close member of that person's family and that person,

(a) has control or joint control over the NCF Group;

(b) has significant influence over the NCF Group; or

(c) is a member of the key management personnel of the NCF Group or the NCF Group's parent.

(ii) An entity is related to the NCF Group if any of the following conditions applies:

(a) The entity and the NCF Group are members of the same group;

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) Both entities are joint ventures of the same third party;

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) The entity is a post-employment benefit plan for the benefit of employees of either the NCF Group or an entity related to the NCF Group;

(f) The entity is controlled or jointly controlled by a person identified in (i);

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(21) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the NCF Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the NCF Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the NCF Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each service, the nature of services processes, the type or class of customers for the services, the methods used to provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(22) Significant accounting estimates and judgments

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) ***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, we assess 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.

(ii) ***Fair value of financial instruments***

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The NCF Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the NCF Group make maximum use of market input and rely as little as possible on the NCF Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The NCF Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) ***Classification of financial asset and liability***

The NCF Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the NCF Group has determined that it meets the definition of trading assets and liabilities set out in Note 2(7)(i).

- In designating financial assets or liabilities at fair value through profit or loss, the NCF Group has determined that it has met one of the criteria for this designation set out in Note 2(7)(i).

- In classifying financial assets as held-to-maturity, the NCF Group has determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in Note 2(7)(i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the NCF Group's intent and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(iv) ***Impairment of receivables***

Receivables that are measured at amortised cost are reviewed at each end of Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the NCF Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(v) ***Impairment of non-financial assets***

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vi) ***Income taxes***

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The NCF Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vii) ***Depreciation and amortisation***

Property and equipment, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(viii) ***Determination of consolidation scope***

All facts and circumstances must be taken into consideration in the assessment of whether the NCF Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The NCF 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 NCF Group involves as the manager, the NCF Group assesses whether the combination of investments it holds, if any, 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 NCF Group is a principal. The asset management scheme shall be consolidated if the NCF Group acts in the role of principal.

3 TAXATION

The NCF Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Business tax	Based on taxable revenue	5%
City maintenance and construction tax	Based on business tax paid	7%
Education surcharge	Based on business tax paid	5%
Income tax	Based on taxable profits	25%

The income tax rate applicable to NCF and its subsidiary is 25%.

4 FEE AND COMMISSION INCOME

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Income from					
- Management fees	108,419	144,199	196,123	40,998	79,406
- Performance fees	—	—	4,935	—	12,829
- Commission fees	6,617	19,841	33,303	6,433	14,919
- Investment advisory fees	180	6,740	14,195	3,500	3,500
Total	115,216	170,780	248,556	50,931	110,654

5 INTEREST INCOME

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Interest income from financial institutions	4,265	2,577	4,000	345	1,218

6 NET INVESTMENT GAINS

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Net realised gain from disposal of available-for-sale financial assets	—	4,920	445	—	—
Dividend income from available-for-sale financial assets	—	—	2,580	—	—
Total	—	4,920	3,025	—	—

7 OTHER INCOME AND GAINS / (LOSSES)

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Government grants	1,986	—	1,664	—	—
Rental income	—	—	240	—	—
Losses from disposal of property and equipment	(27)	(57)	(23)	—	—
Others	556	8	1	—	2
Total	2,515	(49)	1,882	—	2

The government grants were received unconditionally from the local government.

8 FEE AND COMMISSION EXPENSES

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Distribution fee expenses	27,133	34,767	32,429	6,851	18,365
Advisory fee expenses	—	5,795	8,793	1,040	1,342
Guarantee expenses	—	—	1,274	—	1,055
Total	27,133	40,562	42,496	7,891	20,762

9 STAFF COSTS

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Short-term employee benefits	47,876	58,735	88,895	24,404	54,269
Defined contribution plans	2,441	3,050	3,848	845	1,079
Total	50,317	61,785	92,743	25,249	55,348

The employees of the NCF Group in the PRC participate in social plans, including medical, housing, and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the NCF Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

10 DEPRECIATION AND AMORTISATION EXPENSES

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Depreciation of property and equipment	3,253	3,570	3,961	966	1,081
Amortisation of intangible assets	631	1,652	2,546	471	668
Amortisation of leasehold improvements	335	434	533	133	124
Total	4,219	5,656	7,040	1,570	1,873

11 BUSINESS TAX AND SURCHARGES

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Business taxes	5,766	8,862	12,502	2,547	5,555
City maintenance and construction tax	404	620	877	178	389
Education surcharge and others	288	443	625	127	277
Total	6,458	9,925	14,004	2,852	6,221

12 OTHER OPERATING EXPENSES

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Office expenses	7,254	11,073	14,007	1,516	1,747
Legal and professional fees	2,934	4,207	9,609	894	243
Conference expenses	3,849	15,400	8,093	1,073	980
Rental and property management expenses	3,596	3,993	7,119	1,453	2,014
Business travel expenses	4,700	5,646	4,916	832	871
Business entertainment expenses	4,917	5,046	3,270	538	609
Postal and communication expenses	1,590	3,913	3,133	446	578
Marketing expenses	7,408	1,956	2,700	50	—
Auditor's remuneration	174	269	391	70	82
Others	5,200	6,005	2,267	33	104
Total	41,622	57,508	55,505	6,905	7,228

13 INCOME TAX EXPENSE

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Current tax	—	1,552	14,388	3,286	5,575
Deferred tax					
Origination and reversal of temporary differences	—	(387)	(3,322)	231	(2,166)
Total	—	1,165	11,066	3,517	3,409

According to the PRC Corporate Income Tax ("CIT") Law that took effect on January 1, 2008, NCF and the NCF Group's PRC subsidiary are subject to CIT at the statutory tax rate of 25%.

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

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
(Losses) / profit before income tax	(7,753)	2,792	45,675	6,809	20,442
National tax calculated using the PRC statutory tax rate	(1,938)	698	11,418	1,702	5,111
Tax effect of non-deductible expenses	1,109	1,051	567	64	23
Recognition of deductible temporary differences previously not recognised	—	—	(240)	—	(1,725)
Tax effect of deductible temporary differences not recognised	3	102	—	2,430	—
Tax effect of unrecognized tax losses	826	—	—	—	—
Utilization of tax losses previously not recognised	—	(586)	(679)	(679)	—
Others	—	(100)	—	—	—
Actual income tax expense	—	1,165	11,066	3,517	3,409

14 DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors who held office during the Relevant Periods is as follows:

	Year ended December 31, 2012				
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Chen Zhong	—	1,080	36	—	1,116
Sun Zhi Lai	—	1,080	36	—	1,116
Chen Jing Feng(1)	10	—	—	—	10
Xie Kang(2)	10	—	—	—	10
Independent Non-executive directors					
Zhang Gui Long	40	—	—	—	40
Sun Li(3)	40	—	—	—	40
Song Min	40	—	—	—	40
Supervisors					
Zhong Jin Xing	10	—	—	—	10
An Dong	10	—	—	—	10
Yan Feng(4)	—	234	36	—	270
Total	160	2,394	108	—	2,662

	Year ended December 31, 2013				
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Chen Zhong	—	1,080	39	—	1,119
Sun Zhi Lai	—	1,080	39	—	1,119
Chen Jing Feng	10	—	—	—	10
Xie Kang	10	—	—	—	10
Independent Non-executive directors					
Zhang Gui Long	40	—	—	—	40
Sun Li	40	—	—	—	40
Song Min	40	—	—	—	40
Supervisors					
Zhong Jin Xing	10	—	—	—	10
An Dong	10	—	—	—	10
Yan Feng	—	234	39	—	273
Total	160	2,394	117	—	2,671

	Year ended December 31, 2014				
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Chen Zhong	—	1,190	60	650	1,900
Zhang Zong You(5)	—	1,100	60	650	1,810
Chen Jing Feng	10	—	—	—	10
Sun Zhi Lai	10	180	—	—	190
Independent Non-executive directors					
Zhang Gui Long	40	—	—	—	40
Sun Li	40	—	—	—	40
Song Min	40	—	—	—	40
Supervisors					
Zhong Jin Xing	10	—	—	—	10
An Dong	10	—	—	—	10
Zhou Jing(6)	—	147	25	35	207
Total	160	2,617	145	1,335	4,257

Name	Three months ended March 31, 2014 (Unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Chen Zhong	—	300	5	650	955
Zhang Zong You	—	300	5	650	955
Chen Jing Feng	3	—	—	—	3
Sun Zhi Lai	3	180	—	—	183
Independent Non-executive directors					
Zhang Gui Long	28	—	—	—	28
Sun Li	28	—	—	—	28
Song Min	28	—	—	—	28
Supervisors					
Zhong Jin Xing	3	—	—	—	3
An Dong	3	—	—	—	3
Zhou Jing	—	37	7	35	79
Total	96	817	17	1,335	2,265

Name	Three months ended March 31, 2015				
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Chen Zhong	—	300	11	2,450	2,761
Zhang Zong You	—	300	11	2,450	2,761
Sun Zhi Lai	3	—	—	—	3
Qi Kao Min(7)	3	—	—	—	3
Independent Non-executive directors					
Zhang Gui Long	28	—	—	—	28
Hu Bo(8)	28	—	—	—	28
Song Min	28	—	—	—	28
Supervisors					
Wang Hao(9)	3	—	—	—	3
Zhou Jing	—	49	8	108	165
Li Hui Zhong(10)	—	125	11	400	536
Total	93	774	41	5,408	6,316

There were no amounts paid during the Relevant Periods to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with NCF, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

(1) Resigned as executive director on December 30, 2013.

(2) Resigned as executive director on January 28, 2013.

(3) Resigned as independent non-executive director on April 12, 2014.

(4) Resigned as supervisor on April 11, 2014.

(5) Appointed as executive director on January 28, 2013.

(6) Appointed as supervisor on December 30, 2013.

(7) Appointed as executive director on December 30, 2013.

(8) Appointed as independent non-executive director on April 12, 2014.

(9) Appointed as supervisor on December 30, 2013.

(10) Appointed as supervisor on April 11, 2014.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors whose emoluments are disclosed in Note 14. The aggregate of the emoluments in respect of the five individuals are as follows:

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
				(Unaudited)	
Salaries and allowances	5,056	5,641	7,488	1,692	1,898
Discretionary bonuses	14,000	15,400	9,128	9,128	17,480
Employer's contribution to pension schemes	239	262	289	69	76
Total	19,295	21,303	16,905	10,889	19,454

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Year ended December 31			Three months ended March 31	
	2012	2013	2014	2014	2015
	individuals	*individuals*	*individuals*	*individuals* *(Unaudited)*	*individuals*
HKD Nil to HKD 1,000,000	—	—	—	—	—
HKD 1,000,001 to HKD 1,500,000	—	—	—	—	—
HKD 1,500,001 to HKD 2,000,000	1	—	—	1	—
HKD 2,000,001 to HKD 2,500,000	—	—	—	3	—
HKD 2,500,001 to HKD 3,000,000	—	—	2	—	—
HKD 3,000,001 to HKD 3,500,000	—	—	—	—	2
HKD 3,500,001 to HKD 4,000,000	—	1	—	—	—
HKD 4,000,001 to HKD 4,500,000	—	1	2	—	—
HKD 4,500,001 to HKD 5,000,000	1	—	—	1	—
HKD 5,000,001 to HKD 5,500,000	—	1	—	—	1
HKD 5,500,001 to HKD 6,000,000	1	—	—	—	—
HKD 6,000,001 to HKD 6,500,000	1	—	1	—	1
HKD 6,500,001 or above	1	2	—	—	1

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining NCF or as compensation for loss of office during the Relevant Periods.

16 PROPERTY AND EQUIPMENT

The NCF Group

	Electric equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
Cost					
As at January 1, 2012	15,388	2,048	1,511	3,592	22,539
Additions	2,235	303	228	250	3,016
Disposals	(1,211)	(178)	—	(585)	(1,974)
As at December 31, 2012	16,412	2,173	1,739	3,257	23,581
Accumulated depreciation					
As at January 1, 2012	(6,971)	(1,316)	(1,263)	(1,444)	(10,994)
Charge for the year	(2,527)	(286)	(109)	(331)	(3,253)
Disposals	1,162	165	—	562	1,889
As at December 31, 2012	(8,336)	(1,437)	(1,372)	(1,213)	(12,358)
Carrying amount					
As at December 31, 2012	8,076	736	367	2,044	11,223
Cost					
As at January 1, 2013	16,412	2,173	1,739	3,257	23,581
Additions	3,706	599	72	—	4,377
Disposals	(1,113)	(414)	—	—	(1,527)
As at December 31, 2013	19,005	2,358	1,811	3,257	26,431
Accumulated depreciation					
As at January 1, 2013	(8,336)	(1,437)	(1,372)	(1,213)	(12,358)
Charge for the year	(2,932)	(275)	(47)	(316)	(3,570)
Disposals	1,069	390	—	—	1,459
As at December 31, 2013	(10,199)	(1,322)	(1,419)	(1,529)	(14,469)
Carrying amount					
As at December 31, 2013	8,806	1,036	392	1,728	11,962

The NCF Group

	Electric equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
Cost					
As at January 1, 2014	19,005	2,358	1,811	3,257	26,431
Additions	5,239	707	173	—	6,119
Disposals	(347)	(439)	(81)	—	(867)
As at December 31, 2014	23,897	2,626	1,903	3,257	31,683
Accumulated depreciation					
As at January 1, 2014	(10,199)	(1,322)	(1,419)	(1,529)	(14,469)
Charge for the year	(3,180)	(403)	(62)	(316)	(3,961)
Disposals	293	292	3	—	588
As at December 31, 2014	(13,086)	(1,433)	(1,478)	(1,845)	(17,842)
Carrying amount					
As at December 31, 2014	10,811	1,193	425	1,412	13,841
Cost					
As at January 1, 2015	23,897	2,626	1,903	3,257	31,683
Additions	—	25	—	—	25
As at March 31, 2015	23,897	2,651	1,903	3,257	31,708
Accumulated depreciation					
As at January 1, 2015	(13,086)	(1,433)	(1,478)	(1,845)	(17,842)
Charge for the period	(883)	(103)	(16)	(79)	(1,081)
As at March 31, 2015	(13,969)	(1,536)	(1,494)	(1,924)	(18,923)
Carrying amount					
As at March 31, 2015	9,928	1,115	409	1,333	12,785

NCF

	Electric equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
Cost					
As at January 1, 2012	15,388	2,048	1,511	3,592	22,539
Additions	2,235	303	228	250	3,016
Disposals	(1,211)	(178)	—	(585)	(1,974)
As at December 31, 2012	16,412	2,173	1,739	3,257	23,581
Accumulated depreciation					
As at January 1, 2012	(6,971)	(1,316)	(1,263)	(1,444)	(10,994)
Charge for the year	(2,527)	(286)	(109)	(331)	(3,253)
Disposals	1,162	165	—	562	1,889
As at December 31, 2012	(8,336)	(1,437)	(1,372)	(1,213)	(12,358)
Carrying amount					
As at December 31, 2012	8,076	736	367	2,044	11,223
Cost					
As at January 1, 2013	16,412	2,173	1,739	3,257	23,581
Additions	3,706	468	72	—	4,246
Disposals	(1,113)	(409)	—	—	(1,522)
As at December 31, 2013	19,005	2,232	1,811	3,257	26,305
Accumulated depreciation					
As at January 1, 2013	(8,336)	(1,437)	(1,372)	(1,213)	(12,358)
Charge for the year	(2,932)	(265)	(47)	(316)	(3,560)
Disposals	1,069	390	—	—	1,459
As at December 31, 2013	(10,199)	(1,312)	(1,419)	(1,529)	(14,459)
Carrying amount					
As at December 31, 2013	8,806	920	392	1,728	11,846

NCF

	Electric equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
Cost					
As at January 1, 2014	19,005	2,232	1,811	3,257	26,305
Additions	5,239	341	173	—	5,753
Disposals	(347)	(429)	(81)	—	(857)
As at December 31, 2014	23,897	2,144	1,903	3,257	31,201
Accumulated depreciation					
As at January 1, 2014	(10,199)	(1,312)	(1,419)	(1,529)	(14,459)
Charge for the year	(3,180)	(307)	(62)	(316)	(3,865)
Disposals	293	291	3	—	587
As at December 31, 2014	(13,086)	(1,328)	(1,478)	(1,845)	(17,737)
Carrying amount					
As at December 31, 2014	10,811	816	425	1,412	13,464
Cost					
As at January 1, 2015	23,897	2,144	1,903	3,257	31,201
Additions	—	25	—	—	25
As at March 31, 2015	23,897	2,169	1,903	3,257	31,226
Accumulated depreciation					
As at January 1, 2015	(13,086)	(1,328)	(1,478)	(1,845)	(17,737)
Charge for the period	(883)	(70)	(16)	(79)	(1,048)
As at March 31, 2015	(13,969)	(1,398)	(1,494)	(1,924)	(18,785)
Carrying amount					
As at March 31, 2015	9,928	771	409	1,333	12,441

17 INTANGIBLE ASSETS

The NCF Group and NCF

	Software
Cost	
As at January 1, 2012	2,704
Additions	5,495
As at December 31, 2012	8,199
Accumulated amortisation	
As at January 1, 2012	(1,135)
Charge for the year	(631)
As at December 31, 2012	(1,766)
Carrying amount	
As at December 31, 2012	6,433
Cost	
As at January 1, 2013	8,199
Additions	1,831
As at December 31, 2013	10,030
Accumulated amortisation	
As at January 1, 2013	(1,766)
Charge for the year	(1,652)
As at December 31, 2013	(3,418)
Carrying amount	
As at December 31, 2013	6,612

The NCF Group and NCF

	Software
Cost	
As at January 1, 2014	10,030
Additions	4,787
As at December 31, 2014	14,817
Accumulated amortisation	
As at January 1, 2014	(3,418)
Charge for the year	(2,546)
As at December 31, 2014	(5,964)
Carrying amount	
As at December 31, 2014	8,853
Cost	
As at January 1, 2015	14,817
Additions	50
As at March 31, 2015	14,867
Accumulated amortisation	
As at January 1, 2015	(5,964)
Charge for the period	(668)
As at March 31, 2015	(6,632)
Carrying amount	
As at March 31, 2015	8,235

18 INVESTMENTS IN SUBSIDIARY

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Unlisted shares, at cost	—	20,000	20,000	20,000

The following list contains the particulars of the subsidiary of the NCF Group.

Name of company	Place and date of establishment	Issued and fully paid-up capital	Equity interest held by NCF as at December 31			Principal activity
			2012	2013	2014	
Shenzhen New China Fushi Asset Management Co., Ltd. (深圳新華富時資產管理有限公司)[1] ("New China Fushi")	Shenzhen, PRC April, 2013	20,000	—	100%	100%	Alternative investment in unlisted equity and debts

Note 1: The English translation of the name is for reference only. The official name of the entity is in Chinese.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The NCF Group and NCF

Non-current	As at December 31			As at March 31
	2012	2013	2014	2015
At fair value:				
- Funds	37,558	20,110	12,020	12,240
Analysed into:				
Unlisted	37,558	20,110	12,020	12,240

In the opinion of the directors of NCF, non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective Relevant Periods. The fair value of the NCF Group and NCF's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

20 REFUNDABLE DEPOSITS

The NCF Group and NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Deposits with stock exchanges				
- China Securities Depository and Clearing Corporation Limited Shanghai Branch	3,000	4,500	5,400	5,400
- China Securities Depository and Clearing Corporation Limited Shenzhen Branch	2,400	3,900	4,800	4,800
Total	5,400	8,400	10,200	10,200

21 DEFERRED TAXATION

(a) The NCF Group

The components of deferred tax recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Amortization of intangible assets	Expenses accrual	Employee benefits payable	Changes in fair value of available-for-sale financial assets	Management fee income received in advance	Total
Deferred tax arising from:						
As at January 1, 2012	—	—	—	—	—	—
Recognised in profit or loss	—	—	—	—	—	—
Recognised in other comprehensive income	—	—	—	—	—	—
As at December 31, 2012	—	—	—	—	—	—
As at January 1, 2013	—	—	—	—	—	—
Recognised in profit or loss	—	—	387	—	—	387
Recognised in other comprehensive income	—	—	—	—	—	—
As at December 31, 2013	—	—	387	—	—	387
As at January 1, 2014	—	—	387	—	—	387
Recognised in profit or loss	259	1,307	1,756	—	—	3,322
Recognised in other comprehensive income	—	—	—	(505)	—	(505)
As at December 31, 2014	259	1,307	2,143	(505)	—	3,204
As at January 1, 2015	259	1,307	2,143	(505)	—	3,204
Recognised in profit or loss	(1)	2,884	(1,386)	—	669	2,166
Recognised in other comprehensive income	—	—	—	(55)	—	(55)
As at March 31, 2015	258	4,191	757	(560)	669	5,315

(b) NCF

The components of deferred tax recognised in NCF's statements of financial position and the movements during the Relevant Periods are as follows:

	Amortization of intangible assets	Expenses accrual	Employee benefits payable	Changes in fair value of available-for-sale financial assets	Management fee income received in advance	Total
Deferred tax arising from:						
As at January 1, 2012	—	—	—	—	—	—
Recognised in profit or loss	—	—	—	—	—	—
Recognised in other comprehensive income	—	—	—	—	—	—
As at December 31, 2012	—	—	—	—	—	—
As at January 1, 2013	—	—	—	—	—	—
Recognised in profit or loss	—	—	—	—	—	—
Recognised in other comprehensive income	—	—	—	—	—	—
As at December 31, 2013	—	—	—	—	—	—
As at January 1, 2014	—	—	—	—	—	—
Recognised in profit or loss	259	1,307	—	—	—	1,566
Recognised in other comprehensive income	—	—	—	(505)	—	(505)
As at December 31, 2014	259	1,307	—	(505)	—	1,061
As at January 1, 2015	259	1,307	—	(505)	—	1,061
Recognised in profit or loss	(1)	2,884	—	—	669	3,552
Recognised in other comprehensive income	—	—	—	(55)	—	(55)
As at March 31, 2015	258	4,191	—	(560)	669	4,558

(c) Deferred tax assets not recognised

As at December 31, 2012 and 2013, in accordance with the accounting policy set out in Note 2(13)(ii), the NCF Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB 23,411 thousand and RMB 9,318 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

22 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Leasehold improvements	1,247	1,528	1,175	1,051
Rental deposits	549	1,175	1,307	1,307
Down payment for capital expenditure	1,759	1,944	954	625
	3,555	4,647	3,436	2,983

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Leasehold improvements	1,247	1,110	692	633
Rental deposits	549	573	705	705
Down payment for capital expenditure	1,759	1,944	954	625
	3,555	3,627	2,351	1,963

(b) The movements of leasehold improvements are as below:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Balance at beginning of the year/period	508	1,247	1,528	1,175
Additions	1,074	715	180	—
Amortisation	(335)	(434)	(533)	(124)
Balance at end of the year/period	1,247	1,528	1,175	1,051

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Balance at beginning of the year/period	508	1,247	1,110	692
Additions	1,074	246	—	—
Amortisation	(335)	(383)	(418)	(59)
Balance at end of the year/period	1,247	1,110	692	633

23 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Management fees receivable	9,457	17,006	26,335	41,624
Commission fees receivable	1,301	4,776	2,323	10,331
Total	10,758	21,782	28,658	51,955

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Management fees receivable	9,457	13,965	20,496	35,189
Commission fees receivable	1,301	4,776	2,323	10,331
Total	10,758	18,741	22,819	45,520

(b) Analysed by ageing:

As at the ends of the Relevant Periods, the ageing analysis of accounts receivable, based on the trade date, is as follows:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Within 1 month	10,124	18,045	21,360	33,477
1 to 3 months	634	3,036	4,208	8,386
Over 3 months	—	701	3,090	10,092
Total	10,758	21,782	28,658	51,955

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Within 1 month	10,124	16,758	19,223	31,522
1 to 3 months	634	1,983	2,560	6,338
Over 3 months	—	—	1,036	7,660
Total	10,758	18,741	22,819	45,520

(c) Accounts receivable that is not impaired

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

24 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analysed by nature:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Interest receivable	1,045	973	248	561
Receivable from TA accounts	—	2,000	2,000	2,000
Prepayments	1,472	3,070	5,993	7,606
Advance to staff	2,757	916	273	337
Others	161	148	180	181
Total	5,435	7,107	8,694	10,685

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Interest receivable	1,045	916	154	375
Receivable from TA accounts	—	2,000	2,000	2,000
Prepayments	1,472	2,331	4,179	5,814
Advance to staff	2,757	910	180	331
Others	161	145	148	10,148
Total	5,435	6,302	6,661	18,668

25 CASH AND BANK BALANCES

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Cash on hand	15	59	13	22
Bank balances within 3 months	91,488	107,782	169,408	198,560
Total	91,503	107,841	169,421	198,582

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Cash on hand	15	24	4	11
Bank balances within 3 months	91,488	83,827	133,658	147,862
Total	91,503	83,851	133,662	147,873

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

26 CASH AND CASH EQUIVALENTS

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Cash on hand	15	59	13	22
Bank balances within 3 months	91,488	107,782	169,408	198,560
Less: restricted bank deposits	(40,889)	(54,658)	(70,383)	(76,021)
Total	50,614	53,183	99,038	122,561

The restricted bank deposits include general risk reserve deposits.

27 ACCOUNTS PAYABLE

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Distribution fee expenses payable	14,106	17,786	18,257	21,808
Advisory fee expenses payable	—	706	3,882	6,594
Guarantee expenses payable	—	—	250	387
Total	14,106	18,492	22,389	28,789

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Distribution fee expenses payable	14,106	17,786	18,257	21,808
Advisory fee expenses payable	—	226	3,082	6,594
Guarantee expenses payable	—	—	250	387
Total	14,106	18,012	21,589	28,789

No ageing analysis is disclosed as in the opinion of the directors of NCF, the ageing analysis does not give additional value in view of the nature of these businesses.

28 EMPLOYEE BENEFITS PAYABLE

The NCF Group

	As at December 31, 2012			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	683	47,876	(48,183)	376
Defined contribution plans	226	2,441	(2,433)	234
Total	909	50,317	(50,616)	610

	As at December 31, 2013			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	376	58,735	(56,836)	2,275
Defined contribution plans	234	3,050	(3,023)	261
Total	610	61,785	(59,859)	2,536

	As at December 31, 2014			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	2,275	88,895	(76,734)	14,436
Defined contribution plans	261	3,848	(3,830)	279
Total	2,536	92,743	(80,564)	14,715

	As at March 31, 2015			
	As at January 1	Accrued for the period	Payments made	As at March 31
Short-term employee benefits	14,436	54,269	(32,408)	36,297
Defined contribution plans	279	1,079	(1,072)	286
Total	14,715	55,348	(33,480)	36,583

NCF

	As at December 31, 2012			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	683	47,876	(48,183)	376
Defined contribution plans	226	2,441	(2,433)	234
Total	909	50,317	(50,616)	610

	As at December 31, 2013			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	376	54,678	(54,403)	651
Defined contribution plans	234	2,846	(2,850)	230
Total	610	57,524	(57,253)	881

	As at December 31, 2014			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	651	67,560	(62,727)	5,484
Defined contribution plans	230	3,220	(3,224)	226
Total	881	70,780	(65,951)	5,710

	As at March 31, 2015			
	As at January 1	Accrued for the period	Payments made	As at March 31
Short-term employee benefits	5,484	50,255	(23,509)	32,230
Defined contribution plans	226	885	(878)	233
Total	5,710	51,140	(24,387)	32,463

29 OTHER PAYABLES AND ACCRUALS

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Management fees received in advance	—	2,870	5,978	4,960
Business tax and other tax payable	1,568	2,170	5,189	6,093
Others	3,381	5,249	7,446	17,421
Total	4,949	10,289	18,613	28,474

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Management fees received in advance	—	1,041	2,816	2,674
Business tax and other tax payable	1,568	1,387	2,929	5,721
Others	3,381	5,182	7,361	7,351
Total	4,949	7,610	13,106	15,746

30 CURRENT TAX LIABILITIES

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
At the beginning of the year/period	—	—	1,153	10,218
Provision for the year/period	—	1,552	14,388	5,575
Tax paid	—	(399)	(5,323)	(6,249)
At the end of the year/period	—	1,153	10,218	9,544

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
At the beginning of the year/period	—	—	—	6,984
Provision for the year/period	—	—	8,656	5,627
Tax paid	—	—	(1,672)	(4,772)
At the end of the year/period	—	—	6,984	7,839

31 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the NCF Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in NCF's individual components of equity between the beginning and the end of each of the Relevant Periods are set out below:

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2012	160,000	48,000	30,874	(3,439)	(76,480)	158,955
Change in equity for 2012						
Loss for the year	—	—	—	—	(7,753)	(7,753)
Other comprehensive income	—	—	—	998	—	998
Total comprehensive income	—	—	—	998	(7,753)	(6,755)
Appropriation to general risk reserve	—	—	10,941	—	(10,941)	—
As at December 31, 2012	160,000	48,000	41,815	(2,441)	(95,174)	152,200

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2013	160,000	48,000	41,815	(2,441)	(95,174)	152,200
Change in equity for 2013						
Loss for the year	—	—	—	—	(1,765)	(1,765)
Other comprehensive income	—	—	—	2,551	—	2,551
Total comprehensive income	—	—	—	2,551	(1,765)	786
Appropriation to general risk reserve	—	—	14,750	—	(14,750)	—
As at December 31, 2013	160,000	48,000	56,565	110	(111,689)	152,986

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2014	160,000	48,000	56,565	110	(111,689)	152,986
Change in equity for 2014						
Profit for the year	—	—	—	—	29,311	29,311
Other comprehensive income	—	—	—	1,405	—	1,405
Total comprehensive income	—	—	—	1,405	29,311	30,716
Appropriation to general risk reserve	—	—	15,795	—	(15,795)	—
As at December 31, 2014	160,000	48,000	72,360	1,515	(98,173)	183,702

	Paid-in capital	Capital premium	General risk reserve	Fair value reserve	Accumulated losses	Total
	(Note 32)	*(Note 33(a))*	*(Note 33(c))*	*(Note 33(d))*		
As at January 1, 2015	160,000	48,000	72,360	1,515	(98,173)	183,702
Change in equity for three months ended March 31, 2015						
Profit for the period	—	—	—	—	12,994	12,994
Other comprehensive income	—	—	—	165	—	165
Total comprehensive income	—	—	—	165	12,994	13,159
Appropriation to general risk reserve	—	—	5,641	—	(5,641)	—
As at March 31, 2015	160,000	48,000	78,001	1,680	(90,820)	196,861

32 PAID-IN CAPITAL

NCF's paid-in capital structure at the ends of Relevant Periods is as follows:

	As at December 31			As at March 31
	2012	2013	2014	2015
HENGTOU SECURITIES	—	70,000	70,000	70,000
New China Trust Co., Ltd. ("New China Trust")	76,800	76,800	76,800	76,800
Shaanxi Lantong Investment Co., Ltd.	48,000	—	—	—
Shanghai Dazhong Environment Industry Co., Ltd.	22,000	—	—	—
Hangzhou Yongyuan Network Technology Co., Ltd. ("Hangzhou Yongyuan")	13,200	13,200	13,200	13,200
Total	160,000	160,000	160,000	160,000

33 RESERVES

(a) Capital premium

Capital premium was arised from the issuance of new capital at prices in excess of face value.

(b) Surplus reserve

Under relevant PRC Laws, the NCF Group is required to appropriate 10% of its net profit, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(c) General risk reserve

According to the Order of the CSRC No. 94 *Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds*, NCF appropriated 10% of fund management fee income to the general risk reserve on monthly basis. No general risk reserve was utilized during the Relevant Periods.

(d) Fair value reserve

The NCF Group and NCF:

	As at December 31			As at March 31
	2012	2013	2014	2015
As at January 1	(3,439)	(2,441)	110	1,515
Change in fair value recognised in other comprehensive income	998	7,471	2,355	220
Less: deferred income tax	—	—	(505)	(55)
Transfer to profit or loss upon disposal	—	(4,920)	(445)	—
Less: deferred income tax	—	—	—	—
As at December 31/March 31	(2,441)	110	1,515	1,680

34 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the ends of Relevant Periods not provided for in the financial statements were as follows:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Contracted, but not provided for	1,367	2,407	2,267	2,317

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Contracted, but not provided for	1,367	2,407	1,467	1,517

The above-mentioned capital commitments are mainly represent the long-term asset purchase contracts of the NCF Group and NCF.

(b) Operating lease commitments

As at the ends of Relevant Periods, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Within 1 year (inclusive)	3,523	6,228	7,021	7,148
1-2 years (inclusive)	3,278	6,104	6,457	7,269
2-3 years (inclusive)	3,278	5,683	665	—
After 3 years	3,676	546	—	—
Total	13,755	18,561	14,143	14,417

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Within 1 year (inclusive)	3,523	3,616	4,250	4,278
1-2 years (inclusive)	3,278	3,616	4,160	5,390
2-3 years (inclusive)	3,278	3,546	503	—
After 3 years	3,676	399	—	—
Total	13,755	11,177	8,913	9,668

35 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the NCF Group

Structured entities maybe consolidated by the NCF Group stand for the asset management schemes and funds where the NCF Group is involved as manager and investor. The NCF Group assesses whether the combination of investments it holds together with its remuneration creates exposure to a variability of returns from the activities of the asset management product to a level of significance that indicates that the NCF Group is a principal.

As at the ends of Relevant Periods, the NCF Group did not hold any interest in such structured entities.

(b) Structured entities sponsored by third-party institutions in which the NCF Group holds an interest

The types of structured entities that the NCF Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions.

As at the ends of Relevant Periods, the NCF Group did not hold any interest in structured entities sponsored by third party institutions.

(c) Structured entities sponsored by the NCF Group which the NCF Group does not consolidate but holds an interest in

Structured entities for which the NCF Group serves as asset manager, and therefore has power over them during the Relevant Periods are asset management schemes and funds. The NCF Group's exposure to the variable returns in the structured entities in which the NCF Group has interest are not significant. The NCF Group therefore did not consolidate these structured entities.

As at the ends of Relevant Periods, the net assets of these unconsolidated structured entities managed by the NCF Group amounted to RMB 11.7 billion, RMB 25.5 billion, RMB 60.8 billion and RMB 65.7 billion respectively.

As at the ends of Relevant Periods, the net assets of these unconsolidated structured entities in which the NCF Group invested in and played a management role amounted to RMB 8.0 billion, RMB 0.5 billion, RMB 2.4 billion and RMB 1.4 billion respectively. In 2012, 2013, 2014 and three months end March 31, 2015, the NCF Group recognized the management fees of RMB 57,878 thousand, RMB 9,831 thousand, RMB 7,333 thousand and RMB 3,159 thousand respectively. As at the ends of Relevant Periods, the management fees receivable totaled RMB 5,035 thousand, RMB 317 thousand, RMB 1,424 thousand and RMB 923 thousand respectively.

As at the ends of Relevant Periods, the net assets of these unconsolidated structured entities in which the NCF Group played a management role but did not invest in amounted to RMB 3.7 billion, RMB 25.0 billion, RMB 58.4 billion and RMB 64.3 billion respectively. In 2012, 2013, 2014 and three months end March 31, 2015, the NCF Group recognized the management fees of RMB 50,541 thousand, RMB 134,368 thousand, RMB 188,790 thousand and RMB 76,247 thousand respectively. As at the ends of Relevant Periods, the management fees receivable totaled RMB 4,422 thousand, RMB 16,689 thousand, RMB 24,911 thousand and RMB 40,701 thousand respectively.

36 CONTINGENCIES

As at the ends of Relevant Periods, the NCF Group and NCF were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the NCF Group and NCF expect would materially adversely affect their financial position or results of operations.

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) ***Major shareholders***

Major shareholders include shareholders of NCF with 5% or above ownership.

Capital percentage in NCF:

	As at December 31			As at March 31
	2012	2013	2014	2015
HENGTOU SECURITIES	—	43.75%	43.75%	43.75%
New China Trust Co., Ltd.	48.00%	48.00%	48.00%	48.00%
Hangzhou Yongyuan Network Technology Co., Ltd	8.25%	8.25%	8.25%	8.25%
Shaanxi Lantong Investment Co., Ltd	30.00%	—	—	—
Shanghai Dazhong Environment Industry Co., Ltd	13.75%	—	—	—

(ii) ***Subsidiary of NCF***

The detailed information of NCF's subsidiary is set out in Note 18.

(iii) ***Other related parties***

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related parties transactions and balances

(i) ***Transactions between the NCF Group and major shareholders***

	Year ended December 31			Three months ended March 31
	2012	2013	2014	2015
Transaction during the year / period:				
Distribution fee expenses	—	67	132	52
Advisory fee expenses	—	1,935	—	—

(ii) ***Transactions between the NCF Group and subsidiaries of shareholders***

	Year ended December 31			Three months ended March 31
	2012	2013	2014	2015
Transaction during the year / period:				
Investment advisory fees	—	—	3,002	—

(iii) ***Transactions between NCF and subsidiaries***

	Year ended December 31			Three months ended March 31
	2012	2013	2014	2015
Transaction during the year / period:				
Investment advisory fees	—	—	200	—
Rental income	—	—	200	—

(c) Key management personnel remuneration

Remuneration for key management personnel of the NCF Group, including amounts paid to NCF's directors and supervisors as disclosed in Note 14 and certain of the five highest paid individuals as disclosed in Note 15, is as follows:

	Year ended December 31			Three months ended March 31
	2012	2013	2014	2015
Short-term employee benefits				
- Fees, salaries, allowances and bonuses	5,624	8,548	18,700	2,748
Post-employment benefits				
- Contribution to pension scheme ..	197	216	278	73
Total..	5,821	8,764	18,978	2,821

Total remuneration is included in "staff costs" (see Note 9).

38 SEGMENT REPORTING

As NCF mainly provides fund management service in Mainland China and operates as one segment, segment reporting is not required to be prepared.

39 FINANCIAL INSTUMENTS AND RISK MANAGEMENT

The NCF Group has exposure to the following risks arising from financial instruments:

- Credit risk (see Note 39 (a));
- Liquidity risk (see Note 39 (b)); and
- Market risk (see Note 39 (c)).

The NCF Group's board of directors has overall responsibility for the establishment and oversight of the NCF Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the NCF Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The NCF Group's risk management policies are established to identify and analyse the risks faced by the NCF Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the NCF Group's activities. The NCF Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The internal audit department of the NCF Group undertakes both regular and ad hoc reviews of risk management controls and procedures.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the NCF Group.

The NCF Group's credit risk is primarily attributable to refundable deposits, accounts receivable, other receivables, available-for-sale financial assets and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored closely.

Refundable deposits are deposits with China Securities Depository and Clearing Corporation Limited for the purpose of settlement on behalf of customers. China Securities Depository and Clearing Corporation Limited is supervised by relevant regulators and considered to have minimal credit risk.

Accounts receivable are mainly management fee income receivable and commission income receivable from funds and asset management schemes. The funds and asset management schemes are managed by the NCF Group. Thus, the credit risk is low.

Other receivables are mainly rental deposits and interest receivables, which management assessed the credit risk to be insignificant.

Available-for-sale financial assets represent the investment in bond funds. The NCF Group emphasizes proper investment operation and aims to achieve stable returns while minimizing risks. The bond funds are managed by NCF and invest in bonds with trustworthy credit rating. Therefore, the credit risk is considered to be low.

All of the NCF Group's bank balances are deposited in PRC banks with good reputations and management assessed the credit risk to be insignificant.

The NCF Group and NCF do not provide any guarantees which would expose the NCF Group or NCF to any credit risk.

(i) ***Maximum exposure to credit risk***

Maximum exposure to credit risk of the NCF Group and NCF without taking account of any collateral and other credit enhancements:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Refundable deposits	5,400	8,400	10,200	10,200
Accounts receivable	10,758	21,782	28,658	51,955
Other receivables and prepayments	3,939	4,037	2,670	3,048
Available-for-sale financial assets	37,558	20,110	12,020	12,240
Bank balances	91,488	107,782	169,408	198,560
Total maximum credit risk exposure	149,143	162,111	222,956	276,003

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Refundable deposits	5,400	8,400	10,200	10,200
Accounts receivable	10,758	18,741	22,819	45,520
Other receivables and prepayments	3,939	3,971	2,482	12,854
Available-for-sale financial assets	37,558	20,110	12,020	12,240
Bank balances	91,488	83,827	133,658	147,862
Total maximum credit risk exposure	149,143	135,049	181,179	228,676

(ii) ***Risk concentrations***

The NCF Group's and NCF's major credit exposures are with counterparties domiciled in the PRC as at the ends of Relevant Periods.

(b) Liquidity risk

Liquidity risk is the risk that the NCF Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The NCF Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the NCF Group's reputation.

The following tables show the details of the remaining contractual maturities at the end of Relevant Periods of the NCF Group's and NCF's non-derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the ends of the Relevant Periods) and the earliest date the NCF Group and NCF can be required to pay:

The NCF Group

	As at December 31, 2012								
Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable...	14,106	14,106	—	—	—	—	—	—	14,106
Other payables and accruals	4,949	3,381	1,568	—	—	—	—	—	4,949
Total	19,055	17,487	1,568	—	—	—	—	—	19,055

The NCF Group

	As at December 31, 2013								
Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable...	18,492	18,492	—	—	—	—	—	—	18,492
Other payables and accruals	7,419	5,249	2,170	—	—	—	—	—	7,419
Total	25,911	23,741	2,170	—	—	—	—	—	25,911

The NCF Group

	As at December 31, 2014								
Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable...	22,389	22,389	—	—	—	—	—	—	22,389
Other payables and accruals............	12,635	7,446	5,189	—	—	—	—	—	12,635
Total	35,024	29,835	5,189	—	—	—	—	—	35,024

The NCF Group

	As at March 31, 2015								
Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable...	28,789	28,789	—	—	—	—	—	—	28,789
Other payables and accruals............	23,514	17,421	6,093	—	—	—	—	—	23,514
Total	52,303	46,210	6,093	—	—	—	—	—	52,303

NCF

Financial Liabilities	As at December 31, 2012 Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable	14,106	14,106	—	—	—	—	—	—	14,106
Other payables and accruals	4,949	3,381	1,568	—	—	—	—	—	4,949
Total	19,055	17,487	1,568	—	—	—	—	—	19,055

NCF

Financial Liabilities	As at December 31, 2013 Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable	18,012	18,012	—	—	—	—	—	—	18,012
Other payables and accruals	6,569	5,182	1,387	—	—	—	—	—	6,569
Total	24,581	23,194	1,387	—	—	—	—	—	24,581

NCF

Financial Liabilities	As at December 31, 2014 Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable	21,589	21,589	—	—	—	—	—	—	21,589
Other payables and accruals	10,290	7,361	2,929	—	—	—	—	—	10,290
Total	31,879	28,950	2,929	—	—	—	—	—	31,879

NCF

Financial Liabilities	As at March 31, 2015 Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Accounts payable...	28,789	28,789	—	—	—	—	—	—	28,789
Other payables and accruals............	13,072	7,351	5,721	—	—	—	—	—	13,072
Total	41,861	36,140	5,721	—	—	—	—	—	41,861

(c) Market risk

Market risk is the risk that changes in market prices — such as interest rates and equity prices — will affect the NCF Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) *Interest rate risk*

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The NCF Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The NCF Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The NCF Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

Exposure to interest rate risk

As at the ends of Relevant Periods, the NCF Group and NCF did not hold any interest-bearing financial liabilities and only had the following interest-bearing financial assets:

The NCF Group

	As at December 31			As at March 31
	2012	2013	2014	2015
Fixed-rate instruments				
Bank deposits	76,700	96,200	74,389	138,132
Variable-rate instruments				
Bank deposits	14,788	11,582	95,019	60,428

NCF

	As at December 31			As at March 31
	2012	2013	2014	2015
Fixed-rate instruments				
Bank deposits	76,700	72,950	50,000	112,000
Variable-rate instruments				
Bank deposits	14,788	10,877	83,658	35,862

(ii) ***Sensitivity analysis***

— *Fair value sensitivity analysis for fixed rate financial instruments*

The NCF Group and NCF do not hold any fixed rate financial instruments measured at fair value. Therefore a change in interest rate at the end of the Relevant Periods would not affect the NCF Group's and NCF's net profit or equity.

— *Cash flow sensitivity analysis for variable rate financial instruments*

Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

The NCF Group

	Sensitivity of net profit and equity			
	As at December 31			As at March 31
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points	111	87	713	453
Decrease 100 basis points	(52)	(41)	(518)	(322)

NCF

	Sensitivity of net profit and equity			
	As at December 31			As at March 31
	2012	2013	2014	2015
Change in basis points				
Increase 100 basis points	111	82	627	269
Decrease 100 basis points	(52)	(38)	(478)	(237)

In respect of the exposure to cash flow interest rate risk arising from variable rate instruments held by the NCF Group and NCF as at the end of the Relevant Periods, the impact on the NCF Group's and NCF's net profit and equity is estimated as an annualized impact on interest income of such a change in interest rates. The analysis is performed on the same basis at the end of the Relevant Periods.

(iii) ***Price risk***

Price risk refers to the likelihood of loss that may arise from equity investments concluded in financial assets at fair value through profit or loss and available-for-sale financial instruments due to equity price changes.

As at the ends of Relevant Periods, the NCF Group and NCF did not hold any equity investments concluded in financial assets at fair value through profit or loss and available-for-sale financial instruments. Thus, there was no price risk.

The available-for-sale financial assets held by the NCF Group as at the ends of Relevant Periods are bond funds. Therefore, there was no significant price risk.

(d) Capital management

The NCF Group's and NCF's objectives of capital management are:

(i) Safeguard the NCF Group's and NCF's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) Support the NCF Group's and NCF's stability and growth;

(iii) Maintain a strong capital base to support the development of their business; and

(iv) Comply with the capital requirements under the PRC and Hong Kong regulations.

The NCF Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the NCF Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure, etc. Adjustments are made to the capital structure in light of changes in economic conditions affecting the NCF Group.

40 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The NCF Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Available-for-sale financial assets are stated at fair value. For open-ended funds, the NCF Group uses net asset value as the best estimate for their fair values.

(iii) Accounts receivable, other receivables and prepayments, accounts payable, and other payables and accruals are almost within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value hierarchy

The NCF Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyzes financial instruments, measured at fair value at the ends of the Relevant Periods, by the level in the fair value hierarchy into which the fair value measurement is categorized.

The NCF Group and NCF

	As at December 31, 2012			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Available-for-sale financial assets				
- Funds	27,548	10,010	—	37,558

	As at December 31, 2013			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Available-for-sale financial assets				
- Funds	20,110	—	—	20,110

	As at December 31, 2014			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Available-for-sale financial assets				
- Funds	12,020	—	—	12,020

	As at March 31, 2015			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Available-for-sale financial assets				
- Funds	12,240	—	—	12,240

For investment funds in a lock-up period, the NCF Group and NCF initially recognizes them it in level II. After expiration of lock-up period, the NCF Group and NCF transfer the investment funds from level II to level I.

During the year ended December 31, 2013, the investment funds held by the NCF Group and NCF had passed the lock-up period; therefore, the NCF Group and NCF transferred the investment funds from level II to level I. During the year ended December 31, 2013, there were no changes in valuation technique of fair value.

For the years ended December 31, 2012 and 2014, and the period ended March 31, 2015, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

(i) ***Financial instruments in Level I***

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the NCF Group is the net asset value. These instruments are included in Level I.

(ii) ***Financial instruments in Level II***

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) ***Valuation methods for specific investments***

As at the ends of Relevant Periods, the NCF Group's valuation methods for specific investments are as follows:

For open-ended funds, fair value is determined by trading price which is based on the net asset value as at the end of Relevant Periods.

(iv) ***Financial instruments in Level III***

There is no financial instrument in Level III as at the ends of Relevant Periods.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the NCF Group has adopted all the new and revised IFRSs in issue which are relevant to the NCF Group for the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended March 31, 2015. The revised and new accounting standards and interpretations issued but not yet effective for the the relevant periods, which may be relevant to the NCF Group, are set out below:

		Effective for accounting period beginning on or after
IFRS 11	Joint Arrangements	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IAS 16	Property, plant and equipment	January 1, 2016
IAS 38	Intangible assets	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
IFRS 9	Financial Instruments	January 1, 2018

The NCF Group is in the process of assessing the impact of these new standards and amendments on the Financial Information.

42 EVENTS AFTER THE REPORTING DATE

(a) Increase in the registered capital of New China Fushi

On May 27, 2015, the registered capital of New China Fushi was increased from RMB 20 million to RMB 50 million, all of which was fully paid up. NCF, Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合伙)) ("Huashan") and Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司) ("Taofu") contributed RMB 10 million respectively. After the capital contribution, NCF, Huashan and Taofu held 60%, 20% and 20% of the equity interest of New China Fushi respectively.

(b) Increase in the registered capital of NCF

On July 29, 2015, the registered capital of NCF was increased from RMB 160 million to RMB 217.5 million, all of which was fully paid up by HENGTOU SECURITIES. After the capital contribution, HENGTOU SECURITIES, New China Trust and Hangzhou Yongyuan held 58.62%, 35.31% and 6.07% of the equity interest of NCF respectively.

(c) NCF's legal form conversion

On August 21, 2015, shareholders' meeting approved the conversion of NCF from limited liability company (有限責任公司) into a joint stock limited liability company (股份有限公司).

43 STATUTORY AUDITOR

The statutory financial statements of the companies comprising the NCF Group which are subject to audit during the Relevant Periods were audited by the following auditors:

Name of company[2]	Financial periods[1]	Statutory auditors[2]
New China Fund Management Co., Ltd. 新華基金管理有限公司	Year ended December 31, 2012, 2013 and 2014	KPMG Huazhen LLP 畢馬威華振會計師事務所（特殊普通合夥）("KPMG Huazhen")
New China Fushi	Years ended December 31, 2013 and 2014	KPMG Huazhen

Note:

1 No statutory financial statement has been prepared for Shenzhen New China Fushi Asset Management Co., Ltd. for the year ended December 31, 2012, as it was established in 2013.

2 The English translations of the names are for reference only. The official names of the entity and auditor are in Chinese.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited consolidated financial statements have been prepared by the NCF Group in respect of any period subsequent to March 31, 2015. No dividend or distribution has been declared or made by any companies comprising the NCF Group in respect of any period subsequent to March 31, 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Reports received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendices IA and IB to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Reports set forth in Appendices IA and IB to this Prospectus.

A. Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, subject to its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	Note (1)	*Note (2)(5)*	*Note (3)*	*Note (4)*	*Note (6)*
Based on an offer price of HK$3.92 per share	5,658,131	1,073,160	6,731,291	2.64	3.22
Based on an offer price of HK$4.30 per share	5,658,131	1,180,572	6,838,703	2.68	3.27

Notes:

(1) The consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2015, is compiled based on the financial information included in the Accountants' Report set out in Appendix IA to the prospectus, which is based on the consolidated total equity attributable to shareholders of the Company of RMB 5,722,326 thousand less intangible assets of RMB 51,060 thousand and goodwill of RMB 13,135 thousand as at March 31, 2015.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$3.92 (being the minimum offer price) and HK$4.30 (being the maximum offer price) per H share and the assumption that there are 356,400,000 newly issued H shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming that Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets does not take into account the financial results or other transactions of the Group subsequent to March 31, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived on the basis of 2,551,107,412 shares in issue assuming that the Global Offering has been completed on March 31, 2015.

(5) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB 0.8207 to HK$1.00, being the exchange rate set by the People's Bank of China prevailing on September 18, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(6) The unaudited pro forma adjusted consolidated net tangible assets per Share is translated into Hong Kong dollars at exchange rate of RMB 0.8207 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

B. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

The following is an illustrative unaudited pro forma consolidated statement of financial position of the Group and New China Fund Management Co., Ltd. (the "Target Company") and its subsidiary (collectively the "Target Group", and together with the Group referred to as the "Enlarged Group"), on the basis of the notes set out below for the purpose of illustrating the effect of the Group's acquisition of the Target Company, in which the Group held 43.75% equity interest immediately before the acquisition date, pursuant to a capital increment agreement reached in February 2015 (the "Capital Increment Agreement") (the "Acquisition"), as if the Acquisition had taken place on March 31, 2015, and the Group had taken control of the Target Company and consolidated the Target Company into the consolidated financial information on March 31, 2015.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. Among other key assumptions, the directors of the Company have assumed that the Company would be able to raise sufficient funding through internal resources and external financing to finance the Acquisition.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared for illustrative purpose only and, subject to its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at March 31, 2015 or at any future date.

	Consolidated statement of financial position of the Group as at March 31, 2015	Consolidated statement of financial position of the Target Group as at March 31, 2015	Other Pro Forma adjustments	The unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000
	Note (1)	*Note (2)*	*Note (3)/Note (4)*	
Non-current assets				
Property and equipment	330,488	12,785	2,622	345,895
Investment properties	20,561	—		20,561
Goodwill	13,135	—	50,234	63,369
Intangible assets	51,060	8,235	3,338	62,633
Interest in associates	176,818	—	(163,154)	13,664
Available-for-sale financial assets	553,517	12,240		565,757
Financial assets held under resale agreements	173,130	—		173,130
Refundable deposits	369,226	10,200		379,426
Deferred tax assets	2,043	5,315		7,358
Other non-current assets	36,938	2,983		39,921

	Consolidated statement of financial position of the Group as at March 31, 2015	Consolidated statement of financial position of the Target Group as at March 31, 2015	Other Pro Forma adjustments	The unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000
	Note (1)	*Note (2)*	*Note (3)/Note (4)*	
Total non-current assets	**1,726,916**	**51,758**	**(106,960)**	**1,671,714**
Current assets				
Margin accounts receivables	6,383,227	—		6,383,227
Other current assets	286,323	62,640		348,963
Available-for-sale financial assets	1,451,807	—		1,451,807
Financial assets held under resale agreements	228,127	—		228,127
Financial assets at fair value through profit or loss	4,793,420	—		4,793,420
Cash held on behalf of brokerage clients	10,677,460	—		10,677,460
Clearing settlement funds	752,197	—		752,197
Cash and bank balances	1,183,594	198,582		1,382,176
Total current assets	**25,756,155**	**261,222**	**—**	**26,017,377**
Current liabilities				
Short-term commercial papers issued	1,200,000	—		1,200,000
Placements from other financial institutions	1,436,000	—		1,436,000
Accounts payable to brokerage clients	10,835,534	—		10,835,534
Employee benefits payable	339,397	36,583		375,980
Other current liabilities	1,686,198	57,263		1,743,461
Current tax liabilities	107,138	9,544		116,682
Financial assets sold under repurchase agreements	4,530,485	—		4,530,485
Total current liabilities	**20,134,752**	**103,390**	**—**	**20,238,142**
Net current assets	**5,621,403**	**157,832**	**—**	**5,779,235**
Total assets less current liabilities	**7,348,319**	**209,590**	**(106,960)**	**7,450,949**

	Consolidated statement of financial position of the Group as at March 31, 2015	Consolidated statement of financial position of the Target Group as at March 31, 2015	Other Pro Forma adjustments	The unaudited pro forma consolidated statement of financial position of the Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000
	Note (1)	*Note (2)*	*Note (3)/Note (4)*	
Non-current liabilities				
Subordinated bonds issued ..	1,500,000	—		1,500,000
Deferred revenue	5,167	—		5,167
Deferred tax liabilities	120,826	—	1,490	122,316
Total non-current liabilities..........................	1,625,993	—	1,490	1,627,483
Net assets..........................	**5,722,326**	**209,590**	**(108,450)**	**5,823,466**
Equity				
Share capital/Paid-in capital .	2,194,707	160,000	(160,000)	2,194,707
Share premium/Capital premium...........................	813,953	48,000	(48,000)	813,953
Reserves	2,713,666	1,590	(29,475)	2,685,781
Non-controlling interests.......			129,025	129,025
Total equity........................	**5,722,326**	**209,590**	**(108,450)**	**5,823,466**

Notes:

(1) The consolidated statement of financial position of the Group as at March 31, 2015 is extracted from the accountants' report of the Group as set out in Appendix IA to the prospectus.

(2) The consolidated statement of financial position of the Target Group as at March 31, 2015 is extracted from the accountants' report of the Target Group as set out in Appendix IB to the prospectus.

(3) After the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value in accordance with International Financial Reporting Standard 3, Business Combinations ("IFRS 3").

The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Acquisition. Consequently, it will be likely to result in different amounts than those stated in this pro forma financial information.

Other pro forma adjustments made represent:

i. The capital increment amounting to RMB 97,750 thousand, affecting both the Company's interest in the Target Company and equity of the Target Company, as well as the consolidation entry to eliminate the equity of the Target Company after the Acquisition;

ii. The recognition of loss from remeasurement of previously-held interest at fair value , fair value adjustment of identifiable net assets and related tax impact, as well as the goodwill recognition in accordance with the applicable standards under International Financial Reporting Standards, being illustrated by the table below:

	RMB'000	RMB'000
Book value of the previously-held interest in the Target Company *(Note(i))*	163,154	
Remeasured fair value of the previously-held interest *(Note(i))*	(27,885)	
Acquisition-date fair value of the previously-held interest		135,269
Capital increment in the Target Company *(Note(ii))*		97,750
Net assets value of the Target Group before the capital increment	209,590	
Capital increment in the Target Company	97,750	
Fair value adjustments *(Note(iii))*	5,960	
Deferred tax liabilities *(Note(iii))*	(1,490)	
Fair value of identifiable assets acquired and liabilities assumed	311,810	
Non-controlling interests of the Target Group	129,025	
Identified assets acquired and liabilities assumed attributable to the shareholders of the Company		182,785
Goodwill arising from capital increment to take control		50,234

Notes:

(i) For step acquisition, IFRS 3 requires that the acquirer shall remeasure its previously held equity interest in the acquirer at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. For the purpose of the unaudited pro forma financial information, the acquisition-date fair value of the Company's previously held equity interest in the Target Company is determined to be RMB135,269 thousand by reference to the Target Group's enterprise value as at March 31, 2015 as appraised by the independent valuer. The resulting loss amounted to RMB 27,885 thousand.

(ii) The Capital increment in the Target Company is based on the agreement terms.

(iii) The identifiable assets acquired and the liabilities assumed shall be measured at their acquisition-date fair value, which results in fair value adjustments on property and equipment and intangible assets held by the Target Group amounting to RMB 3,338 thousand and RMB 2,622 thousand respectively, as well as recognition of the related deferred tax liabilities of RMB 1,490 thousand. For the purpose of the unaudited pro forma financial information, the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed is determined with reference to the valuation report on the enterprise value of the Target Group as at March 31, 2015 issued by the independent valuer.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to March 31, 2015.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 30, 2015

TO THE DIRECTORS OF HENGTOU SECURITIES
(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

We have completed our assurance engagement to report on the compilation of pro forma financial information of HENGTOU SECURITIES (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2015 and the unaudited pro forma consolidated statement of financial position of the enlarged group comprising the Group and China New Fund Management Co., Ltd (the "Target Company") and its subsidiary as at March 31, 2015 and related notes as set out in Parts A and B of Appendix II to the prospectus dated September 30, 2015 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Parts A and B of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of (a) the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at March 31, 2015 as if the Global Offering had taken place at March 31, 2015; and (b) the proposed acquisition of the Target Company on the Group's financial position as at March 31, 2015, as if the acquisition of the Target Company had taken place at March 31, 2015 in two separate sets of pro forma financial information. As part of this process, information about the Group's financial position as at March 31, 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at March 31, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

OPINION

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is a summary of certain PRC and Hong Kong taxation consequences of the ownership of H Shares by an investor who purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material taxation consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date hereof, as well as on *the Treaty Between the U.S. and the PRC for the Avoidance of Double Taxation* (the "Treaty"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect. For purposes of this section of this prospectus, an "Eligible U.S. Holder" refers to any beneficial owner of H Shares who (i) is a resident of the United States for purposes of the Treaty, (ii) does not maintain a permanent establishment or fixed base in the PRC relating to the H Shares, and the beneficial owner does not or did not carry on any business through such establishment or fixed base (in the case of an individual, does not or did not perform any independent personal services) and (iii) in other respects, is eligible to enjoy benefits under the Treaty with respect to income and gains derived in connection with the H Shares.

This section of this prospectus does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

THE PRC

Dividend Tax

Individual Investors

According to the *Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法) (the "Individual Income Tax Law") enacted by the Standing Committee of the Fifth Session of the National People's Congress on September 10, 1980, which was last amended on June 30, 2011 and became effective on September 1, 2011, and the *Implementation Rules of Individual Income Tax Law of the PRC* (the "Implementation Rules of Individual Income Tax Law"), which was last amended by the State Council on July 19, 2011 and effective on September 1, 2011, dividends paid by PRC companies are generally subject to a withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to an individual income tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the *Circular on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of the File - Guo Shui Fa [1993] No. 045* (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) promulgated for implementation by the State Administration of Taxation on June 28, 2011, when a non-foreign invested enterprise in the PRC launches its public offering in Hong Kong, its foreign resident individual shareholders are entitled to enjoy the relevant preferential tax treatments in accordance with the tax treaty entered into between the countries of their residence and the

PRC. Dividends paid by non-foreign invested enterprises in the PRC, which have already launched their public offering in Hong Kong, to the individual holders of H Shares who are foreign residents, are generally subject to PRC individual income tax at the rate of 10%, and application to the taxation bureau in the PRC is not required. In case the 10% tax rate is not applicable, the relevant enterprise shall act as follows: (i) in respect of individual holders of H Shares receiving dividends who are foreign residents from countries which have entered into income tax treaties with the PRC with tax rate lower than 10%, the non-foreign invested enterprise which has already launched its public offering in Hong Kong may apply on behalf of the such holders to seek entitlement of the preferential tax treatment at such lower rate, and the surplus amount withheld will be refunded upon approval by the tax authority; (ii) in respect of individual holders of H shares receiving dividends who are foreign residents from countries which have entered into income tax treaties with the PRC with tax rate higher than 10% but lower than 20%, the non-foreign invested enterprise which has already launched its public offering in Hong Kong is required to withhold the tax amount at the agreed rate under the treaty, and no application procedure is required; (iii) for the individual holders of H Shares receiving dividends who are foreign citizens from countries without taxation agreements with the PRC or otherwise under other circumstances, the non-foreign invested enterprise which has already launched its public offering in Hong Kong is required to withhold the tax amount at the rate of 20%.

According to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (Guo Shui Han [2006] No. 884)* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) with respect to taxes on income signed on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Enterprises

According to the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (the "EIT Law") and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) which were effective on January 1, 2008, the non-resident enterprises shall be subject to 10% enterprise income tax for the income originated from the PRC provided that the non-resident enterprises do not establish offices or premises in the PRC, or where there are offices and premises established, there is no connection between the dividends and bonuses received and the offices or premises established by the non-resident enterprises. Such withholding tax may be reduced pursuant to an applicable treaty for avoidance of double taxation after an application is approved.

According to the *Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Corporate Shareholders of Foreign H Shares* (關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation, which became effective on November 6, 2008, PRC resident enterprises should withhold enterprise income tax at a unified rate of 10% when they distribute dividends for the year of 2008 and beyond to non-resident corporate shareholders of foreign H Shares. Such withholding tax may be reduced pursuant to an applicable treaty for avoidance of double taxation after an application is approved.

Tax Treaties

Investors who do not reside in the PRC but reside in countries that have entered into treaties for avoidance of double taxation with the PRC are entitled to a reduction of the withholding tax imposed on dividends payable by PRC companies. The PRC currently has signed treaties for avoidance of double taxation with many nations in the world, including but not limited to: Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore and the United States.

Capital Gains Tax

In accordance with the Implementation Rules of Individual Income Tax Law, individuals who are a PRC resident are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. The Implementation Rules of Individual Income Tax Law also provided that the measures for the collection of individual income tax from income on the transfer of stocks shall be drafted by the Ministry of Finance (MOF) and subject to the approval of the State Council for implementation. However, as of the Latest Practicable Date, no such measures had been drafted or implemented. Under the *Circular Declaring the Continuation of Temporary Exemption of Individual Income Tax on Income of Individuals from Transfer of Shares* (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by MOF and State Administration of Taxation on March 30, 1998, income of individuals from the transfer of listed stocks would continue to be exempted from individual income tax with effect from January 1, 1997. In the Individual Income Tax Law and the Implementation Rules of the Individual Income Tax Law, the State Administration of Taxation had not expressly stated whether exemption from individual income tax would continue on income derived by individuals from the transfer of listed stocks. However, the *Circular on Related Issues concerning the Collection of Individual Income Tax over Income Received by Individuals from Transfer of Listed Shares subject to Sales Limitation* (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) jointly issued by MOF, State Administration of Taxation and CSRC on December 31, 2009 stated that income of individuals derived from transferring listed stocks on certain domestic exchanges would continue to be exempted from Individual Income Tax, except for the shares of certain specified companies subject to sales limitation (as defined in this Circular and its Supplementary Circular issued on November 10, 2010). As of the Latest Practicable Date, no legislation has expressly provided individual income tax shall be collected from non-PRC resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. In practice, no such tax has ever been collected by the PRC taxation authorities.

OTHER TAXATION ISSUES IN THE PRC

PRC Stamp Duty

Pursuant to the *Provisional Regulation of Stamp Duty of the PRC* (中華人民共和國印花稅暫行條例) which became effective on October 1, 1988, the PRC stamp duty imposed on the transfer of shares of listed PRC companies is not applicable to the acquisition and disposal of H Shares outside the PRC by non-PRC investors. The *Provisional Regulation of Stamp Duty of the PRC* provides that the PRC stamp duty is only applicable to documents executed or received within the PRC which are legally binding in the PRC and are protected under PRC laws.

Estate Duty

Under the current legal environment in the PRC, holders of H Shares who are non-PRC residents are not subject to estate duty.

MAJOR TAXES OF OUR COMPANY IN THE PRC

Income Tax

In accordance with the EIT Law, the enterprise income tax rate for enterprises and other institutions established in the PRC is 25%.

Business Tax

Pursuant to the *Provisional Regulations on Business Tax of the PRC* (中華人民共和國營業稅暫行條例) became effective on January 1, 2009 and their relevant implementation rules, business tax shall be imposed on enterprises which provide labor services required by the Regulations, transfer intangible properties or sell real properties in the PRC. The business tax rate of 5% is imposed on companies in the financial and insurance industries.

HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

In accordance with the Inland Revenue Ordinance in Hong Kong, no tax is imposed in Hong Kong in respect of capital gains from the sale of the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15.0%. Gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share is effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred to or from each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5.00 is charged on each instrument of transfer (if required). Where a sale or purchase of the H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is still subject to foreign exchange controls and is not freely convertible at present. State Administration of Foreign Exchange (SAFE), under the authority of the People's Bank of China (PBOC), is empowered to administer all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the *Administrative Regulations of the People's Republic of China on Foreign Exchange* (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations"), which was last amended and took effect on August 5, 2008. The Foreign Exchange Regulations classified all international payments and transfers into current account items and capital account items. Most of the current account items were no longer subject to approval of SAFE, while capital account items still required approvals by SAFE.

On June 20, 1996, the PBOC promulgated the *Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理規定), which took effect on July 1, 1996, pursuant to which, the PRC abolished the restrictions on convertibility of foreign exchange in respect of current account items, while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, the PBOC and SAFE promulgated *the Circular on Ceasing the Foreign Exchange Swap Business Activities* (關於停辦外匯調劑業務的通知), pursuant to which with effect from December 1, 1998, all foreign exchange swap business for foreign-invested enterprises in the PRC would be discontinued, while the trading of foreign exchange by foreign-invested enterprises would be incorporated into the banking system for settlement and sale of foreign exchange.

On July 21, 2005, the PBOC announced that, with immediate effect, the PRC would implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the Renminbi was no longer only pegged to the U.S. dollar. The PBOC would announce the closing price of foreign currencies, such as the U.S. dollar, against the Renminbi in the inter-bank foreign exchange market after the market closed on each working day. Such closing price would be taken as the middle price for the Renminbi exchange rate quoted on the following working day.

Since January 4, 2006, the PBOC had improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system in the inter-bank spot foreign exchange market, while keeping the matching system. In addition, the PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market.

The foreign exchange income from the current account items may be retained or sold to financial institutions operating foreign exchange settlement and sales business. For foreign exchange income from the capital account items, before retention or being sold to any financial institution operating foreign exchange settlement and sales business, approval by the foreign exchange authority should be obtained, unless provided otherwise by the State.

When PRC enterprises (including foreign-invested enterprises) require foreign exchange for transactions relating to current account items, they may effect payment from their foreign exchange account or convert funds into foreign exchange and make payment at the designated foreign exchange banks without obtaining approval from SAFE, provided valid receipts and evidences of transactions must be produced. When foreign-invested enterprises require foreign exchange for distribution of profits to their shareholders, and when PRC enterprises are required to pay dividends to shareholders in foreign currencies according to relevant provisions, they may effect payment from their foreign exchange accounts or convert funds into foreign exchange and make payments at the designated foreign exchange banks pursuant to the relevant resolutions approved by the general meeting of shareholders or meeting of the board of directors for the distribution of profits.

Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from SAFE and its relevant branches.

Dividends to holders of H Shares are denominated in Renminbi but must be paid in Hong Kong dollars. Our Company prepares its consolidated financial statements in Renminbi.

The PBOC sets and publishes daily a basic exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the previous day. The PBOC also takes into account other factors such as the general conditions existing in the international foreignexchange markets. Although the PRC government introduced policies in 1996 to relax restrictions on the convertibility of Renminbi into foreign currencies in respect of current account items, however, the conversion of Renminbi into foreign currencies in respect of capital account items, such as foreign direct investments, loans or securities, is still required to obtain approval from SAFE and other relevant authorities.

In accordance with the *Decision of the State Council on Cancelling or Adjusting a Group of Administrative Approval Items and other Matters* (國務院關於取消和調整一批行政審批項目等事項的決定) (Guo Fa [2014] No. 50) as promulgated by the State Council on November 24, 2014, SAFE and its branches shall cancel the approval for foreign exchange settlement in relation to the proceeds from an overseas listing by a domestic company of its overseas listed foreign shares.

In accordance with the *Circular on the Relevant Issues of Foreign Exchange Administration of Overseas Listing* (關於境外上市外匯管理有關問題的通知) (Hui Fa [2014] No. 54) as promulgated by SAFE on December 31, 2014, a domestic company shall complete the registration procedure for overseas listing with the local branch of SAFE at the place of its incorporation within 15 working days after completion of its first IPO overseas. The proceeds from an overseas listing may be remitted to domestic or deposited overseas, and the use of proceeds shall be consistent with the relevant contents of this prospectus, circular to the shareholders, resolution of the directors' meeting or the shareholders' general meeting and other public disclosure documents.

This Appendix sets forth summaries of certain aspects of PRC law and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purpose of judicial reference and guidance. *The PRC Constitution* (中華人民共和國憲法), enacted by the National Peoples' Congress of the PRC (the "NPC"), is the basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council has the power to enact administrative regulations based on the *Constitution* and laws.

People's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations. People's congresses of districted cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, administrative regulations, and local regulations of such province or autonomous region.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the

NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions, People's Bank of China, Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and districted cities or autonomous prefecture may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

According to the PRC Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

Under the *PRC Constitution* (中華人民共和國憲法) and the *Law of the PRC of Organization of the People's Courts* (中華人民共和國人民法院組織法) which was enacted on July 1, 1979 and last amended and took effect on October 31, 2006, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The *Civil Procedure Law of the PRC* (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on August 31, 2012 and became effective on January 1, 2013, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or other locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two year. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (公司法) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on December 28, 2013 and came into effect on March 1, 2014 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The latest amendment to the Company Law in 2013 has cancelled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations") were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the *Company Law* (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions of Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions")were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in the appendix headed "Appendix V — Summary of the Articles of Association" to this prospectus).

Copies of the Chinese text of the Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the appendix headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus.

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35.0% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. The company shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting give notice to all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50.0% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15.0% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25.0% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Increase in Capital

Under the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its capital by canceling its shares or merging with another company holding its shares;

(ii) granting shares as a reward to the staff of the company; or

(iii) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

The shares of the company to be repurchased by itself as a reward to its staff shall not exceed 5.0% of the total number of its issued shares. Any funds for such purpose shall be paid out of after-tax profits of the company, and the shares so purchased shall be transferred to the company's staff within a year.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder. Under the Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee or the supervisors;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to decide on the appointment, resignation or dismissal of the accounting firm;

(xi) to amend the articles of association of the company; and

(xii) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital;

(iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10.0% or more of the company's shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10.0% of the total shares of the company for ninety days consecutively may unilaterally convene and preside over such meeting.

Notice of the Shareholders' general meeting shall be given to all shareholders 20 days before the meeting under the Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the *Special Regulations* and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50.0% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50.0% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of our Company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix V — Summary of the Articles of Association" to this prospectus).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed "Appendix V — Summary of the Articles of Association" to this prospectus) contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. According to the Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all members of the supervisory committee. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

Managers and other Senior Officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company includes the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix V — Summary of the Articles of Association" to this prospectus.

Duties of Directors, Supervisors and Senior Officers

A director, supervisor and senior officer of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should be available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor or other senior officer is requested by the shareholders' general meeting, such director, supervisor or other senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10.0% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50.0% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25.0% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Dismissal of Accountants

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10.0% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V — Summary of the Articles of Association."

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Article 239 of the Securities Law provides that specific provisions in respect of PRC domestic shares which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Regulation on Anti-money Laundering

The *Anti-money Laundering Law of the PRC* (中華人民共和國反洗錢法) effective on January 1, 2007 provides for the duties of the relevant financial regulatory authorities in anti-money laundering, which includes monitoring the capital of anti-money laundering, formulating rules and regulations on anti-money laundering of the financial institutions, supervising and reviewing the fulfillment of anti-money laundering obligations by financial institutions and investigating suspicious transactions within the scope of responsibilities. Heads of financial institutions shall be responsible for the effective implementation of anti-money laundering internal control system. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and historical transaction record, and report large-sum transactions and doubtful transactions according to applicable requirements.

According to the *Provisions on Anti-money Laundering of Financial Institutions* (金融機構反洗錢規定) which was enacted by the PBOC and came into effect on January 1, 2007, financial institutions and their branches shall establish comprehensive anti-money laundering internal control systems, an anti-money laundering department or designated internal department responsible for anti-money laundering pursuant to applicable laws. Anti-money laundering internal procedures and control measures shall be formulated. Specific training shall be offered to the staff in order to strengthen the anti-money laundering works.

According to the *Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Historical Transaction Records of Financial Institutions* (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) which was jointly enacted by the PBOC, CBRC, the CSRC and CIRC and came into effect on August 1, 2007, financial institutions shall establish client identification systems, and shall record the identities of all clients and the information about each of the transactions, and shall preserve the retail trading documents and books.

According to the *Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions* (金融機構大額交易和可疑交易報告管理辦法) which was enacted by the PBOC and came into effect on March 1, 2007, the headquarter of the financial institution or the department appointed by the headquarter, shall report to China Anti-money Laundering Monitoring and Analysis Centre electronically after identifying large-sum transactions and doubtful transactions.

The CSRC also formulated the *Implementing Rules of Anti-money Laundering for Securities and Futures Industry* (證券期貨業反洗錢工作實施辦法) which effective from October 1, 2010 and further formulates the anti-money laundering rules for securities and futures industry, and the anti-money laundering liabilities for the institutions carrying on funds sales business in their funds sales activities, and the securities and futures operating institutions should establish anti-money laundering internal control system.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The *Arbitration Law of the PRC* (中華人民共和國仲裁法) (hereinafter referred to as the "Arbitration Law") was passed by the Standing Committee of the National People's Congress on August 31, 1994 and the latest version was amended on August 27, 2009 with immediate effect. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, directors, supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (hereinafter referred to as "CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre (hereinafter referred to as "HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (承認及執行外國仲裁裁決公約) (hereinafter referred to as the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the *Provisions for Overseas Investment Management* (境外投資管理辦法) promulgated by Ministry of Commerce and took effect on October 6, 2014, and the *Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions* (境內機構境外直接投資外匯管理規定) issued by SAFE and took effect on August 1, 2009, upon obtaining approval or filing from the Ministry of Commerce to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the *Tentative Administrative Provisions on the Approval of Overseas Investment Projects* (境外投資項目核准和備案管理辦法) promulgated by the NDRC and took effect on May 8, 2014, overseas investment projects carried out by PRC enterprises by way of new construction, M&A, share purchase, capital increase and capital injection, and overseas investment projects implemented through its overseas enterprise or entity by way of providing financing or guarantees, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

According to the *Securities Law of the PRC* (中華人民共和國證券法) as amended and took effect on August 31, 2014, and the *Regulations for Supervision and Administration of Securities Companies* (證券公司監督管理條例) as amended and took effect on July 29, 2014, domestic securities companies in the PRC which establish or acquire securities operation entities overseas or purchase equity interest in securities operation entities overseas are required to make an application to the CSRC for approval.

According to the *Measures for Supervision and Administration of Futures Companies* (期貨公司監督管理辦法) promulgated and took effection October 29, 2014, domestic futures companies in the PRC which establish or acquire futures operation entities overseas or purchase equity interest in futures operation entities overseas are required to satisfy the relevant conditions and make an application to the CSRC for approval.

According to the *CSRC Rules concerning the Establishment of Offices in Hong Kong by Securities and Investment Fund Management Companies* (中國證券監督管理委員會關於證券投資基金管理公司在香港設立機構的規定) promulgated and took effect on April 8, 2008, domestic securities and investment fund management companies in the PRC which establish offices in Hong Kong, purchase equity interest in asset management companies in Hong Kong region, establish offices or purchase equity interest in asset management companies located in other countries and regions that had entered into memorandum of regulatory cooperation with the CSRC, are required to make an application to the CSRC for approval.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences Between Hong Kong And PRC Company Laws

Companies Ordinance

The Hong Kong law applicable to a company with share capital incorporated in Hong Kong is based on the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and is supplemented by common law. Our Company, which is a joint stock limited liability company established in the PRC, is governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law applicable to a joint stock limited liability company established in the PRC issuing overseas listed foreign shares to be listed on the Hong Kong Stock Exchange.

Set out below is a summary of the material differences between the Companies Ordinance applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited liability company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison:

Corporate subsisting

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company.

Under the Company Law, a joint stock limited liability company may be incorporated by either the promotion method or the subscription method.

Share capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited liability company incorporated by promotion method is the total amount of its share capital denominated by all promoters who have registered at the company registration authority; the registered capital of a joint stock limited liability company incorporated by subscription method is the received total amount of its share capital that have been registered at the company registration authority. Any increase in registered capital must be approved by the shareholders at a general meeting and by the relevant governmental and regulatory authorities in the PRC (if required).

Under the PRC Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. The Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, the capital contributions may be in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out according to the law to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares in the share capital of a joint stock limited liability company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares issued by a joint stock limited liability company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, except as otherwise permitted under the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法), may only be subscribed and traded by investors from the Hong Kong Special Administrative Region, the Macau Special Administrative Region, Taiwan or any country and territory outside the PRC.

Under the Company Law, shares in a joint stock limited liability company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a company held by its directors, supervisors and management personnel and transferred each year during their term of office shall not exceed 25.0% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on our Company's issue of shares and the 12-month lock up on the Controlling Shareholder' disposal of shares.

Financial assistance for acquisition of shares

The Company Law does not contain any provision prohibiting or restricting a joint stock limited liability company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Companies Ordinance.

Variation of class rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variation of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix headed "Appendix V — Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of interests in material contracts by a director, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as guarantees in respect of directors' liability and prohibition against compensation for loss of office without shareholders' approval. The Company Law restricts any interested directors to vote in respect of any board resolutions involving any companies in which such directors have an interest or a connected relationship. The Mandatory Provisions, however, contain requirements and restrictions in relation to the foregoing matters similar to those applicable under Hong Kong law.

Supervisory committee

Under the Company Law, the board of directors and managers of a joint stock limited liability company is subject to the supervision and inspection of a supervisory committee. But there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative action by shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The Company Law gives shareholders of a joint stock limited liability company the right that in the event that the directors and senior managers violate their fiduciary obligations to a company, shareholders individually or jointly holding over 1.0% of the shares in the company for more than 180 days consecutively may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may request in writing the board of directors to initiate proceedings in the people's court. Upon receipt of such request in writing from the shareholders, if the supervisory committee or the board of directors refuse to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall for the benefit of the company's interests, have the right to initiate proceedings directly to the court in its own name.

The Mandatory Provisions further provide that directors, supervisors and officers in breach of their duties to the company shall compensate the company. In addition, every director and supervisor of a joint stock limited liability company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company as agent for each shareholder to comply with the articles of association. This allows shareholders to take action against directors and supervisors in default.

Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to make any order as the court thinks fit. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The Company Law does not contain similar safeguards. The Mandatory Provisions, however, contains provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of shareholders' meetings

Under the Company Law, notice of a shareholders' general meeting must be given 20 days before the meeting, while notice of an extraordinary meeting must be given 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual general meeting is 14 days; and the notice period for an annual general meeting is 21 days.

Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provided. For one member companies, one member will be a quorum. The Company Law does not specify any quorum requirement for shareholders' general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50.0% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50.0% level is not achieved, the company shall within five days notify shareholders by public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong company law, an ordinary resolution is passed by a simple majority by the shareholders attending a shareholders' general meeting in person or by proxy, and a special resolution is passed by a majority of at least 75% by shareholders attending a the shareholders' general meeting in person or by proxy. Under the Company Law, the passing of resolutions requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increases or reductions of share capital, and merger, demerger or dissolution of a joint stock limited liability company or changes to the form of the company, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

Financial disclosure

A joint stock limited liability company is required under the Company Law to make available at its office for inspection by shareholders its annual financial report 20 days before an annual general meeting. In addition, a public company under the Company Law must publish its financial situation. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its financial statements, auditors' report and directors' report which are to be tabled before the company in its annual general meeting not less than 21 days before such meeting.

A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC GAAP, have its accounts prepared and audited in accordance with IFRS or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The Company Law gives shareholders the right to inspect the articles of association, records of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving agent

Under both the PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years while that under the PRC law is two years. The Mandatory Provisions require the appointment by the company of a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited liability company in respect of such foreign shares.

Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673 of the Companies Ordinance which requires the sanction of the court. Under PRC law, the merger, demerger, dissolution or change to the form of a joint stock limited liability company has to be approved by shareholders in general meeting.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory transfers

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no such requirements under Hong Kong law.

Remedies of a company

Under the Company Law, if a director, supervisor or management personnel in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or management personnel should be responsible to the company for such damages. In addition, in compliance with the Mandatory Provisions, the Articles of Association sets out remedies to our Company similar to those available under Hong Kong law (including recovery of profits made by a director, supervisor or officer).

Dividends

Pursuant to the relevant PRC laws and regulations, the company shall withhold and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Company Law and the Special Regulations, directors, supervisors, officers, and management personnel owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited liability company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to our Company:

Compliance advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from the date of submitting the listing application to the date of sending of annual report to the shareholders for the first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' report

Generally speaking, the preparation of accountants' report shall be required to conform to Hong Kong Financial Reporting Standards or International Financial Reporting Standards or China Accounting Standards for Business Enterprises.

Process agent

Our Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25.0% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15.0% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15.0% and 25.0% in the case of issuers with an expected market capitalization at the time of listing of over HK$10,000 million.

Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, our Company may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, our Company is required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which they are aware, if any. The shares involved in any general mandate given to the Directors to repurchase H Shares must not exceed 10.0% of the total amount of existing issued H Shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed "Appendix V — Summary of Articles of Association" to this prospectus.

Redeemable Shares

Our Company must not issue any redeemable Shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the H Shares are adequately protected.

Right of First Refusal

Except in the circumstances mentioned below, the directors are required to obtain the approval by a special resolution of Shareholders in general meeting, and the approvals by special resolutions of the holders of Domestic Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Hong Kong Listing Rules, but only to the extent that, the existing shareholders of our Company have by special resolution in general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20.0% of the existing Domestic Shares and H Shares as of the date of the passing of the relevant special resolution or of such Shares that are part of our plan at the time of our establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the CSRC.

Supervisors

Our Company is required to adopt rules governing dealings by the Supervisors in securities of our Company on terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

Our Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of our subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of our Company or our subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The remuneration and nomination committee of our Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and the Shareholders as a whole and advise Shareholders on how to vote.

Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to the Articles of Association which would cause the same to cease to comply with the Hong Kong Listing Rules and the Mandatory Provisions or the Company Law.

Documents for inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by Shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of our Company;
- our Company's latest audited financial statements and the reports of the Directors, auditors and supervisors (if any) thereon;
- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- copy of the latest annual report filed with the SAIC or other competent PRC authorities; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in listing documents and share certificates

Our Company is required to ensure that all of our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our Share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to such Share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of the Shares:

- agrees with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder of our Company, to observe and comply with the Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

- agrees with our Company, each Shareholder, Director, supervisor and officer of our Company, and our Company acting for itself and for each Director, supervisor and officer of our Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with our Company and each Shareholder of our Company that the H Shares are freely transferable by the holder thereof; and

- authorizes our Company to enter into a contract on his behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

Compliance with the Company Law, the Special Regulations and the Articles of Association

Our Company is required to observe and comply with the Company Law, the Special Regulations and the Articles of Association.

Contract between our Company and its Directors, officers and supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- that the Director or officer is required to observe and comply with the Company law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement with our Company that remedies shall be provided in accordance with the Articles of Association and that neither their contract nor their office is capable of assignment;

- an undertaking by the Director or officer, acting as agent for each Shareholder, to our Company to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;

- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company between our Company and the Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its securities arbitration rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitration body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitration body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by the Director or officer with our Company on our own behalf and on behalf of each Shareholder; and

- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent listing

Our Company must not apply for the listing of any of the H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign Shares are adequately protected.

English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by our Company to the Hong Kong Stock Exchange are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirement and make special conditions in respect of the Listing.

Other Legal and Regulatory Provisions

Upon Listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to our Company.

Securities arbitration rules

The Articles of Association provide that certain claims arising from the Articles of Association or the Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The securities arbitration rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases in the following circumstances. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic communications. For the purpose of the securities arbitration rules, a PRC party means a party domiciled in the PRC.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out herein is a summary of the Articles of Association, the principal objective of which is to provide potential investors with an overview of the Articles of Association. As the information contained herein is in summary form, it may not contain all the information that is important to potential investors.

SCOPE OF BUSINESS

The business scope of the Company is: proprietary trading of securities, agency trading of securities (代理證券買賣業務)；principal and interest repayment and dividend payment for securities on behalf of clients (代理證券還本付息和紅利的支付), securities investment consulting, asset management, margin financing and securities lending, agency sales of financial products, formation of securities investment funds and fund management companies, and others businesses as approved by the CSRC.

With the approval of the CSRC, the Company has set up wholly-owned subsidiaries to conduct securities underwriting and sponsorship business. The Company may set up subsidiaries in compliance with the relevant requirements of the CSRC to conduct businesses such as investment in financial products other than those listed in the List of Securities Investment Products of Proprietary Trading by Securities Companies (《證券公司證券自營投資品種清單》) and other investment areas and products permitted by the regulatory authorities.

SHARES

The stocks of the Company shall take the form of shares.

The Company shall have ordinary shares at all times. With the approval of the department authorized by the State Council, the Company may have other forms of shares when needed.

The Company shall issue shares in an open, fair and just manner, and each share of the same category shall have the same rights. All shares of the same category issued at the same time shall be issued under the same conditions and at the same price; the same price shall be paid for each share subscribed for by any entities or individuals.

Upon the approval by securities regulatory authorities under the State Council or other relevant regulatory authorities, the Company may issue its shares to the domestic investors.

The Board may make separate arrangements for the implementation of any issuance plans for the offering of overseas listed foreign shares and domestic shares by the Company as approved by the securities regulatory authorities under the State Council. If the Company separately issues overseas listed foreign shares and domestic shares within the total number specified in the issuance plans, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authorities under the State Council.

Share Transfer

Upon obtaining the approval from the State Council's securities regulatory authority, our shareholders holding Domestic Shares may list and trade such shares on an overseas stock exchange. The listing and trading of such shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class shareholder voting is required for such listing and trading of shares on an overseas stock exchange. Except as otherwise specified by laws, regulations, rules, normative documents and the relevant provisions of the securities regulatory authorities at the places where the Company's shares are listed, shares of the Company may be transferred freely and without any liens. Transfer of overseas listed foreign shares listed in Hong Kong shall be registered with the Hong Kong-based share registry designated by the Company.

The Company shall not accept its own shares as the pledge object.

The shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares already issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange. The Directors, supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office; the shares they hold in the Company shall not be transferred within one year after the shares of the Company are listed. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

If the Company's Directors, supervisors, senior management, and shareholders holding more than 5% shares of the Company sell shares within six months after buying the same or buy shares within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall forfeit the said earnings. However, the six-month restriction shall not be applicable to any sale of shares by a securities company holding more than 5% of the Company's shares as a result of its underwriting of the untaken shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to purchasers or potential purchasers of the Company's shares for the purpose of purchase or intending to purchase our Shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations in connection with the purchase or proposed purchase of the Company's shares unless in the following circumstances:

- The Company provides the relevant financial assistance in the interests of the Company in good faith, and the main purpose of the said financial assistance is not to purchase the Company's shares, or the said financial assistance is a part of a master plan of the Company;

- The Company distributes its assets as dividends in accordance with the law;

- The Company distributes dividends in the form of shares;

- The Company decreases its registered capital, repurchases its shares and adjusts the equity structure in accordance with the Articles of Association;

- The Company provides a loan for its normal business operations within its business scope (but such financial assistance shall not give rise to a decrease in the net assets of the Company, or even in the event of a decrease, such financial assistance shall be provided out of the distributable profit of the Company); and

- The Company provides the funding for employee stock ownership plan (but such financial assistance shall not give rise to a decrease in the net assets of the Company, or even in the event of a decrease, such financial assistance shall be provided out of the distributable profit of the Company).

SHARES BUYBACK

The Company may, in the following circumstances, buy back its shares pursuant to laws, administrative regulations, departmental rules and the Articles of Association:

- Decreasing the registered capital of the Company;

- Merging with other companies holding shares of the Company;

- Awarding shares to employees of the Company;

- As required by Shareholders objecting to resolutions of the general meeting concerning merger or division of the Company to buy their shares; and

- Other circumstances as permitted by laws and administrative regulations.

The Company shall not trade its shares unless in the aforesaid circumstances.

The Company may buy back its shares in any of the following ways:

- Offering to buy back from all shareholders on a pro rata basis;

- Buying back through open transaction in the stock exchange;

- Buying back through agreement outside the stock exchange; and

- In other forms approved by laws, regulations, rules, normative documents and the relevant competent authorities.

In buying back shares through agreement outside the stock exchange, the Company shall obtain prior approval at a general meeting in accordance with the Articles of Association.

After buying back its shares according to the laws, the Company shall cancel the said shares before the deadline specified by laws and administrative regulations, and register the change of the registered capital with the original company registration authority.

INCREASE AND DECREASE OF SHARES

Subject to approval of the shareholders at general meeting, the Company may, based on its requirements for operation and development and in accordance with the applicable laws and regulations, increase its capital by way of:

- Public offering of shares;
- Non-public offering of shares;
- Rights issue of shares to existing shareholders;
- Offer of bonus shares to existing shareholders;
- Capitalization of surplus reserve into share capital; and
- By other means stipulated by laws, administrative regulations or approved by the revelant regulatory authorities.

The Company's increase of capital by issuing new shares shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant PRC laws and administrative regulations.

The Company shall prepare a balance sheet and a list of property inventory when decreasing its registered capital.

The Company shall notify all its creditors within 10 days after adoption of the resolution to decrease the registered capital and shall make announcements in newspapers within 30 days. The creditors shall be entitled to require the Company to repay debts or provide corresponding guarantees in favor of such creditors for debt repayment within 30 days after the receipt of the notice, or within 45 days after the announcement for creditors if the creditors haven't received the notice.

The Company's registered capital shall not, upon the decrease of capital, be less than the statutory minimum limit.

The Company shall decrease its registered capital pursuant to the PRC Company Law, other relevant regulations, and the Articles of Association.

SHARE CERTIFICATES AND SHAREHOLDERS' REGISTER

The share certificates of the Company shall be in registered form. In addition to the matters specified in the PRC Company Law, the Company's share certificates shall include other matters required by the securities regulatory authorities at the place where the Company's shares are listed.

The Company shall maintain a shareholders' register recording the following matters:

- Names (titles), addresses (domiciles), occupations or nature of each shareholder;
- Type and number of shares held by the shareholders;
- Monies paid or payable for the shares held by the shareholders;
- Serial numbers of the shares certificate held by each shareholder;
- Date on which each shareholder is registered as a shareholder; and
- Date on which each shareholder ceases to be a shareholder.

The shareholders' register is a sufficient evidence of the shareholders' shareholdings in the Company unless there is evidence to the contrary.

The Company may keep overseas the register of holders of overseas listed foreign shares and entrust it to the care of an overseas agency in accordance with the understanding and agreement reached between the securities regulatory authorities under the State Council and the overseas securities regulatory authority. The original of the register of holders of overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

The Company shall keep at its domicile a copy of the register of holders of overseas listed foreign shares; the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.

Where the original and copies of the register of holders of overseas listed foreign shares are inconsistent, the original shall prevail.

Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or within five days prior to the benchmark date on which the Company decides to distribute dividends. If separate provisions are stipulated by the securities regulatory authorities located at the places where the Company's shares are listed, such provisions shall apply.

If any person objects to the shareholders' register and asks to have his name (title) recorded in or deleted from the shareholders' register, the said person may apply to the court with jurisdiction to correct the shareholders' register.

If any shareholder in the shareholders' register or any person requesting to have his name (title) recorded in the shareholders' register has his shares stolen, lost or destroyed (i.e. "the Original Shares"), the said shareholder or person may apply to the Company to reissue new share certificates for the said shares (i.e. "the Relevant Shares").

SHAREHOLDERS AND THE GENERAL MEETING

Shareholders

The Company shall make a register of shareholders based on the vouchers provided by securities registries. The register of shareholders shall be the sufficient evidence proving the shareholders' holding of the Company's shares.

The shareholders enjoy rights and assume obligations as per the shares they hold; the same class of shares represent the same rights and the same obligations.

Where more than two persons are registered as joint holders of any shares, they shall be deemed as the common owners of the said shares subject to the following restrictions:

- The Company shall not register more than four persons as joint holders of any shares;
- The joint holders of any shares shall assume joint and several liability for all amounts payable for relevant shares;
- If any of the joint shareholders deceases, only the surviving joint shareholders shall be deemed by the Company as owners of the relevant shares, but the Board may, for the purpose of modifying the shareholders' register, require the provision of a death certificate as it deems appropriate; and
- Among the joint holders of any shares, only the shareholder that is listed first in the shareholders' register shall be entitled to take the share certificates of the relevant shares, receive notices of the Company, and attend the Company's general meetings or exercise the full voting right of the relevant shares. Any notice received by such shareholder shall be deemed as having been served to all the joint holders of the relevant shares.

The ordinary shareholders of the Company shall be entitled to the following rights:

- To receive dividends and other distributions in proportion to the shares they hold;
- To lawfully request, convene, preside over, attend general meetings either in person or by proxy and exercise the corresponding voting right;
- To supervise, raise suggestions on or make inquiries about the operations of the Company;

- To transfer, gift or pledge their shares in accordance with laws, regulations, rules, normative documents, relevant requirements of the securities regulatory authorities at the places where the Company's shares are listed and the Articles of Association;

- To gain relevant information in accordance with the Articles of Association, including:

  (1) Receiving a copy of the Articles of Association after payment of cost;

  (2) Being entitled to consult and copy the following documents: all the parts of shareholders' register; personal data of Directors, supervisors, president and other senior management of the Company; share capital of the Company; report of the total par value, quantity, the highest and lowest price of each class of shares bought back by the Company from the last accounting year, and the total amount paid by the Company for this purpose; minutes of general meetings (for review by shareholders only); the Company's latest audited financial statements, and reports from the Board, auditor and the Supervisory Committee; the special resolutions; the copy of the latest annual report submitted to the State Administration for Industry & Commerce or other competent authorities for filing; counterfoils of corporate bonds; resolutions of the board meetings; resolutions of meetings of the Supervisory Committee; and financial and accounting reports after payment of reasonable fee.

- To participate in the distribution of the remaining properties of the Company as per their shares in the event of the termination or liquidation of the Company;

- To require the Company to buy their shares in the event of objection to resolutions of the general meeting concerning merger or division of the Company;

- To enjoy other rights stipulated by laws, regulations, rules, normative documents, the Hong Kong Listing Rules and the Articles of Association.

If the resolution of the general meeting or the board meeting is in violation of the laws and administrative regulations, the shareholders shall be entitled to request the people's court to invalidate the said resolution.

If the convening procedure and voting method of the general meeting or the board meeting is in violation of the laws, administrative regulations or Articles of Association, or if the content of any resolution is in violation of the Articles of Association, the shareholders shall be entitled to request the people's court to cancel the same within 60 days after making the resolution.

If any Director or senior management violates laws, administrative regulations or Articles of Association in fulfilling their duties for the Company, thereby incurring any loss of the Company, the shareholder(s) severally or jointly holding more than 1% shares of the Company for more than 180 consecutive days shall be entitled to request the Supervisory Committee in writing to institute proceedings to the people's court; if the Supervisory Committee violates laws, administrative regulations or Articles of Association in fulfilling its duties for the Company, thereby incurring any loss of the Company, the shareholders shall be entitled to request the Board in writing to institute proceedings to the people's court.

If the Supervisory Committee or the Board refuses to institute proceedings after receipt of the aforesaid written request or does not institute proceedings within 30 days after receipt of the said request, or if the circumstance is urgent or any delay of legal proceedings may incur irrecoverable damage to the interests of the Company, the shareholders as specified in the preceding paragraph shall be entitled to directly institute proceedings to the people's court in their own names in the interests of the Company.

If any other person infringes upon the legitimate rights and interests of the Company, thereby incurring any loss of the Company, the shareholder(s) severally or jointly holding more than 1% shares of the Company for more than 180 consecutive days may institute proceedings to the people's court according to the aforesaid provision.

If any Director or senior management violates laws, administrative regulations or Articles of Association, thereby incurring any loss of the shareholders, the shareholders may institute legal proceedings to the people's court.

The ordinary shareholders of the Company shall have the following obligations:

- To abide by laws, administrative regulations and Articles of Association;

- To pay subscription funds as per the shares subscribed for and the method of contribution;

- Not to exit shares unless in the circumstances stipulated by laws and regulations;

- Not to abuse shareholder's right to damage the interests of the Company or other shareholders; Not to abuse the independent status of legal person or shareholder's limited liability to damage the interests of the creditors of the Company; Shareholders of the Company who abuse their shareholder's rights and thereby causing loss on the Company or other shareholders shall be liable for loss compensation according to the law. Where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company; and

- To fulfill other obligations as stipulated by laws, administrative regulations and Articles of Association.

Shareholders holding more than 5% Shares of the Company shall notify the Company within three days after occurrence of the following circumstances:

- Equity of the Company they hold is under litigation preservation measures or enforcement measures;

- Equity of the Company they hold is pledged;

- They have entrusted others to exercise their rights as shareholders of the Company or reached agreements with others in relation to exercise of their rights as shareholders of the Company;

- Names are changed;

- Change of the de facto controller;

- A merger or division is effected;

- They are subject to regulatory measures including the duties of suspension of operation for rectification, designated custody, takeover or revocation or other regulatory measures, or proceeding with dissolution, bankruptcy or liquidation procedures;

- They receive administrative penalty or are investigated for criminal responsibility due to serious violations of laws and regulations; and

- They are involved in other circumstances that may lead to transfer of equity of the Company they hold or affect operation of the Company.

The controlling shareholders and de facto controllers of the Company shall not use the connected relations to damage the interests of the Company; otherwise, they shall make compensation for the loss incurred by the Company.

GENERAL PROVISIONS FOR GENERAL MEETINGS

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers according to law:

- To decide the operation guideline and investment plan for the Company;

- To elect and change Directors and supervisors who are not employees' representatives, and resolve on the remunerations of Directors and supervisors;

- To examine and approve reports of the Board;

- To examine and approve reports of the Supervisory Committee;

- To examine and approve the annual financial budgets and final accounting plans of the Company;

- To examine and approve the Company's profit distribution plan and loss recovery plan;

- To resolve on increase or decrease of the registered capital of the Company;

- To resolve on issuance of bonds of the Company;

- To resolve on the merger, division, dissolution, liquidation or transformation of the Company;

- To amend the Articles of Association;

- To resolve on the appointment, dismissal or cessation to appoint the accounting firms by the Company;

- To examine and approve guarantees that require the approval by the general meetings;

- To consider the Company's purchase or disposal of major assets within one year with the aggregate transaction amount exceeding 15% of the latest audited total assets of the Company (after deducting clients' margins);

- To examine and approve matters relating to the changes in the use of proceeds;

- To consider and approve equity incentive scheme;

- To consider and approve proposals submitted by shareholders individually or jointly holding more than 3% of the voting shares of the Company; and

- To consider other matters which are required by laws, administrative regulations, departmental rules or the Articles of Association to be approved at a general meeting.

The Company shall not provide financing to Shareholders or related persons of Shareholders, and the Company shall not provide guarantees to any other entities and individuals except for provision of guarantees to subsidiaries of the Company. The following external guarantees of the Company shall be examined and approved by the general meeting:

- Provision of a single guarantee to subsidiaries of the Company the amount of which reaches or exceeds 10% of the latest audited net assets of the Company;

- Provision of aggregate guarantee to subsidiaries of the Company the amount of which reaches or exceeds 30% of the latest audited net assets of the Company; and

- Provision of guarantee to subsidiaries the liability-asset ratio of which exceeds 60%.

General meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months after the end of the previous financial year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date upon which the circumstance occurs:

- The number of Directors falls short of the number stipulated in the PRC Company Law or two thirds of the number specified in the Articles of Association;
- The unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;
- If shareholder(s) severally or jointly holding more than 10% of the Company's shares so request(s), the number of shares held by shareholder(s) shall be calculated as at the date on which the shareholders submit the written requisition;
- The Board considers it necessary;
- The Supervisory Committee proposes to convene such meeting; and
- Other circumstances stipulated by laws, administrative regulations, departmental rules, Hong Kong Listing Rules or the Articles of Association.

CONVENING OF GENERAL MEETINGS

Independent Directors shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal of the independent Directors to convene an extraordinary general meeting, the Board shall, pursuant to laws, administrative regulations and the 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. If the Board does not agree to convene the extraordinary general meeting, it shall give the reasons and publish an announcement.

The Supervisory Committee shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to laws, administrative regulations and the 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 will 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 set forth in the notice, the consent of the Supervisory Committee shall be obtained.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the general meeting, and the Supervisory Committee may convene and preside over the meeting by itself.

Shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to 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 request set forth in the notice, the consent of relevant shareholder(s) shall be obtained.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.

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 set forth in the notice, the consent of the relevant shareholder(s) shall be obtained.

In the case of failure to issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result of its failure to do so for more than 90 consecutive days, the shareholder(s) severally or jointly holding 10% or more shares of the Company for more than 90 consecutive days may convene and preside over such meeting by itself/themselves.

Where the Supervisory Committee or shareholders decide to convene a general meeting by itself / themselves, it/they shall notify the Board in writing and file with the securities regulatory authorities and the stock exchange at the places where the Company is located according to the relevant requirements.

The shareholding of shareholders who convene the general meeting shall be no less than 10% before a resolution is made at the general meeting is announced.

The Supervisory Committee and the convening shareholders shall, when the notice of general meeting is issued and a resolution made at the general meeting is announced, submit relevant evidential documents to the securities regulatory authorities and the stock exchange at the place where the Company is located.

Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Shareholder who intends to attend the meeting shall deliver to the Company a written reply stating his or her intention to attend 20 days prior to the meeting.

Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the Company's voting shares, the Company may convene the general meeting; if not, the Company shall, within five days, notify shareholders in writing again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.

The interval between equity registration date and the date of the general meeting shall not be more than seven working days. The equity registration date shall not be changed once confirmed.

After the notice of general meeting is issued, the same meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation, the convener shall give the reasons therefor at least 2 working days prior to the date on which the meeting is originally scheduled.

Any shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:

- To exercise the said shareholder's right to speak at the general meeting;
- To exercise the right to demand a poll severally or jointly with others; and
- To exercise the right to vote by a show of hand or on a poll; where there are more than one proxy, the said proxies shall only vote on a poll.

A shareholder shall appoint a proxy in writing. The power of attorney shall be in writing under the hand of the principal or his proxy duly authorized in writing or, if the principal is a legal person or an institution, it shall be under seal or under the hand of its legal representative or a proxy duly authorized.

The chairman of the Board shall preside over and act as chairman of the general meeting convened by the Board. If the chairman of the Board is unable or fails to perform his/her duties, the vice chairman of the Board shall preside over and act as chairman of the meeting. Where the vice chairman of the Board is unable or fails to perform his/her duties, a Director selected by more than half of all Directors shall preside over and act as chairman of the meeting. If the Board is unable or fails to perform the duties of convening a general meeting, the Supervisory Committee shall timely convene and preside over the meeting. If the Supervisory Committee fails to convene and preside over a meeting, shareholders severally or jointly holding 10% or more of the Company's shares for more than 90 consecutive days shall have the right to convene and preside over the meeting. Where the shareholders fail to elect a chairman of the general meeting for any reasons, the shareholder (including his/her proxy) present in person or by proxy who holds the largest number of voting shares shall be the chairman of the meeting.

The chairman of the Supervisory Committee shall preside over the general meeting convened by the Supervisory Committee. If the chairman of the Supervisory Committee cannot or does not fulfill his/her duties, a Supervisor jointly elected by more than half of the supervisors shall preside over the meeting.

A representative elected by the convener shall preside over the general meeting convened by the Shareholders.

Where a general meeting is convened and the chairman of the meeting violates the rules of procedure which makes it impossible for the general meeting to continue, a person may be elected at the general meeting to act as chairman and continue the meeting, subject to the approval of more than half of the attending shareholders having the voting rights.

The Company shall formulate rules of procedure for general meetings which shall specify the convening and voting procedure of general meetings, including notice, registration, approval of resolutions, voting, vote counting, announcement of polling results, final resolutions, minutes of meetings and signature thereon and other contents, and also principles of delegating authorities adopted by the Board at the general meeting with specific contents of the authorities.

The convener shall ensure that the general meeting is held continuously until final resolutions have been reached. In the event that the general meeting is suspended or the shareholders fail to reach any resolution due to force majeure or for other special reasons, necessary measures shall be taken to resume the meeting as soon as possible or the meeting shall be terminated directly. Meanwhile, the convener shall report the same to the securities regulatory authority and the stock exchange at the place where the Company is located according to the relevant requirements.

The Board and the Supervisory Committee shall report their work for the past year at the annual general meeting. Independent Directors shall also submit their work reports.

The convener shall ensure that the contents of the minutes of the meeting are true, accurate and complete. The Directors, the supervisors, the secretary of the Board, the convener or representative thereof, and the chairman of the general meeting shall sign on the minutes of the meeting. The minutes of meeting shall be kept together with the attendance record of the attending shareholders, the power of attorney of the proxies and the valid information of other means of voting for a term of 15 years.

PROPOSALS OF GENERAL MEETINGS

Where the Company convenes a general meeting, the Board and the Supervisory Committee may make proposals to the Company; shareholder(s) severally or jointly holding 3% or more shares of the Company may make proposals to the Company other than proposals for nomination of candidates for Directors (including independent Directors) and supervisors.

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 within 2 days after receipt of a proposal, and inform the shareholders the contents of the proposal on the agenda.

Except 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.

RESOLUTIONS OF GENERAL MEETINGS

Resolutions of a general meeting shall be categorized into ordinary resolutions and special resolutions. Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the general meeting. Special resolutions shall be passed by votes representing more than two thirds of voting rights held by shareholders (including proxies thereof) attending the general meeting.

The following issues shall be approved by special resolutions at a general meeting:

- Increase or decrease in the registered capital of the Company;
- Issue of shares of any class, warrants and other similar securities;
- Proposed change or annulment to the rights of class shareholders;
- Division, merger, dissolution or transformation of the Company;
- Amendment to the Articles of Association;
- The Company's purchase or disposal of major assets or provision of guarantees within one year with the transaction amount exceeding 15% of the latest audited total assets of the Company (after deducting clients' margins);
- Equity incentive scheme;
- Issue of corporate bonds; and

- Any other issue specified by laws, administrative regulations, departmental rules, securities regulatory authorities at the places where the shares of the Company are listed or the Articles of Association and confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by special resolutions.

Shareholders (including proxies thereof) shall exercise their voting rights as per the voting shares they represent. Each share carries the right to one vote.

The Company has no voting right for our shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the general meeting.

When a connected transaction is considered at a general meeting, connected shareholders shall not vote, and the voting shares held by them shall not be counted in the total number of shares with voting rights. The resolutions of the general meeting shall fully disclose the voting of non-connected shareholders.

The general meeting shall resolve on all the proposals separately; in the event of several proposals for the same issue, such proposals shall be voted in the order of time at which they are submitted. Unless the general meeting is suspended or no resolution can be made for special reasons such as force majeure, voting of such proposals shall neither be shelved nor refused at the general meeting.

When a proposal is put forward for consideration at a general meeting, no modification shall be made to the proposal, or the relevant change shall be deemed as a new proposal which shall not be voted on at that general meeting.

Before a proposal is voted on at a general meeting, two shareholder representatives shall be elected as vote counters and scrutinisers. Any shareholder who is interested in the matter to be considered and his proxies shall not participate in vote counting or scrutinising. When votes are cast on proposals at the general meeting, representatives of the shareholders and representative of supervisors shall be jointly responsible for counting and scrutinizing votes and shall announce the voting results at the meeting. The voting result shall be recorded in the meeting minutes.

SPECIAL VOTING PROCEDURES FOR CLASS SHAREHOLDERS

Holders of different classes of shares are class shareholders. Class shareholders enjoy rights and assume obligation according to laws, administrative regulations and the provisions of the Articles of Association. Apart from holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed to be shareholders of different classes.

Any proposed change or annulment by the Company to the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate general meeting convened by the class shareholders so affected in accordance with relevant provisions.

The following circumstances shall be deemed as change or annulment of the rights of a certain class shareholder:

(1) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(2) To change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant such conversion rights;

(3) To cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;

(4) To reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to receive distributions of assets in a liquidation of the Company;

(5) To add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of the said class;

(6) To cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of the said class;

(7) To create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of the said class;

(8) To restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;

(9) To issue rights to subscribe for, or to convert into, shares of the said class or another class;

(10) To increase the rights and privileges of the shares of another class;

(11) To restructure the Company in such a way as to cause shareholders of different classes to bear liabilities disproportionately during the restructuring; and

(12) To amend or cancel provisions in the section headed Special Voting Procedures for Class Shareholders in the Articles of Association.

Where issues specified in items (2) to (8) and (11) to (12) above are involved, the affected class shareholders, whether or not they are entitled to vote at general meetings originally, shall have the right to vote at class meetings. However, interested shareholder(s) shall not be entitled to vote at such class meetings.

Resolutions of a class general meeting shall be approved by votes representing more than two thirds of the voting rights of shareholders of that class present at the meeting who are entitled to vote at the meeting.

Special voting procedures for class shareholders shall not apply in the following circumstances:

- where, upon approval by a special resolution passed at a general meeting (subject to the unconditional authorization or the terms and conditions stipulated in the resolution), the Company authorizes, allocates or issues domestic shares and overseas listed foreign shares either separately or concurrently once every twelve months, and the number of each of the domestic shares and overseas listed foreign shares so authorized, allocated, or issued does not exceed 20% of the number of the respective outstanding shares;

- where such shares are part of a plan of the Company to issue domestic shares or overseas listed foreign shares upon its establishment, which is completed within 15 months from the approval by the securities regulatory authorities under the State Council; and

- With the approval of the securities regulatory authorities under the State Council, the holders of domestic shares of the Company can transfer their shares to overseas investors and list the said shares on overseas stock exchanges.

DIRECTORS AND THE BOARD

Directors

Directors are natural persons and need not hold shares of the Company.

Directors shall be elected or replaced at general meetings. A Director shall serve a term of three years, and may seek reelection upon expiry of the said term.

The term of a Director shall be calculated from the date upon which the Director assumes office to the expiry of the current Board. If the term of office of a Director expires but reelection is not made responsively, the said Director shall continue fulfilling the duties as Director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new Director is elected.

A Director may serve concurrently as the president or other senior management, but the total number of Directors serving concurrently as the president or other senior management shall not be more than half of the Directors.

Directors shall observe laws, administrative regulations and the Articles of Association, honestly perform their duties, protect the interests of the Company, and avoid conflict of interest between themselves and the Company and the shareholders. They are entitled to independently involved themselves in making major decisions of the Company according to laws, regulations and the provisions of the Articles of Association, to independently express their wills and exercise their voting rights, and shall assume obligations for Board resolutions and undertake the following fiduciary duties to the Company:

- Not to abuse their official powers to accept bribes or other unlawful income, and not to expropriate the assets of the Company or customers;
- Not to misappropriate the assets of the Company or customers;
- Not to open in their own names or in others' names any account for the purpose of depositing any of the Company's assets or capital;
- Not to lend monies of the Company to other persons or provide guarantee for other persons with the property of the Company counter to the Articles of Association or without the consent of the general meeting or the Board;
- Not to borrow to others funds of customers or provide guarantee to the Company, the Company's shareholders and other organization or for individual debts in violation of laws;
- Not to conclude any contract or conduct transactions with the Company counter to the Articles of Association or without the consent of the general meeting;
- Not to take advantage of their positions to seek for themselves or others any business opportunities that are due to the Company, or conduct for themselves or others any businesses similar to those of the Company without the consent of the general meeting;
- Not to recieve as their own commission for transaction with the Company;
- Not to disclose secret of the Company;
- Not to seek gains for themselves or others by taking advantage of inside information;
- Not to use their connected relations to damage the interests of the Company; and
- To fulfill other fiduciary duties stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Any incomes obtained by Directors in violation of any provisions of this Article shall belong to the Company. The Director shall be accountable to indemnify the Company against any losses incurred.

Directors shall fulfill the following obligations of diligence:

- To exercise the rights conferred by the Company with due discretion, care and diligence to ensure that the business operations of the Company comply with PRC laws, administrative regulations and all PRC economic policies and are not beyond the business scope specified in the business license of the Company;

- To comply confidentiality obligations and treat all shareholders impartially;

- To keep informed of the operation and management conditions of the Company;

- To initial and approve periodic reports of the Company and to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

- To honestly provide the Supervisory Committee with the relevant information, not to prevent the Supervisory Committee or supervisors from exercising their functions and powers; and

- To fulfill other obligations of diligence stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Except as specified in the Articles of Association or properly authorized by the Board, no Director shall act on behalf of the Company or the Board in his personal name. If a Director acts in his own name but a third party may reasonably think the said Director is acting on behalf of the Company or the Board, the said Director shall make a prior statement of his standpoint and capacity.

If any Director fails to attend board meetings in person or by proxy for two consecutive times, the said Director shall be deemed incapable of performing his duties, and the Board shall suggest that the general meeting dismiss the said Director.

A Director may resign before his term of office expires. If the number of Directors of the Board falls below the quorum as a result of any resignation, the said Director shall continue fulfilling the duties as Director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new Director is elected. A Director's resignation shall be effective when his resignation is served to the Board.

A Director shall complete all of the handover procedures with the Board once his/her resignation becomes effective or his/her term of office expires. The fiduciary duties (including but not limited to the duty of confidentiality) to the Company and the shareholders are not necessarily released upon expiry of his/her term of office, but shall remain effective in a term of two years. The duty of confidentiality in respect of trade secrets of the Company survives the termination of the resigning Director's term of office until such trade secrets become publicly known. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances and conditions under which the relationship between the Director and the Company was terminated.

Independent Directors

The Company shall establish an independent Director system. More than one third of the members of the Board shall be independent Directors.

Independent Directors shall have the same term of office as other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve more than two consecutive sessions.

An independent Director shall meet the following conditions:

- Having the qualifications as a Director of a listed company in accordance with the laws and administrative regulations of the listing venue, rules of the stock exchange on which shares are listed and other relevant provisions;
- Being independent as required by securities regulatory authorities;
- Knowing the basic knowledge about operations of companies, and being proficient in relevant laws, administrative regulations, regulations and rules;
- Having more than five years' experience in securities, financial, legal and economic work or other work required for fulfilling duties as independent Director;
- Having sufficient time and energy required for fulfilling independent duties;
- Other conditions required by laws, administrative regulations, departmental rules and the Articles of Association.

The following persons shall not act as independent Directors of the Company:

- Persons employed by the Company or its affiliated companies and their immediate family members and major social connections (immediate family members shall include spouse, parents and issues and major social connections shall include siblings, parents-in-law, sons/daughters-in-law, spouses of siblings, siblings of spouse);
- Persons employed by the shareholder entities which hold or control 5% or more of the Company's equity or which are top five shareholder entities of the Company and their immediate family members and major social connections;
- Natural person shareholders who hold or control 1% or more of the Company's equity or natural persons who are the top 10 shareholders of the Company and their immediate family members and major social connections;

- Persons providing financial, legal or consulting services to the Company and its related parties and their immediate family members and major social connections;

- Persons who fell within the four aforesaid categories within the preceding year;

- Persons serving as directors in other securities companies;

- Other persons specified in the Articles of Association; and

- Other persons unfit to serve as independent Directors upon confirmation by the securities regulatory authorities at the places where the Company's shares are listed and other relevant regulatory authorities or the general meeting.

The Board

The Company shall have a board of Directors ("Board"), which shall be accountable to the general meeting. The Board shall consist of nine Directors, including one chairman and one vice chairman.

The Board shall exercise the following functions and powers:

- To convene general meetings and report to general meetings;

- To execute resolutions of general meetings;

- To resolve on the Company's business plans and investment plans;

- To prepare the annual financial budgets and final accounting plans of the Company;

- To prepare the profit distribution plan and loss makeup plan of the Company;

- To prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and the Listing;

- To formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;

- To decide on external investment, acquisition and disposal of assets, asset mortgage, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting;

- To resolve on the establishment of internal management organizations of the Company;

- To appoint or dismiss the Company's president, secretary of the Board, chief compliance officer; to appoint or dismiss the Company's vice president(s), chief financial officer and other senior management as nominated by the president, and determine their remunerations and rewards and penalties;

- To set up the basic management system of the Company;
- To formulate the proposals for amendment to the Articles of Association;
- To manage the disclosure of information by the Company;
- To propose to general meetings the appointment or change of the accounting firm acting as the auditors of our Company;
- To listen to the work report of the president of the Company and examine the president's work;
- To set up the risk control system of the Company;
- To examine and approve the interim and annual compliance report of the Company;
- To examine and approve the interim report of the Company; and
- To exercise other functions and powers as conferred by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules or the Articles of Association.

The Board of the Company shall make explanations to the general meeting in relation to the non-standard audit opinions expressed by the registered accountant on the financial reports of the Company.

The Board shall formulate rules of procedure for the board meetings in order to make sure that the Board shall implement the resolutions made by the general meeting, improve the work efficiency and guarantee scientific decision-making.

The chairman of the Board shall exercise the following functions and powers:

- To preside over general meetings, convene and preside over the board meetings;
- To and examine the implementation of Board resolutions;
- To sign the securities issued by the Company;
- To nominate president, secretary of the Board and chief compliance officer;
- To listen to the work report of the senior management officers; and
- To exercise other functions granted by the Board.

When the Chairman is unable to exercise and perform the above functions, the Vice-Chairman may under the authority given by the Chairman exercise and perform the same on his behalf.

The notice of a special board meeting shall be served by personal delivery, mail, fax, e-mail or other means. The time limit of such notice shall be 3 days prior to the date of meeting. In special circumstances where consent is given by all Directors, a special board meeting can be convened at any time.

A board meeting shall be attended by more than one half of the Directors (including their proxy). Except as otherwise specified in the Articles of Association, resolutions made by the Board must be passed by more than half of all Directors. The one-man-one-vote system is adopted for voting of Board resolutions.

Subject to the exceptions specified by laws and regulations and the listing rules of stock exchange in where the shares of the Company are listed, a Director will not vote on any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest, nor shall such Director be counted in the quorum present at the meeting. The board meeting may be held when more than half of the non-connected Directors attend the meetings. The resolution made at the board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the matter shall be submitted to the general meeting for consideration.

Directors shall attend board meetings in person. If any Director cannot attend the meeting for any reason, he may authorize in writing another Director to act on his behalf.

The Directors shall be responsible for the resolutions passed at board meetings. If any resolution made by the Board runs counter to the laws, administrative regulations, Articles of Association or resolutions passed at the general meeting and causes any substantial losses to the Company, Directors who vote for the said resolution shall be liable for compensation to the Company. If any Director raises an objection to the resolution and the said objection is recorded in the minutes, the said Director may be exempt from any liability. The minutes of board meetings shall be kept as the Company's record for a term of 15 years.

Special Committees under the Board

The Board shall set up the Risk Control and Supervision Committee, the Audit Committee, the Strategy and Investment Decision Committee and the Remuneration and Nomination Committee. All members of the special committees shall be Directors. More than half of the members of the Audit Committee and the Remuneration and Nomination Committee shall be independent Directors, one of whom shall act as the chairman of the committee. All members of the Audit Committee shall be non-executive Directors, and there shall be at least one independent Director who has the appropriate professional qualifications or accounting or related financial management expertise as required by of the Hong Kong Listing Rules. The chairmen of the Remuneration and Nomination Committee and the Audit Committee shall be an independent Director.

Secretary of the Board

The Company shall have a secretary of the Board. The main duties of the secretary of the Board are as follows:

- To address and coordinate information disclosure of the Company, organize and formulate information disclosure management system of the Company, and urge the Company and the relevant information disclosure obligors to observe the relevant provisions concerning information disclosure;
- To be responsible for the investor relations management and shareholder information management of the Company, and coordinating information exchange between the Company and the securities regulatory authorities, shareholders and actual controllers, securities service providers and the media;
- To organize and arrange for board meetings and general meetings, attend general meetings, board meetings, supervisory committee meetings and meetings related to senior management, and keep and initial board meeting minutes;
- To be responsible for the confidentiality of information disclosure of the Company;
- To organize trainings concerning securities laws and regulations and the relevant provisions for Directors, supervisors and senior executives, and assist the said people in understanding their rights and obligations in information disclosure;
- To urge Directors, supervisors and senior management to observe laws, regulations, rules and normative documents and the Articles of Association and earnestly fulfil their commitments; and
- To fulfil other duties required by the PRC Company Law, Securities Law and the CSRC and the listing rules of stock exchanges of where the shares of the Company are listed.

President and Other Senior Management

The Company shall have one president and several vice presidents, who shall be appointed or dismissed by the Board. The president shall serve a term of three years and may serve consecutive terms upon reappointment. The president shall be accountable to the Board and exercise the following functions and powers:

- To manage the business operation of the Company, organize execution of the Board's resolutions, and report to the Board;
- To organize and execute the Company's annual business plans and investment plans;

- To prepare the plan for internal management setup of the Company;
- To draft the basic management system of the Company;
- To formulate the Company's specific rules;
- To propose to the Board for appointment and dismissal of vice presidents and chief financial officer of the Company;
- To decide on appointment or dismissal of executives other than those appointed or dismissed by the Board;
- To execute the Company's risk control system and ensure that the Company meets the risk control indicators of the CSRC; and
- To exercise other functions and powers given by the Board.

The Company shall have one chief compliance officer who shall be the senior management of the Company, responsible for reviewing, supervising and inspecting the compliance of operation management and practices of the Company and its working staff. The chief compliance officer shall not concurrently hold positions which are in conflict with the duties of compliance management, and shall not be in charge of departments conflicting with the duties of compliance management. The chief compliance officer shall internally be accountable to the Board of the Company and externally to the regulatory authorities, and shall perform the following duties:

- To formulate and timely amend Company's basic compliance management system for review and approval of the Board before communicating to all staff;
- To conduct compliance review and provide compliance review advice on the Company's internal management system, significant decisions, proposals for new products and businesses, application materials and reports etc. submitted to the CSRC and the securities regulatory authority in the place of registration of the Company;
- To supervise the relevant departments to timely assess and improve the Company's internal management system and business procedures based on the changes made to the laws, regulations and guidelines;
- To adopt effective measures for on-site supervising the compliance of operation management and practices of the Company and its working staff, and to conduct regular and irregular examination pursuant to the requirements of the CSRC and the provisions of the Company; should problems be identified, to timely provide handling advise, supervise correction and report the same as provided;
- To be responsible for organizing and implementing anti-money laundering and the Chinese wall system;

- To provide compliance consultancy to the Company's operation management, all departments and all branches;

- To handle complaints involving violation of laws and regulations by the Company and its working staff;

- To communicate with the regulatory authorities regarding issues about compliance management, to regularly assess the effectiveness of the Company's compliance management, and to timely solve or urge to solve problems existed in the Company's compliance management;

- To deliver, when there are acts in violation of laws and regulations or hidden risk of compliance, opinions on prevention and handling to the Company's relevant authorities or departments and such authorities or departments shall be urged to make rectifications. At the same time, the Company shall report such rectification results to the securities regulatory authority at the place of registration of the Company. If the chief compliance officer considers necessary, a copy of the report shall be delivered to the relevant self-disciplinary organization;

- To submit interim compliance report and annual compliance report to the operation management, the Board and the supervisory committee, and to report and deliver the same to the securities regulatory authority at the place of registration of the Company;

- To organize for the Company's operation management and all staff studying and training about laws, regulations, rules and internal control system of the Company, to conduct promotion of compliance and implement a compliance culture within the Company;

- To timely deliver for filing report on the basic system of the Company's compliance management and the relevant system required by the regulatory authority;

- To maintain contact and communication with the securities regulatory authorities and the self-disciplinary organizations, to take the initiatives to cooperate with the securities regulatory authorities and the self-disciplinary organizations. Upon the request of the regulatory authorities, the chief compliance officer shall accept invitation for discussion and exchange about compliance;

- To timely conduct investigations on matters as required by securities regulatory authorities and self-disciplinary organizations, to cooperate with securities regulatory authorities and self-disciplinary organizations in the examinations and investigations about the Company, and to follow up and access the implementation of regulatory opinions and regulatory requirements;

- In the event that the provisions of laws and regulations are not expressly stated and it is difficult to make accurate judgement about the compliance of the operation management and practices of the Company and its working staff, the chief compliance officer may seek advice from securities regulatory authorities and self-disciplinary organizations, and handle the corresponding events or make judgement based on the reply comments of the securities regulatory authorities and self-disciplinary organizations; and

- To perform other duties assigned by the Board.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisor

Directors, the president and other senior management and their immediate family members and major social connections shall not serve as supervisors concurrently.

The term of office of a supervisor shall be three years. A supervisor may serve consecutive terms upon expiration of his term if re-appointed.

Shareholder supervisors shall be elected or replaced at the general meetings, employee supervisors shall be elected or replaced democratically by employees of the Company.

If any supervisor fails to attend meetings of the Supervisory Committee for two consecutive times, he/she shall be deemed as incapable of performing the duties, and shall be removed by the general meeting or the employee representatives' meeting.

Supervisors may be present at board meetings and make enquiries or proposals in respect of board resolutions.

Supervisory Committee

The Company shall have a Supervisory Committee comprising three supervisors. Among them, two supervisors are shareholder representatives elected by the general meeting, while one supervisor is employee representative of the Company. The Supervisory Committee shall have one chairman, who shall be appointed or removed by the votes of more than two thirds of the members of the Supervisory Committee. The Supervisory Committee shall exercise the following functions and powers:

- To review the periodic reports of the Company prepared by the Board and express its written opinion;

- To check the financial condition of the Company;

- To monitor the performance of duties by Directors and senior management, and to enquire and propose dismissal of Directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of general meetings;

- To require Directors and senior management to make corrections if their conduct has damaged the interests of the Company;

- To propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with PRC Company Law, to convene and preside over the general meetings;

- To propose motions to the general meeting;

- To initiate proceedings against Directors and senior management pursuant to Article 152 of the PRC Company Law;

- To review the financial reports, business reports and profit distribution schemes to be submitted by the Board to the general meetings; to conduct investigation if there is any doubt or any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company;

- To supervise the compliance and legality of Board decisions;

- To organize audit on resigning senior management; and

- To exercise other powers conferred by laws, administrative regulations, departmental rules and the Articles of Association.

Meetings of the Supervisory Committee shall be held with the attendance of more than two thirds of the supervisors. Resolutions made by the Supervisory Committee shall be approved by more than two thirds of the members of the Supervisory Committee.

The Supervisory Committee shall file resolutions passed at the meeting as minutes, which shall be signed by the attending supervisors.

Any Supervisor shall be entitled to have an explanatory note made in the minutes regarding his speech at the meeting. The minutes of meetings of the Supervisory Committee shall be kept as the Company's record for a term of 15 years.

Qualifications and Obligations of Directors, Supervisors, President and Other Senior Management of the Company

The following person shall not serve as Director, Supervisor, president or other senior management of the Company:

- Persons without capacity or with limited capacity of civil conduct;

- Persons who have committed offences relating to corruption, bribery, misappropriation of fund, misappropriation of property or disruption of social economic order and have been sentenced to criminal punishment, where less than five years has elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to a criminal offense, where less than five years has elapsed since the date of restoring their political rights;

- Persons who were former Directors, factory managers or managers of a company orenterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

- Persons who were legal representatives of a company or enterprise which had its business license revoked and was ordered to close down due to violation of the law and who were personally liable, where less than three years has elapsed since the date of the revocation;

- Persons who have a substantial amount of debts due and outstanding;

- Persons who are subject to the CSRC's punishment which prohibits them from entering into the securities market for a period which has not yet expired;

- Persons in charge of stock exchange, securities registration and clearing institutions or Directors, supervisors or senior management of securities companies, whose were dismissed for any act against law or relevant discipline where less than five years has elapsed since the date of the removal;

- Persons who have been convicted by the competent authority for violation of securities regulations by acting fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;

- Persons who are lawyers, certified public accountants or professionals of investment consulting institutions, financial advising institutions, credit rating institutions, assets valuation institutions or certification institutions, whose qualification was revoked for any act against law or relevant discipline, where less than five years has elapsed since the date of the revocation;

- Government officers and other persons who are prohibited by law and administrative regulations from concurrently holding position in a company;

- Persons who were subject to administrative penalties by the financial regulatory department due to material illegal or improper behavior where less than three years has elapsed since the date of completion of the penalties;

- Persons who are disqualified by the CSRC where less than three years has elapsed since the date of disqualification;

- Persons who are determined to be unfit by the CSRC where less than two years has elapsed since the date of the determination;

- Persons who are prohibited from acting as a leader of a company by laws or administrative regulations;

- Persons other than a natural person;

- Persons who are under investigation by the judicial authority for violation of the criminal law;

- Other circumstances as specified by the CSRC;

- Other circumstances as stipulated by laws, administrative regulations or departmental rules.

Any election, designation or appointment of Directors, Supervisors, the president or other senior management in violation of this provision shall be invalid. The Company shall dismiss any Director, Supervisor, the president or other senior management if they are involved in the said circumstances during their respective term of office.

The validity of an act of a Director, the president or other senior management on behalf of the Company for a bona fide third person is not affected by any incompliance in the appointment, election or qualification thereof.

In fulfilling their duties, the Directors, Supervisors, the president and other senior management of the Company must observe the principle of honesty and shall not set themselves in a position where their own interests conflict with their obligations. The said principle includes (but not limited to) the following obligations:

- To sincerely act in the best interest of the Company;

- To exercise their rights within their terms of reference;

- To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and, except as permitted by laws or administrative regulations or with the informed consent of shareholders given at a general meeting, not to transfer the exercise of their discretion to others;

- To be equitable towards shareholders of the same class and fair towards shareholders of different classes;

- Not to conclude any contract, conduct any transaction or make any arrangement with the Company saved as otherwise specified in the Articles of Association or with the informed consent of shareholders given at a general meeting;

- Not to seek personal gains by using the property of the Company in any form without the informed consent of shareholders given at a general meeting;

- Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the Company's property in any form, including (but not limited to) opportunity favorable to the Company;

- Not to accept commissions in connection with the Company's transactions without the informed consent of shareholders given at a general meeting;

- To observe the Articles of Association, fulfill duties honestly, protect the interests of the Company, and not to seek personal gains by using their positions and powers in the Company;

- Not to compete with the Company in any form without the informed consent of shareholders given at a general meeting;

- Not to appropriate the monies of the Company or lend the same to others, not to deposit the Company's assets in the accounts of their own or others, and not to use the Company's assets as security for the personal debts of the shareholders of the Company or others in violation of laws;

- Not to disclose any confidential information related to the Company acquired by them during the term of their office without the informed consent of the shareholders at a general meeting; Not to use the said information save for the interest of the Company; however, they may disclose such information to a court or other governmental regulatory authorities in the following circumstances:

  (1) As required by law;

  (2) As required for the interests of the public;

  (3) As required for the interests of the said Directors, Supervisors, the president and other senior management.

The fiduciary duties of Directors, Supervisors, the president and other senior management of the Company shall not end with the expiry of their terms of office, and their confidentiality obligation in respect of any commercial secrets of the Company shall continue after expiry of their terms of office. Other duties may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances and conditions under which the relationship between them and the Company was terminated.

If the Directors, Supervisors, the president and other senior management of the Company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or proposed contract, transaction and arrangement with the Company (exclusive of appointment contracts signed by the Company with Directors, Supervisors, the president and other senior management), they shall responsively disclose the nature and extent of the said interests to the Board regardless whether the relevant matters are subject to approval by the Board in normal circumstances.

The Company shall not pay taxes for its Directors, Supervisors, the president and other senior management of the Company by any means.

The Company shall not directly or indirectly provide loan or loan guarantee to the Directors, Supervisors, the president and other senior management of the Company or its parent company, or to the related persons of the aforesaid persons except when:

- The Company provides loan or loan guarantee for its subsidiaries;

- The Company, in accordance with the appointment contracts approved at the general meeting, provides loan, loan guarantee or other monies to the Directors, supervisors, the president and other senior management of the Company so that they may pay the expenses incurred for the Company or for fulfilling their duties; and

- If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to the relevant Directors, supervisors, the president and other senior management and their connected persons, but the conditions for providing loan or loan guarantee shall be normal commercial terms.

If the Company provides loan in violation of the said provision, the recipient of the loan shall return the same immediately regardless of the loan conditions.

If the Directors, Supervisors, the president or other senior management of the Company violate the obligations to the Company, the Company shall be entitled to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:

- require the Directors, Supervisors, the president or other senior management to compensate the Company for the losses arising from their negligence;

- rescind the contracts or transactions concluded between the Company and the Directors, supervisors, the president or other senior management of the Company, or between the Company and a third person (if the third person knows or is supposed to know that the Directors, supervisors, the president or other senior management representing the Company have breached their obligations to the Company);

- require the relevant Directors, supervisors, the president or other senior management to surrender gains arising from breach of obligations;

- recover monies, including (but not limited to) commissions, received by the relevant Directors, Supervisors, the president or other senior management but receivable by the Company;

- require the relevant Directors, Supervisors, the president or other senior management to surrender interests earned or likely to be earned from monies payable to the Company.

The Company shall conclude written contracts with Directors and supervisors in relation to their remunerations, subject to prior approval at a general meeting.

The Company shall specify in the contracts concluded with the Directors or supervisors of the Company in relation to remunerations that if the Company is acquired, the Directors or supervisors of the Company shall be entitled to seek compensations or other monies for losing their positions or for retirement under the conditions approved at the general meeting.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting Systems

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations and requirements of relevant PRC authorities.

The financial statements of the Company shall be prepared in accordance with not only PRC accounting standards and regulations, but also the international accounting standards or the accounting standards of the overseas place where the Company's shares are listed. If the financial statements prepared under the two accounting standards are discrepant significantly, such discrepancy shall be indicated in the notes to the financial statements. The Company shall distribute the after-tax profit of the relevant financial year as per the less of the after-tax profits in the aforesaid two financial statements.

The interim results or financial data announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas place where the Company's shares are listed.

The Company shall publish two financial reports each financial year, i.e. interim financial report announced within 60 days after the end of the first six months of the financial year and the annual financial report announced within 120 days after the end of the financial year. If separate provisions are stipulated by the securities regulatory authorities at the places where the Company's shares are listed, such provisions shall apply.

The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

Profit Distribution

The Company shall distribute its after-tax profit for each year in the order of:

- Recovering losses of the prior years;
- Withdrawing 10% after-tax profit as statutory common reserve fund;
- Withdrawing general risk reserves and trading risk reserves in accordance with relevant laws and regulations;
- Withdrawing discretionary common reserve fund according to resolutions of the general meeting;
- Withdrawing other funds as provided by laws, regulations, departmental rules and the Articles of Association;
- Distributing dividends to shareholders.

The Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital. The Company shall not distribute profits to its shareholders before it has recovered its losses or has withdrawn statutory common reserve fund, general risk reserves and trading risk reserves.

If the general meeting distributes profits to shareholders before the Company recovers losses and withdraws statutory common reserve fund, general risk reserves and trading risk reserves in violation of the aforesaid provisions, shareholders must return to the Company the profits so distributed.

The shares of the Company held by the Company shall not be subject to profit distribution.

The common reserve fund of the Company shall be used to make up for the losses, expand the production and operating scale or increase the capital of the Company. However, the capital reserve shall not be used to recover the losses of the Company. Upon the conversion of statutory common reserve into capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital of the Company before such conversion.

Capital reserve includes the following:

- Premium arising from issue above the par value of the stock; and
- Other revenues required by the financial authorities under the State Council to be stated as capital reserve.

Any amount paid up in advance of calls on any shares may bear interest but shall not entitle the holder of the shares to participate in respect thereof in a dividend subsequently declared.

Subject to the relevant laws, regulations, rules and normative documents, the Company may exercise the power to forfeit unclaimed dividends, and where the Company is granted the power by the Board to seize any dividends not claimed by anybody, this power may not be exercised until at least six years following the date that the dividends are announced.

The Company has the power to cease sending dividend warrants by post to a given holder of overseas listed foreign shares, but may exercise such power only if such warrants have been left uncashed on two consecutive occasions. However, the Company may exercise such power after the first occasion on which such a warrant is returned undelivered.

The Company has the power to sell by a method deemed fit by the Board the shares of a holder of overseas listed foreign shares who is untraceable, provided that it complies with the following conditions:

- The Company has distributed dividends on such foreign shares for at least three times in 12 years, which dividends are not claimed by anybody during the period;
- Upon expiration of the 12-year period, the Company makes an announcement of its intention to sell such shares in one or more newspapers, and notify the local securities regulatory authorities at the places where the shares of the Company are listed.

The Company shall appoint collection agents for holders of overseas listed foreign shares. The collection agents shall, on behalf of the related shareholders, collect dividends and other payables distributed by the Company for the overseas listed foreign shares.

The collection agents shall meet the requirements of the laws or the relevant provisions of the stock exchanges where the Company is listed. The collection agents appointed by the Company for holders of overseas listed foreign shares which are listed in Hong Kong shall be trust companies registered pursuant to Trustee Ordinance of Hong Kong.

The Company can make dividend distribution in the form of cash or shares

Internal Audit

The Company maintains internal audit system, and has dedicated audit staff to carry out internal audit and supervision over the financial revenue and economic activities.

The Company's internal audit system and duties of the auditors shall be subject to the approval of the Board. The officer in charge of auditing shall be accountable to the Board and report his work to the president and the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint an independent accounting firm which meets the relevant state requirements to audit the financial statements, verify the net assets and provide other related consulting services. The accounting firm appointed by the Company shall hold office for one year from the conclusion of the annual general meeting at which they were appointed until the conclusion of the next annual general meeting. The accounting firm is eligible to be re-appointed.

The accounting firm appointed by the Company shall have the following rights:

- To access the account books, records and vouchers at any time, and to ask Directors, the president or other senior management of the Company to provide relevant documents and explanations;

- To require the Company to take all reasonable steps to obtain from its subsidiaries any information and explanations necessary for the discharge of its duties; and

- To be present at general meetings, get notice of general meeting or other information relating to general meetings, and deliver speeches at general meetings in relation to the matters concerning the accounting firm of the Company.

Regardless of the terms in the contract concluded between the accounting firm and the Company, the general meeting may, through an ordinary resolution, dismiss the said accounting firm before expiry of the term thereof. In the event of any rights claimed by the accounting firm against the Company, the said rights shall not be affected.

The Company shall provide accurate and complete accounting vouchers, accounting books, financial statements and accounting reports and other accounting information to the accounting firm appointed, and shall not refuse to provide, conceal or give false information.

The remunerations of the accounting firm or the method for determining the same shall be subject to the decision of the general meeting. The remunerations of the accounting firm appointed by the Board shall be determined by the Board.

Appointment, dismissal or non-retention of the accounting firm shall be subject to decision at the general meeting and shall be filed with the securities regulatory authorities.

Where the Company dismisses or ceases to re-appointing the accounting firm, a thirty-day prior notice shall be given to the accounting firm, and the accounting firm shall be entitled to state its opinions to the general meeting.

Where the accounting firm tenders its resignation, it shall state to the general meeting whether the Company has anything inappropriate. The accounting firm may resign by placing a written notice of resignation at the legal address of the Company. The notice shall include a statement that its resignation does not involve any information to be disclosed to the shareholders or creditors of the Company and a statement that any information is to be disclosed. If the notice of resignation of the accounting firm contains a statement that any information is to be disclosed, the accounting firm may require the Board to convene an extraordinary general meeting to listen to its explanation about the resignation.

NOTICE AND ANNOUNCEMENT

Notices of the Company shall be sent via one or a number of the following methods:

- by personal delivery;
- by post;
- by facsimile or e-mail;
- by making announcement on the website designated by the Company and stock exchanges in accordance with laws, administrative regulations, departmental rules, normative documents, relevant requirements of the regulatory authorities, the Articles of Association and the listing rules at the places where the Company's shares are listed;
- by announcement in newspapers or other specified media;
- by other means agreed before between the Company and the recipient or approved by the recipient after receiving notice; and
- by other means approved by the relevant regulatory authorities at the places where the Company's shares are listed or specified in the Articles of Association.

Where a notice of the Company is served by announcement, the aforesaid notice shall be deemed as received by the relevant persons once it is announced.

In the case where the listing rules of the place where the Company's shares are listed require the Company to send, post, dispatch, issue, publish or otherwise provide the relevant documents of the Company in both the English version and the Chinese version, if the Company has made appropriate arrangements to confirm whether its shareholders wish to receive the English version only or the Chinese version only, the Company may, to the extent permitted under the applicable laws and regulations, only send the English version or the Chinese version of such documents to the relevant shareholder (in accordance with the intention expressed by the shareholder).

The accidental omission to give notice of a meeting to, or the failure to receive the notice of a meeting by any person entitled to receive such notice, shall not invalidate the meeting or the resolutions passed thereat.

MERGER, DIVISION, EXTERNAL INVESTMENT, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, External Investment, Capital Increase and Reduction

In respect of the merger or division of the Company, the Board shall propose a plan and have it adopted following the procedure specified in the Articles of Association and passed by the general meeting, and go through relevant examination and approval formalities pursuant to laws. Any shareholder objecting to merger or division of the Company shall be entitled to require the Company or the shareholders approving merger or division of the Company to buy his shares at a fair price. A special file about the content of the resolution on merger or division of the Company shall be made for inspection by the shareholders.

In the event of merger of the Company, the parties concerned shall conclude a merger agreement and prepare balance sheets and property inventories. The Company shall notify its creditors within 10 days and make a public announcement by other means such as newspaper within 30 days after the date of the Company's merger resolution. The creditors may require the Company to repay debts or provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice. The credits and debts of the Company upon merger shall be inherited by the company subsisting after merger or by the newly established company.

In the event of division of the Company, a balance sheet and a property inventory shall be prepared. The Company shall notify its creditors within 10 days and make a public announcement in a newspaper or otherwise within 30 days after the date of the Company's division resolution. The companies after division shall bear joint liability for the debts of the Company before division, except as otherwise specified in the written agreement on debt repayment reached between the Company and its creditors before division.

Where the Company finds it necessary to reduce its registered capital, it must formulate its balance sheet and property inventory. The Company shall, notify its creditors within 10 days and make a public announcement in a newspaper or otherwise within 30 days after the date on which it decides to reduce its registered capital. The creditors may require the Company to repay debts or provide corresponding guarantees within 30 days after receipt of the notice or within 45 days after the announcement if the creditors haven't received the notice. The reduced registered capital of the Company shall not be lower than the minimum prescribed by law.

Change in registered particulars arising from merger or division of the Company shall be registered with the company registration authority according to law. If the Company is dissolved, it shall be deregistered according to law. If a new company is established, such establishment shall be registered according to law. Any increase or reduction in the registered capital of the Company shall be registered with the company registration authority according to law.

Dissolution and Liquidation

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(I) the term of business operation stated in the Articles of Association expires or the Company is dissolved due to other causes stated in the Articles of Association;

(II) the general meeting have resolved to dissolve the Company;

(III) merger or division of the Company entails dissolution;

(IV) the Company is legally declared insolvent due to its failure to repay due debts;

(V) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law;

(VI) when serious difficulties occur to the Company's operation and management and significant losses will be incurred to the shareholders by its continuance, and such difficulties cannot be solved by other means, the shareholders holding more than 10% of the total voting rights of all the shareholders may request the people's court to dissolve the Company.

In the circumstance set out in (I) above, the Company may continue to subsist by amending the Articles of Association. If the Company is dissolved pursuant to (I), (II), (V) or (VI) above, it shall establish a liquidation committee within 15 days after the approval by the securities regulatory authority under the State Council. The liquidation committee shall comprise members determined by an ordinary resolution at a general meeting. If the liquidation committee is not duly set up, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- to examine and take possession of the Company's assets and prepare the balance sheet and a property inventory;
- to inform creditors by notice or announcement;
- to deal with the outstanding businesses of the Company relating to liquidation;
- to pay outstanding taxes and the taxes arising during liquidation;
- to settle claims and debts;

- to dispose of the remaining assets of the Company after repayment of debts; and

- to represent the Company in civil proceedings to which it is a party.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make a public announcement in a newspaper or otherwise within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

The creditors shall explain matters relating to their rights and provide relevant evidential documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the general meeting or the people's court for confirmation.

The Company shall, in proportion to the shares held by the shareholders, distribute the properties of the Company remaining after respective payment of the liquidation expenses, employees' salaries, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

During the liquidation period, the Company continues to exist but cannot carry out operating activities irrelevant to the liquidation. The Company's property will not be distributed to the shareholders before repayment according to the preceding provision.

After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall apply to the people's court to declare the Company bankrupt pursuant to law.

Following a ruling by the people's court that the Company is bankrupt, the liquidation committee shall transfer to the people's court all matters relating to the liquidation.

After completion of liquidation of the Company, the liquidation committee shall prepare liquidation reports, income and expenditure statements and account books in respect of the liquidation period and, after verification of the Chinese certified public accountants, shall submit the same to the general meeting or the competent authority for confirmation. The liquidation committee shall, within 30 days after the confirmation of general meeting or the relevant competent authority, submit the documents referred to in the preceding paragraph to the company registration authorities and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

Amendment to the Articles of Association

The Company shall amend the Articles in any of the following circumstances:

- after amendments are made to PRC Company Law or other relevant laws and administrative regulations, the Articles becomes contradict to the said amendments;
- the conditions of the Company have changed, and such change is not covered in the Articles; and
- the general meeting has resolved to amend the Articles.

The particulars of amendment adopted by way of resolutions at a general meeting that shall be reviewed and approved by the competent authority are required to be reported to the competent authority for approval; if the amendment involves registration of the Company, the involved change shall be registered pursuant to law.

Resolution of Disputes

The Company shall comply with the following principles for dispute resolution:

(I) Whenever any disputes or claims arise between: holders of overseas listed foreign shares and the Company; holders of overseas listed foreign shares and the Company's Directors, supervisors, president or other senior management; or holders of overseas listed foreign shares and holders of domestic shares, in relation to the affairs of the Company arising as a result of any rights or obligations arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is the Company or the Company's shareholders, Directors, supervisors, president or other senior management, comply with the decisions made in the arbitration.

Disputes in respect of the identification of shareholders and disputes in relation to the register of shareholders need not to be resolved by arbitration.

(II) A claimant may elect for arbitration to be carried out at either at the China International Economic and Trade Arbitration Commission in accordance with its Rules or at the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant.

If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(III) If any disputes or claims of rights as set out in item (I) above are settled by means of arbitration, the laws of the PRC shall apply, unless otherwise provided in the laws and administrative regulations.

(IV) The arbitration award of an arbitral institution shall be final and conclusive and binding on parties thereto.

1. FURTHER INFORMATION

A. Incorporation

Our Company was established in the PRC on December 28, 1998 as a limited liability company in the PRC under the name of Inner Mongolia Securities Co., Ltd (內蒙古證券有限責任公司) with a registered capital of RMB94,000,000 upon approvals from PBOC, CSRC and People's Government of Inner Mongolia. On November 3, 2008, upon approval from the CSRC, our Company was converted into a joint stock company with limited liability, and was re-named as Hengtai Securities Co., Ltd (恒泰证券股份有限公司). The registered office and headquarters of our Company in the PRC is 14-18/F Everbright Bank Building, Dongfang Junzuo Block D, Chilechuan Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region (內蒙古呼和浩特市賽罕區敕勒川大街東方君座D座光大銀行辦公樓14-18樓). The head office of our Company in the PRC is Room 509, Block C, Tongtai Building, No. 33 Finance Street, Xicheng District, Beijing, the PRC (中國北京西城區金融街33號通泰大廈C座509室).

Our Company established a place of business in Hong Kong at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 2, 2015 under our Chinese corporate name "恒泰證券股份有限公司" and English corporate name "Hengtai Securities Co., Ltd". On April 14, 2015, we were served a notice under section 780 of the Company Ordinance in respect of our Chinese and English corporate names registered under Part 16 of the Companies Ordinance, which were, in view of the Registrar of Companies, "too like" that of the name already existed in the index of company names kept by the Registrar of Companies. We applied for, and the Registrar of Companies has given approval for, adopting "恒投證券" and "HENGTOU SECURITIES" as our approved names for carrying on business in Hong Kong, which were registered with the Registrar of Companies on April 27, 2015. Ms. Leung Wing Han Sharon has been appointed as our agent under the Companies Ordinance for the acceptance of service of process on behalf of our Company in Hong Kong. Her address for acceptance of service of process is the same address of our principal place of business in Hong Kong.

As we are established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix IV to this prospectus. A summary of our Articles of Association is set out in Appendix V to this prospectus.

B. Changes in the registered capital of our Company

At the time of the establishment of our Company on December 28, 1998, our initial registered capital was RMB94,000,000, all of which was fully paid up.

On July 19, 2002, upon approval from the CSRC and upon registration with Inner Mongolia AIC, the registered capital of our Company was increased from RMB94,000,000 to RMB655,569,950, all of which was fully paid up.

On October 23, 2008, upon approval from the CSRC and upon registration with Inner Mongolia AIC, our Company was converted to a joint stock limited company with limited liability and the registered capital of our Company was increased from accordingly increased from RMB655,569,950 to RMB1,147,247,412, all of which was fully paid up.

On November 14, 2008, upon registration with Inner Mongolia AIC, the registered capital of our Company was increased from RMB1,147,247,412 to RMB2,006,247,412, all of which was fully paid up.

On July 16, 2009, upon approval from the CSRC and upon registration with Inner Mongolia AIC, the registered capital of our Company was increased from RMB2,006,247,412 to RMB2,194,707,412, all of which was fully paid up.

Immediately upon completion of the Global Offering and assuming no exercise of the Over-allotment Option, the registered capital of our Company will be RMB2,551,107,412, made up of 2,159,067,412 Domestic Shares and 392,040,000 H Shares (including 35,640,000 H Shares converted from Domestic Shares and offered by the Selling Shareholders under the Global Offering), with nominal value of RMB1.00 each.

Save as disclosed in this appendix, there has been no alteration in our registered capital since our establishment.

C. Resolutions passed at our extraordinary shareholders' meetings on March 9, 2015, April 9, 2015 and August 12, 2015

At our extraordinary shareholders' meetings held on March 9, 2015, April 9, 2015 and August 12, 2015, among other things, the following resolutions were passed by the Shareholders:

(a) approving the issue of the H Shares by our Company and the Listing, whereby the number of H Shares to be issued shall not exceed a total of 410,000,000 Shares (including any Shares issued pursuant to any over-allotment option);

(b) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date and the authorization to the Board to amend the Articles of Association in accordance with the relevant laws and regulations and the requirements by the relevant government authorities; and

(c) authorizing the Board to handle all other matters relating to, among other things, the issue of the H Shares and the Listing.

2. FURTHER INFORMATION OF OUR SUBSIDIARIES

The list of our principal subsidiaries as of March 31, 2015 is set out under the financial statements in the Accountants' Report of our Group in Appendix IA to this prospectus.

The following sets out the changes in the share capital of our principal subsidiaries within the two years immediately preceding the date of this prospectus:

A. Hengtai Changcai

On July 24, 2014, the registered capital of Hengtai Changcai increased from RMB100,000,000 to RMB200,000,000 through capitalization of its capital reserve, surplus reserve and undistributed profits.

B. Pioneer Movie

On November 12, 2013, the registered capital of Pioneer Movie was increased from RMB33,000,000 to RMB43,000,000, all of which was fully paid up.

C. New China Fushi

On May 27, 2015, the registered capital of New China Fushi was increased from RMB20,000,000 to 50,000,000, all of which was fully paid up.

D. Hengtai Futures

On June 30, 2015, the registered capital of Hengtai Futures was increased from RMB100,000,000 to RMB125,000,000, all of which was fully paid up.

E. New China Fund

On July 29, 2015, the registered capital of New China Fund was increased from RMB160,000,000 to RMB217,500,000, all of which was fully paid up.

Saved as disclosed otherwise, there has been no other alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material to our business and a copy of each has been delivered to the Registrar of Companies for registration:

(a) a capital increase agreement dated February 26, 2015, entered into among our Company, New China Trust Co., Ltd. (新華信託股份有限公司), Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司) and New China Fund, pursuant to which our Company agreed to subscribe for RMB57,500,000 of the increased registered capital of New China Fund at a consideration of RMB97,750,000;

(b) a capital increase agreement dated May 1, 2015, entered into between our Company and Hengtai Capital, pursuant to which Hengtai Capital agreed to subscribe for RMB25,000,000 of the increased registered capital of Hengtai Futures in cash consideration of RMB50,000,000;

(c) a promoter agreement dated August 2, 2015, entered into between our Company and Hengtai Capital, pursuant to which our Company and Hengtai Capital agreed to establish Hengtai Futures as a joint stock limited liability company with a registered capital of RMB125,000,000;

(d) a cornerstone investment agreement dated September 25, 2015 entered into among our Company, the Joint Global Coordinators, and Kaiyuan Securities Co., Ltd. (開源證券股份有限公司), the details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(e) a cornerstone investment agreement dated September 25, 2015 entered into among our Company, the Joint Global Coordinators, and Nice Hill International Limited, the details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(f) a cornerstone investment agreement dated September 25, 2015 entered into among our Company, the Joint Global Coordinators, and Pohua JT Private Equity Fund L.P., the details of which are set out in the section headed "Cornerstone Investors" in this prospectus; and

(g) the Hong Kong Underwriting Agreement.

B. Our intellectual property rights

As of the Latest Practicable Date, our Company has registered or has applied for the following intellectual property rights which, in the opinion of our Directors, are material in relation to our Company's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademark in the PRC which, in the opinion of our Directors, is material to our business:

No.	Owner	Trademark	Registration Number	Duration	Class
1.......	Our Company		10001281	March 21, 2013 - March 20, 2023	36

As of the Latest Practicable Date, we have applied for the registration of the following trademarks in PRC which, in the opinion of our Directors, are material to our business:

No.	Owner	Trademark	Application Number	Application Date	Class
1.......	Our Company	恒泰证券 HENGTAI SECURITIES	14967144	July 28, 2014	36
2.......	Our Company		15954500	December 17, 2014	9
3.......	Our Company		15954647	December 17, 2014	36
4.......	Our Company	数一数二	15954076	December 17, 2014	36
5.......	Our Company	数一数二	15953971	December 17, 2014	9
6.......	Our Company		16111018	January 8, 2015	9

No.	Owner	Trademark	Application Number	Application Date	Class
7	Our Company		16111514	January 8, 2015	36
8	Our Company	数来宝	16111311	January 8, 2015	9
9	Our Company	数来宝	16111516	January 8, 2015	36
10	Our Company		16111061	January 8, 2015	9
11	Our Company		16111491	January 8, 2015	36
12	Our Company	拾黍 SHISHU	16111318	January 8, 2015	9
13	Our Company	拾黍 SHISHU	16111616	January 8, 2015	36
14	Our Company		16445164	March 5, 2015	36
15	Our Company		16445156	March 5, 2015	9
16	Our Company	倍赚宝 BEIZHUANBAO	16445171	March 5, 2015	9
17	Our Company	倍赚宝 BEIZHUANBAO	16445173	March 5, 2015	36
18	Our Company	恒泰证券	17132686	June 5, 2015	36

As of the Latest Practicable Date, application has been made for the registration of the following trademark in Hong Kong which, in the opinion of our Directors, is material to our business:

No.	Applicant	Trademark	Application Number	Application Date	Class
1.......	Our Company	恒投证券 HENGTOU SECURITIES	303457433	June 30, 2015	35, 36

Copyrights

As of the Latest Practicable Date, we are the registered owner of the following copyright granted in the PRC which, in the opinion of our Directors, is material to our business:

No.	Owner	Name of Copyright	Registration Number	Registration Date
1......	Our Company and Hengtai Securities Co., Ltd Shanghai Boshan East Road Securities Branch (恒泰證券有限公司上海博山東路證券營業部)	[illegible]	09-2008-F-611	July 15, 2008

Domain Name

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Registrant	Registration Date	Expiry Date
1......	cnhtgh.com	Hengtai Futures	June 4, 2014	June 4, 2017
2......	cnht.com.cn	Our Company	October 10, 2003	October 10, 2018
3......	cnhtqh.com.cn	Hengtai Futures	December 28, 2009	December 28, 2019
4......	cczq.net	Hengtai Changcai	October 16, 2004	October 16, 2023
5......	ncfund.com.cn	New China Fund	December 18, 2002	December 18, 2024

4. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rule 19A.54 of the Hong Kong Listing Rules, each of the Directors entered into a service contract with our Company. The principal particulars of these service agreements are (a) for a term commencing from the date of the Listing and ending on the expiration of the term of the current session of the Board; (b) subject to termination in accordance with their respective terms; and (c) provision on arbitration. The service agreements may be renewed in accordance with our Articles of Association and the applicable laws and regulations.

Pursuant to Rule 19A.55 of the Hong Kong Listing Rules, each of the Supervisors entered into a contract with our Company in respect of, among others, compliance with relevant laws and regulations, observation of the Articles of Association and provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors in their respective capacity as Director or Supervisor (as the case may be) has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Emolument of Directors and Supervisors

The aggregate amounts of emolument (including fees, salaries, remuneration, pension, discretionary bonus and other welfares, housing and other allowances and other benefits in kind) which were paid and payable to the Directors and Supervisors for each of the years ended December 31, 2012, 2013 and 2014 and three months ended March 31, 2015 were approximately RMB4.90 million, RMB8.03 million, RMB24.66 million and RMB6.20 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by us to our Directors and Supervisors in respect of the years ended December 31, 2012, 2013 and 2014 and three months ended March 31, 2015.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director during the current financial year.

Under the existing arrangements currently in force, the aggregate emolument payable to our Directors and our Supervisors for the year ending December 31, 2015 are estimated to be approximately RMB28.70 million.

Each of our Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

5. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of our Directors and Supervisors in our Company and our associated corporations

The interests and short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and Hong Kong Stock Exchange once our H Shares are listed are as follows:

Interests and short positions in the Shares

		Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option			Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option		
Name of Supervisor	Nature of interest	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in our total share capital(2)	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(3)	Approximate percentage of shareholding in our total share capital(4)
Ms. Pei Jingjing (裴晶晶女士)(5)......	Interest in a controlled corporation	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%

Notes:

(1) The calculation is based on the total number of 2,159,067,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The calculation is based on the total number of 2,551,107,412 Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(3) The calculation is based on the total number of 2,153,721,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(4) The calculation is based on the total number of 2,604,567,412 Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(5) 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司) ("Shanghai Xishida") and Ms. Pei Jingjing (裴晶晶女士), who is a supervisor of our Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司) ("Shenzhen Zhongxin") and Ms. Pei Jingjing (裴晶晶女士), respectively. Approximately 99.47% of the

equity interest in Shenzhen Zhongxin is held by Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司) ("Shanghai Julu"). 35% and 35% of the equity interest in Shanghai Julu are held by Ms. Pei Jingjing (裴晶晶女士) and Mr. Ci Penghui (慈鵬輝先生), respectively. Therefore, Ms. Pei Jingjing (裴晶晶女士) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye immediately after the completion of the Global Offering.

B. Disclosure of Interests of Substantial Shareholders in our Company and our associated corporations

So far as is known to our Directors, other than our Directors, Supervisors or chief executive whose interests are disclosed above, the following persons will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group once our H Shares are listed:

Interests and short positions in the Shares

		Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option			Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option		
Name of Shareholder	Nature of interest	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in our total share capital(2)	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(3)	Approximate percentage of shareholding in our total share capital(4)
SASAC Xicheng District(5)	Interest in a controlled corporation	536,409,007 Domestic Shares	24.84%	21.03%	531,970,358 Domestic Shares	24.70%	20.42%
Baotou Huazi(6)(7)......	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares(8)	20.56%(8)	17.40%(8)	443,868,000 Domestic Shares(8)	20.61%(8)	17.04%(8)
Tomorrow Holding(6)(7)	Interest in a controlled corporation / Persons acting in concert	443,868,000 Domestic Shares(8)	20.56%(8)	17.40%(8)	443,868,000 Domestic Shares(8)	20.61%(8)	17.04%(8)
Zhongchang Hengyuan(6).........	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares(8)	20.56%(8)	17.40%(8)	443,868,000 Domestic Shares(8)	20.61%(8)	17.04%(8)

Name of Shareholder	Nature of interest	Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option			Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option		
		Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in our total share capital[(2)]	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(3)]	Approximate percentage of shareholding in our total share capital[(4)]
Shanghai Yida[(6)]	Beneficial owner / Persons acting in concert	443,868,000 Domestic Shares[(8)]	20.56%[(8)]	17.40%[(8)]	443,868,000 Domestic Shares[(8)]	20.61%[(8)]	17.04%[(8)]
Qingyun Intercontinental[(9)].	Beneficial owner	226,961,315 Domestic Shares	10.51%	8.90%	226,961,315 Domestic Shares	10.54%	8.71%
Ningbo Shike[(9)].........	Interest in a controlled corporation	226,961,315 Domestic Shares	10.51%	8.90%	226,961,315 Domestic Shares	10.54%	8.71%
Shaanxi Hongya[(9)]	Interest in a controlled corporation	226,961,315 Domestic Shares	10.51%	8.90%	226,961,315 Domestic Shares	10.54%	8.71%
Mr. Sun Yuanlin (孫元林先生)[(9)]......	Interest in a controlled corporation	226,961,315 Domestic Shares	10.51%	8.90%	226,961,315 Domestic Shares	10.54%	8.71%
Mr. Duan Shuai (段帥先生)[(9)].........	Interest in a controlled corporation	226,961,315 Domestic Shares	10.51%	8.90%	226,961,315 Domestic Shares	10.54%	8.71%
Finance Street Xihuan Properties[(5)]	Beneficial owner	213,236,796 Domestic Shares	9.88%	8.36%	211,472,315 Domestic Shares	9.82%	8.12%
Huarong Investment[(5)]........	Interest in a controlled corporation	213,236,796 Domestic Shares	9.88%	8.36%	211,472,315 Domestic Shares	9.82%	8.12%
Huijin Jiaye[(10)]	Beneficial owner	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%
Shanghai Xishida[(10)] .	Interest in a controlled corporation	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%
Shenzhen Zhongxin[(10)].........	Interest in a controlled corporation	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%

Name of Shareholder	Nature of interest	Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option: Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in our total share capital(2)	Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option: Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(3)	Approximate percentage of shareholding in our total share capital(4)
Shanghai Julu(10)	Interest in a controlled corporation	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%
Mr. Ci Penghui (慈鵬輝先生)(10)	Interest in a controlled corporation	206,182,000 Domestic Shares	9.55%	8.08%	206,182,000 Domestic Shares	9.57%	7.92%
Finance Street Investment(5)	Beneficial owner	166,798,561 Domestic Shares	7.73%	6.54%	165,418,345 Domestic Shares	7.68%	6.35%
Huarong Infrastructure(5)	Beneficial owner	156,373,650 Domestic Shares	7.24%	6.13%	155,079,698 Domestic Shares	7.20%	5.95%
Finance Street Capital(5)	Interest in a controlled corporation	156,373,650 Domestic Shares	7.24%	6.13%	155,079,698 Domestic Shares	7.20%	5.95%
Huifa Investment(11)	Beneficial owner	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Mr. Shen Weimin (沈為民先生)(11)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Ms. Chen Shan (陳姍女士)(11)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Hongzhi Huitong(12)	Beneficial owner	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Shaanxi Tianchen(12)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Hangzhou Ruisi(12)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%
Suzhou Bingtai(12)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%

Name of Shareholder	Nature of interest	Immediately after the completion of the Global Offering and assuming no exercise of the Over-allotment Option: Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(1)	Approximate percentage of shareholding in our total share capital(2)	Immediately after the completion of the Global Offering and assuming full exercise of the Over-allotment Option: Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares(3)	Approximate percentage of shareholding in our total share capital(4)
Mr. Zhang Li (張利先生)(12)	Interest in a controlled corporation	154,000,000 Domestic Shares	7.13%	6.04%	154,000,000 Domestic Shares	7.15%	5.91%

Notes:

(1) The calculation is based on the total number of 2,159,067,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The calculation is based on the total number of 2,551,107,412 Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(3) The calculation is based on the total number of 2,153,721,412 Domestic Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(4) The calculation is based on the total number of 2,604,567,412 Shares in issue immediately after the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

(5) (a) 90% of the equity interest in Finance Street Xihuan Properties is held by Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資公司)("Huarong Investment"), which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 213,236,796 and 211,472,315 Domestic Shares, representing approximately 8.36% and 8.12% of the total share capital of our Company, held by Finance Street Properties immediately after the completion of the Global Offering, assuming no exercise and full exercise of the Over-allotment Option, respectively.

(b) Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 166,798,561 and 165,418,345 Domestic Shares, representing approximately 6.54% and 6.35% of the total share capital of our Company, held by Finance Street Investment immediately after the completion of the Global Offering, assuming no exercise and full exercise of the Over-allotment Option, respectively.

(c) Huarong Infrastructure is wholly-owned by Beijing Finance Street Capital Management Centre (北京金融街資本運營中心)("Finance Street Capital"), which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 156,373,650 and 155,079,698 Domestic Shares, representing approximately 6.13% and 5.95% of the total share capital of our Company, held by Huarong Infrastructure immediately after the completion of the Global Offering, assuming no exercise and full exercise of the Over-allotment Option, respectively.

(6) Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in our Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Batou Huazi, Zhongchang Hengyuan and Shanghai Yida, representing approximately 12.07%, 2.94% and 2.38% (assuming no exercise of the Over-allotment Option) and approximately 11.83%, 2.88% and 2.33% (assuming full exercise of the Over-allotment Option) of the total share capital of our Company, respectively) immediately after the completion of the Global Offering.

(7) Approximately 54% of the equity interest in Baotou Huazi is indirectly controlled by Tomorrow Holding. Therefore, Tomorrow Holding is deemed to be interested in 308,000,000 Domestic Shares, representing approximately 12.07% (assuming no exercise of the Over-allotment Option) and approximately 11.83% (assuming full exercise of the Over-allotment Option) of the total share capital of our Company, held by Baotou Huazi immediately after the completion of the Global Offering.

(8) Such number of Shares and shareholding percentages represent the total number of Shares and shareholding percentage held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida in our Company.

(9) 70% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司)("Ningbo Shike"), which is in turn held by Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司)("Shaanxi Hongya") and Mr. Sun Yuanlin (孫元林先生) as to 99.6% and 0.4%, respectively. Shaanxi Hongya is held by Mr. Sun Yuanlin (孫元林先生) and Mr. Duan Shuai (段帥先生) as to 51% and 49%, respectively. Therefore, each of Ningbo Shike, Shaanxi Hongya, Mr. Sun Yuanlin (孫元林先生) and Mr. Duan Shuai (段帥先生) is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental immediately after the completion of the Global Offering.

(10) 99.99% and 0.01% of the equity interest in Huijin Jiaye is held by Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司)("Shanghai Xishida") and Ms. Pei Jingjing (裵晶晶女士), respectively. 95% and 2% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司)("Shenzhen Zhongxin") and Ms. Pei Jingjing (裵晶晶女士), respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司) ("Shanghai Julu"). 35% and 35% of the equity interest in Shanghai Julu is held by Ms. Pei Jingjing (裵晶晶女士) and Mr. Ci Penghui (慈鵬輝先生), respectively. Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, Ms. Pei Jingjing (裵晶晶女士) and Mr. Ci Penghui (慈鵬輝先生) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye immediately after the completion of the Global Offering.

(11) Approximately 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin (沈為民先生) and Ms. Chen Shan (陳姍女士), respectively. Therefore, each of by Mr. Shen Weimin (沈為民先生) and Ms. Chen Shan (陳姍女士) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment immediately after the completion of the Global Offering.

(12) Approximately 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司)("Shaanxi Tianchen"). Approximately 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司) ("Hangzhou Ruisi"). 90% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司) ("Suzhou Bingtai"). 90% of the equity interest in Suzhou Bingtai is held by Mr. Zhang Li (張利先生). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhang Li (張利先生) is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong immediately after the completion of the Global Offering.

Direct or indirect interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group

Name of Shareholder	Name of Subsidiary of Our Company	Capacity/Nature of Interest	Approximate Percentage of Shareholding (%)
New China Trust	New China Fund	Beneficial owner	35.31
Beijing Huashan Investment Management Centre (Limited Partnership) (北京華山投資管理中心(有限合伙))	New China Fushi	Beneficial owner	20
Beijing Taofu Investment Management Co., Ltd. (北京陶富投資管理有限責任公司) .	New China Fushi	Beneficial owner	20

C. Disclaimers

Save as disclosed in this prospectus and as of the Latest Practicable Date:

(a) none of our Directors, Supervisors or chief executive had any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which (i) will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or (ii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and Hong Kong Stock Exchange once our H Shares are listed;

(b) our Directors are not aware of any person (not being our Director or our chief executive) who will, immediately after the completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings of any our member of our Group;

(c) none of our Directors, Supervisors or the parties listed in the paragraph headed "Qualification of Experts" of this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to our Group;

(d) none of our Directors or Supervisors or the parties listed in the paragraph headed "Qualification of Experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole;

(e) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Qualification of Experts" of this appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiary; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of our Directors or Supervisors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of our Company falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Hong Kong Stock Exchange;

(g) none of our Directors, Supervisors, or their respective associates, or any Shareholders (who to the knowledge of the Directors owns more than 5.0% of our issued share capital), had any interest in our top five business customers;

(h) none of our Directors or Supervisors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business; and

(i) none of our Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the years ended December 31, 2012, 2013 and 2014 and three months ended March 31, 2015, as an inducement to join or upon joining our Company, or as compensation for loss of office, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

6. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or any of our subsidiaries.

B. Litigation

As of the Latest Practicable Date, save as disclosed in section headed "Business — Legal and Regulatory" in this prospectus, we are not engaged in any material litigation, arbitration or administrative proceedings which could have a material effect on our financial condition or results of operations. So far as the Directors are aware, no such litigation, arbitration or administrative proceedings of material importance is pending or threatened against our Company.

C. Restrictions on Share Repurchase

Please see the section headed "Appendix IV — Summary of Principal Legal and Regulatory Provisions — Restrictions on purchase and subscription of its own securities" in this prospectus for further information.

D. Joint Sponsors

BOCOM International (Asia) Limited and Haitong International Capital Limited, our Joint Sponsors, satisfy the independence criteria applicable to sponsor pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The sponsor fee payable by our Company is HK$7,500,000.

E. Compliance advisor

We have appointed Haitong International Capital Limited as our compliance advisor effective from the Listing Date in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

F. Preliminary expenses

The estimated preliminary expenses in relation to the conversion of our Company from a limited liability company into a joint stock limited liability company were approximately RMB390,000 and were paid or payable by us.

G. Qualification of experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
BOCOM International (Asia) Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Haitong International Capital Limited	Licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activities
KPMG	Certified Public Accountants
Guantao Law Firm	PRC legal advisors
Ernst & Young (China) Advisory Limited Beijing Branch Office	Industry consultant

H. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. Please see the section headed "Appendix III — Taxation and Foreign Exchange" for further information.

I. No material adverse change

Save as disclosed in this prospectus, our Directors has confirmed that there has been no material adverse change in our financial or trading position since March 31, 2015.

J. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

K. Consents

Each of BOCOM International (Asia) Limited, Haitong International Capital Limited, KPMG, Guantao Law Firm and Ernst & Young (China) Advisory Limited Beijing Branch Office, as referred to in the paragraph headed "G. Qualification of experts" in this appendix has given and has not withdrawn its or his respective written consent to the issue of this prospectus with the inclusion of any of its or his certificates, letters, opinions or reports and the references to its or his name included herein in the form and context in which it is included.

None of the experts named above has any shareholding interests in our Company or any subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

L. Promoters

The information about our Promoters is as follows:

No.	Name of the Promoters
1.	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)
2.	Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司)
3.	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司)
4.	Hua chen Trust Co., Ltd. (華宸信託有限責任公司)
5.	Weifang Keyu Technology Co., Ltd. (濰坊科虞科技有限公司)
6.	Beijing Huacheng Hongtai Industrial Co., Ltd. (北京華誠宏泰實業有限公司)
7.	Harbin Xingye Industrial Property Brokerage Co., Ltd. (哈爾濱興業產權經紀有限責任公司)
8.	Inner Mongolia Mengjili Economic and Technological Development Co., Ltd. (內蒙古蒙吉利經濟技術開發股份有限公司)
9.	Inner Mongolia Kaide Luntai Investment Co., Ltd. (內蒙古凱德倫泰投資有限公司)
10.	Baotou Shenyin Industry Group Co., Ltd. (包頭市申銀產業集團有限公司)
11.	Inner Mongolia Xiang Rong Investment Management Co., Ltd. (內蒙古祥嶸投資管理有限責任公司)

No.	Name of the Promoters
12.	Inner Mongolia Wuhaixi Zhuozishan Tertiary Industry Development Co., Ltd. (內蒙古烏海西卓子山第三產業開發公司)
13.	Shanghai Yili Industry Development Co., Ltd. (上海宜利實業發展有限公司)
14.	Baotou City Shichuang Economic and Technological Development Co., Ltd. (包頭市實創經濟技術開發有限公司)

Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given or is proposed to be paid, allotted or given to our promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

M. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 52 to the Accountants' Report" of the Group in Appendix IA to this prospectus.

N. Personal guarantees

Our Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

O. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This prospectus is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

P. Particulars of the Selling Shareholders

Certain particulars of the Selling Shareholders are set out as follows:

	Name	Description	Address	Number of Sale Shares (assuming no exercise of the Over-allotment Option)	Number of Sale Shares (assuming full exercise of the Over-allotment Option)
1.	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司)	It is primarily engaged in real estate development.	6/F, Building 5, No. 6 Gaoliangqiao Road, Xicheng District, Beijing, the PRC	11,763,204	13,527,685
2.	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	It is primarily engaged in investment and asset management.	A-(T4)06A2, 6/F, Building 5, No. 6 Gaoliangqiao Road, Xicheng District, Beijing, the PRC	9,201,439	10,581,655
3.	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	It is primarily engaged in city infrastructure investment.	902, No. 1 Finance Street, Xicheng District, Beijing, the PRC	8,626,350	9,920,302
4.	Hua Chen Trust Limited Corporation (華宸信託有限責任公司)	It is mainly engaged in the provision of trust and investment service.	5/F, Rixin Huachen Building, No. 23 Ruyi West Street, Saihan District, Hohhot, Inner Mongolia, the PRC	5,134,091	5,904,205
5.	Harbin Xingye Industrial Property Brokerage Co., Ltd. (哈爾濱興業產權經紀有限責任公司)	It is mainly engaged in acquisition and transfer of business ownership.	No. 32 Situ Street, Xiangfang District, Harbin, Heilongjiang Province, the PRC	914,916	1,052,153

Q. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus: (i) none of the member of our Group has issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash and (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any of the shares or loan capital of any member of our Group;

(b) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

(c) there are no founder, management or deferred shares nor any debentures in our Company;

(d) our Company has no outstanding options, warrants and convertibles (including convertible debt securities);

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there have been no interruptions in our business which may have or have had a significant effect on the financial position in the last 12 months immediately preceding the Latest Practicable Date;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) there are no part of the equity or debt securities of our Company which is currently listed on or dealt in on any stock exchange or trading system and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(j) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-Foreign Joint Venture Law of the PRC.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents" to this prospectus;

(c) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information about our Business — Summary of our Material Contracts" to this prospectus; and

(d) the statement of particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association (Chinese);

(b) the Accountants' Report of the Group prepared by KPMG, the text of which is set out in "Appendix IA — Accountants' Report of the Group" to this prospectus;

(c) the Accountants' Report of New China Fund prepared by KPMG, the text of which is set out in "Appendix IB — Accountants' Report of New China Fund" to this prospectus;

(d) the report on the unaudited pro forma financial information of the Group from KPMG, the texts of which are set out in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus;

(e) the PRC legal opinions and memorandums issued by our PRC legal advisors, Guantao Law Firm, in respect of our general matters, property interests and certain lending activities of the Group and certain governmental inspections;

(f) the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information about our Business — Summary of our Material Contracts" to this prospectus;

(g) the audited consolidated financial statements of our Group for each of the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015;

(h) the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents" to this prospectus;

(i) the service contracts referred to in "Appendix VI — Statutory and General Information — Further Information about our Directors and Supervisors — Particulars of Directors' and Supervisors' Contracts" to this prospectus; and

(j) the particulars of the Selling Shareholders; and

(k) the PRC Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.

恒投證券

HENGTOU SECURITIES