



中州证券

Central China Securities Co., Ltd.

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

Stock Code: 01375

Annual Report 2015

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IMPORTANT

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

This report has been deliberated and approved at the 12th meeting of the fifth Board and 5th meeting of the fifth Supervisory Committee where all directors and supervisors were present respectively. No directors, supervisors or senior management declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The annual financial report for 2015 prepared by the Company in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises has been audited by PricewaterhouseCoopers and ShineWing Certified Public Accountants (Special General Partnership) respectively with standard unqualified auditing reports produced. All amounts set out in this report are stated in RMB unless otherwise stated.

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

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

2015 was a year of significance with remarkable achievements in our development history, in which we captured the opportunities and stepped up the preparations to achieve a leapfrogging development.

In the aspect of operating result, we recorded profit before income tax of RMB1,891.0 million, representing a growth of 150.5% and a record since 14 years of our establishment, and recording the persistent high growth for four consecutive years. Meanwhile, we took actual action to greatly reward our investors. We declared high cash bonus in May and November 2015 respectively with a total amount close to RMB1 billion. This move made us rank the top ones of the listed companies in the mainland China and Hong Kong and earn wide praise from the market in terms of rewarding investors.

On development capacity, the Company not only completed issuance of new shares in Hong Kong with proceeds raised of HK\$2.5 billion to further enhance our capital strength. Also, various businesses such as brokerage, investment banking, investment, asset management and innovation recorded comprehensive development. In particular, the Company provided hundreds of enterprises with services such as direct financing and investment through instruments of equity and bond financing, listing and market-making in New OTC Board, asset securitization and direct investment. Therefore, the investment banking and investment capability of the Company increased remarkably.

On the market position, the Company was classified into category "A" of securities companies by CSRC, obtaining the first class qualification of securities companies across China so that our brand and market influence has significantly increased.

In terms of our strategic layout, the Central China Blue Ocean Alternative Investment Company (Qingdao), Hong Kong Subsidiary, Central China Equity Exchange Co., Ltd., Central China Flying Internet Financial Services (Shenzhen) Co. Ltd. under the Company commenced operation in succession and were permitted to take the lead as a promoter to establish Henan Life Insurance Company (which is known as Central China Life Insurance Company). This allowed us not only to possess strategic platform for overseas business development and set up an innovative internet finance platform, but also take a concrete stride towards the goal of becoming a modern, international and large financial holdings group. The development potential of Central China Securities expanded and presented us with a robust development prospect.

In 2016, opportunities come with the challenges. We will spare no efforts in strengthening the upgrade of our traditional business, developing the core competitiveness of our whole industry chain with "Six-in-one" concept and strongly promoting the development of internet finance. On such basis, it will be our top priority to return to A Share market for listing, to actively and stably advance the establishment of Henan Life Insurance Company.

We strongly believe that the Company can redevelop into a company of "H+A" dual listing status and become a modern, international and large financial holdings group within 2 to 3 years, so as to create more value and better investment returns for our shareholders and investors!

SECTION 1 DEFINITIONS

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

1. GENERAL TERMS

The Company, Company or Central China Securities	Central China Securities Co., Ltd., a joint stock company incorporated on 8 November 2002 in Henan, PRC with limited liability (carrying on business in Hong Kong as “中州證券”), with its H shares listed on the main board of the Hong Kong Stock Exchange
The Group or Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
This report	this annual report
SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
Domestic shares	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an Independent Third Party of the Company

13th Five-year Plan	The Thirteenth Five-year Plan Guidelines for National Economic and Social Development of the People's Republic of China
A shares	domestic listed ordinary shares, which are subscribed for and traded in Renminbi
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Reporting period	for the year ended 31 December 2015
End of the Reporting period	31 December 2015
Prospectus	the H shares prospectus of the Company dated 11 June 2014
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau and Taiwan)
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
SAT	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
NDRC	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
Ministry of Commerce	the Ministry of Commerce of the PRC (中華人民共和國商務部)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)

SECTION 1 DEFINITIONS

Henan Administration for Industry & Commerce	the Henan Administration for Industry & Commerce (河南省工商行政管理局)
Finance Office of Henan	Financial Service Office of Henan Provincial People's Government (河南省人民政府金融服務辦公室)
Hong Kong Stock Exchange	the Stock Exchange of Hong Kong Limited
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司), incorporated by Henan Construction Investment Corporation (河南省建設投資總公司) merging with Henan Economic and Technology Development and according to the Company Law, which holds 27.017% equity interest in the Company
Henan Economic and Technology Development	Henan Economic and Technology Development Co., Ltd. (河南省經濟技術開發公司), which held 35.173% equity interest in the Company
Henan Construction Investment	Henan Construction Investment Corporation (河南省建設投資總公司), which held 9.673% equity interest in the Company
Bohai Fund	Bohai Industrial Investment Fund (渤海產業投資基金), a fund established upon approval by the NDRC, on whose behalf Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司) holds 18.860% equity interest in the Company
Bohai Fund Management	Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司), which holds on behalf of Bohai Industrial Investment Fund (渤海產業投資基金) 18.860% equity interest in the Company
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司), which holds 5.827% equity interest in the Company
Pingmei Shenma Energy	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司), which holds 2.464% equity interest in the Company
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司), which is rebuilt from Anyang Economic Technology Development Co., Ltd. (安陽市經濟技術開發公司) according to Company Law and holds 1.603% equity interest in the Company

Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司), which is renamed from Jiangsu Silk Group Co., Ltd. (江蘇省絲綢集團有限公司) and holds 0.889% equity interest in the Company
Xuchang Superlift	Xuchang Superlift Construction Materials Science & Technology Co., Ltd. (許昌施普雷特建材科技有限公司), which holds 0.744% equity interest in the Company
Guangzhou Liby Investment	Guangzhou Liby Investment Co., Ltd. (廣州立白投資有限公司), which holds 0.620% equity interest in the Company
Shenhua Group	Henan Shenhua Group Co., Ltd. (河南神火集團有限公司), which holds 0.583% equity interest in the Company
Henan Jinlong	Henan Jinlong Industrial Co., Ltd. (河南省金龍實業有限公司), which holds 0.496% equity interest in the Company
Shandong Huanqiu	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. (山東環球漁具股份有限公司), which holds 0.465% equity interest in the Company
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司), which holds 0.447% equity interest in the Company
Jiangsu Huiyou	Jiangsu Huiyou Woollen Sweater Co., Ltd. (江蘇惠友毛衫有限公司), which holds 0.310% equity interest in the Company
Freetrade Science & Technology	Zhangjiagang Freetrade Science & Technology Co., Ltd. (張家港保稅科技股份有限公司), which holds 0.310% equity interest in the Company
Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司), which holds 0.296% equity interest in the Company
Hebi Construction and Investment	Hebi Construction & Investment Group Co., Ltd. (鶴壁市經濟建設投資集團有限公司), which is rebuilt from Hebi Construction & Investment Co., Ltd. (鶴壁市經濟建設投資總公司, formerly known as Hebi Development Construction & Investment Company (鶴壁市經濟發展建設投資公司)) according to Company Law and holds 0.291% equity interest in the Company
Xuji Group	Xuji Group Co., Ltd. (許繼集團有限公司), which held 40.627% equity interest in the Company

SECTION 1 DEFINITIONS

Anyang Trust	Anyang Trust & Investment Company Limited (安陽市信託投資公司), which held 1.018% equity interest in the Company
Ping An Trust	China Ping An Trust Co., Ltd.
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司), whose securities business-related assets were acquired by the Company
Central China Futures	Central China Futures Co., Ltd. (中原期貨有限公司), in which the Company holds 51.357% equity interest as of the end of the Reporting period
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司), in which the Company holds 62.29% equity interest
Ashmore-CCSC Fund Management	Ashmore-CCSC Fund Management Company Limited (中原英石基金管理有限公司), a subsidiary in which the Company holds 51% equity interest
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司), an indirect subsidiary in which the Company holds 60% equity interest through ZDKY Venture Capital
Central China Blue Ocean	Central China Blue Ocean Investment Management Company Limited, in which the Company holds 100% equity interest
Central China Flying	Central China Flying Internet Financial Services (Shenzhen) Co. Ltd. (中州匯聯互聯網金融服務(深圳)有限公司), in which Central China Blue Ocean, a subsidiary of the Company holds 60% equity interest
Central China International	Central China International Financial Holdings Company Limited, in which the Company holds 100% equity interest
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司), in which the Company holds 35% equity interest
<i>Articles of Association</i>	the prevailing valid <i>Articles of Association of the Company</i>
<i>Company Law</i>	the <i>Company Law of the PRC</i> (中華人民共和國公司法)
<i>Securities Law</i>	the <i>Securities Law of the PRC</i> (中華人民共和國證券法)

RMB	the lawful currency of China – Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong

2. TECHNICAL TERMS

GDP	Gross domestic product
BP	Basis Point, one basis point equals to 1% of one percentage point
FICC	abbreviation for Fixed Income Currencies and Commodities (i.e. fixed income securities, currencies and commodities)
FoF	abbreviation for Funds of Funds (i.e. a kind of fund that specifically invest in other securities investment funds)
Convertible bonds	bonds that can be converted into corporate shares under certain conditions
Third party custody	securities firms giving client transaction settlement funds to an independent third party (namely commercial banks qualified as third party custodian) for custody service. Under the third party custody model, depository banks are responsible for the custody of the client transaction settlement funds and provision of stock-bank transaction, fund deposit, withdrawal and inquiry and other services to clients; securities firms are responsible for securities transactions and share management of investors and liquidate investors' funds and securities according to the transaction settlement data from the stock exchanges and China Securities Depository and Clearing Co., Ltd., but no longer provides clients with deposit and withdrawal service of transaction settlement funds
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients

SECTION 1 DEFINITIONS

Stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
Margin financing	an operating activity in which securities financial companies provide their own or legally raised funds and securities for securities firms to handle margin financing and securities lending. Margin financing includes capital refinancing and securities refinancing
SIF	abbreviation for “stock index futures”, a financial futures contract with stock price index as underlying
Hedging	enterprises, for the purpose of evading foreign exchange risk, interest rate risk, commodity price risk, stock price risk, etc., specifying one or more hedging instruments and have the fair value or cash flow of hedging instruments change to offset the whole or partial change in fair value or cash flow of the hedged items
Private equity	a business in which the subsidiary for private equity business set up by the securities firm leverages its own professional advantage to search for and find quality investment projects or companies and make equity or debt investment with their own or raised funds so as to obtain income from equity interest or debts
IB business	a business activity in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions of the futures companies and provide other related services
Asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
IPO	abbreviation for “Initial Public Offering”

Equities exchange and quotations and New OTC Board	abbreviation for “National Equities Exchange and Quotations” (全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council, subject to operation and management of National Equities Exchange and Quotations Co., Ltd.
RQFII	abbreviation for “RMB Qualified Foreign Institutional Investor” (人民幣合格境外投資者)
General securities accounts	a unified account platform of China Securities and Clearing Co., Ltd., namely “general securities accounts” in the securities market
Crowdfunding	raising monies from the public or the masses. It consists of sponsors, followers and platforms. Characterized with low threshold, diversification, public support and emphasis on originality, it is an individual or corporate act of raising funds from the public to support the sponsors. Generally, it links together sponsors and proposers through an online platform

SECTION 2 MATERIAL RISKS

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

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

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

I. BASIC INFORMATION ABOUT THE COMPANY

Chinese name:	中原证券股份有限公司(a joint stock company incorporated on 8 November 2002 in Henan, PRC with limited liability and carrying on business in Hong Kong as “中州证券”)
Chinese abbreviation (in China):	中原证券
English name:	CENTRAL CHINA SECURITIES CO., LTD.
English abbreviation:	CCSC
Legal representative:	Mr. Jian Mingjun
President:	Mr. Zhou Xiaoquan
Registered capital:	RMB3,223,734,700
Net capital:	RMB7.011 billion
Qualifications for businesses in China:	<ol style="list-style-type: none"> (1) Entrusted investment management business (2) Stock underwriting business as a lead underwriter (3) Entrusted internet securities business (4) Sponsorship of offering and listing of securities (5) Proxy sale of open-end securities investment funds (6) “SSE 50ETF” participant of securities dealer business (7) Buyout repurchase of T-bonds on SSE (8) IPO enquiry and placing (9) Sponsorship of equity division reform (10) Warrant trading (11) Foreign exchange business (12) National inter-bank funding business (13) Trading on Integrated Electronic Platform of Fixed-income Securities of SSE as a primary dealer (14) Investment through block trading system as a qualified investor (15) Intermediary introduction business for futures companies (16) Agency system host securities dealer business (17) Direct investment business (18) Margin financing and securities lending business (19) Proxy sale of financial products (20) Underwriting of private placement bonds for small and medium-sized enterprises (21) Exchange-quoted bond repurchase business (22) Agreed repurchase type securities trading business (23) Capital refinancing business

- (24) Agency service for registration of pledge of securities
- (25) Securities refinancing and lending business
- (26) The “stock through-train program”
- (27) Piloting of issuing short-term corporate bonds
- (28) Piloting of OTC market business
- (29) Piloting of internet securities business
- (30) Option brokerage business on SSE

Registered address:	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)
Office address:	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)
Website:	www.ccnew.com
Email address:	investor@ccnew.com
Principal place of business in Hong Kong:	18F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
Secretary of the Board:	Mr. Xu Haijun
Address:	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)
Tel:	0371-69177590
Fax:	0371-65585118
Email:	xuhj@ccnew.com
Joint company secretaries:	Mr. Xu Haijun, Ms. Kwong Yin Ping Yvonne
Authorized representatives of the Company:	Mr. Jian Mingjun, Ms. Kwong Yin Ping Yvonne
Domestic accounting firm:	ShineWing Certified Public Accountants (Special General Partnership)
International accounting firm:	PricewaterhouseCoopers
Compliance advisor:	Guotai Junan Capital Limited
H Share registrar in Hong Kong:	Computershare Hong Kong Investor Services Limited
Stock code:	01375

II. DEVELOPMENT HISTORY

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

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

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

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

On 10 June 2008, according to CSRC's *Reply Concerning Approval of Equity Change of Central China Securities Co., Ltd.* (Zheng Jian Xu Ke [2008] No. 781), Henan Investment Group Co., Ltd. was approved to receive 196,704,200 shares of the Company (accounting for 9.673% of the registered capital) held by Henan Construction Investment Corporation and 715,253,600 shares of the Company (accounting for 35.173% of the registered capital) held by Henan Economic and Technology Development Co., Ltd., after which Henan Investment Group Co., Ltd. holds 911,957,800 shares of the Company in aggregate (accounting for 44.846% of the Company's registered capital).

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

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

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

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

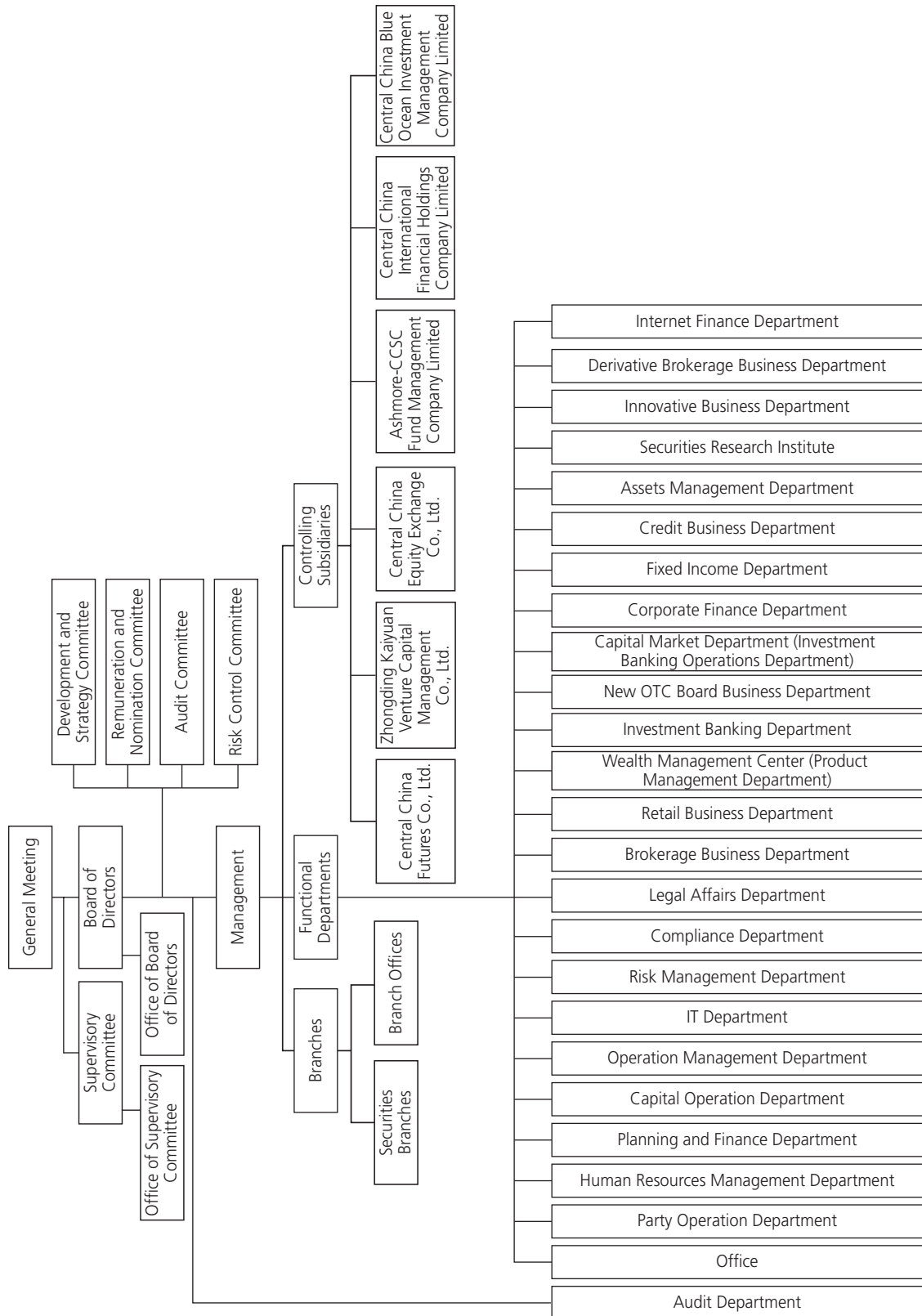
On 6 April 2012, according to the *No-Objection Letter Concerning Change of Shareholders Holding Less Than 5% of Equity of Central China Securities Co., Ltd.* (Yu Zheng Jian Han [2012] No. 41) issued by the Henan Branch of the CSRC, Xuchang Superlift Construction Materials Science & Technology Co., Ltd.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

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

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

On 15 June 2015, according to the resolution of the Company's second extraordinary general meeting in 2015, first domestic Share class meeting and first H Share class meeting and upon approval by the CSRC's *Reply Concerning Approval of Additional Issue of Overseas Listed Foreign Shares of Central China Securities Co., Ltd.* (Zheng Jian Xu Ke [2015] No. 1728) and by the Hong Kong Stock Exchange, the non-public issuance of 592,119,000 H Shares was completed by the Company in August 2015 with a face-value of RMB1 each at an issue price of HK\$4.28 per H Share. On 14 August 2015, the Company completed the change of the registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB3,223,734,700.

III. ORGANIZATIONAL STRUCTURE



IV. SUBSIDIARIES

Name	Office address	Country of incorporation/ registered address	Main businesses/ country for business/type of legal person	Date of incorporation	Registered capital	Legal representative	Shareholding ratio	Contact No.	Remarks
Central China Futures Co., Ltd. ⁽¹⁾	4F, Zhongyuan Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou, Henan	China/4F, Zhongyuan Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New Area, Zhengzhou, Henan	Commodity futures brokerage, financial futures brokerage; futures investment consulting; asset management/China/limited company	18 April 1993	RMB 330 million	Yang Zhongxian	51.357%	0371-68599199	—
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	20F, Hailian Building, No. 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	China/Room 501-11, Building 1, No. 18 Courtyard, Lize Road, Fengtai District, Beijing	Use equity fund or establish direct investment fund to invest equity or creditor's rights in enterprises or other investment funds related to equity or creditor's rights; provide customers with investment advisory service related to equity or creditor's rights services; and other businesses as approved by CSRC/China/limited company	8 February 2012	RMB1,000 million	Fang Jianmin	62.29%	0371-69177108	In June 2015, the Company's registered capital increased from RMB500 million to RMB800 million. In October 2015, the Company's registered capital increased from RMB800 million to RMB1,000 million
Ashmore CCSC Fund Management Company Limited ⁽²⁾	Room 1708, Citigroup Tower, No. 33 Huayuan Shiqiao Road, Pudong New Area, Shanghai	China/Room 101, Building 5, No. 135 Handan Road, Hongkou District, Shanghai	Fund raising and management, asset management (including those for specific customers) and other businesses as approved by CSRC/China/Company with limited liability (Chinese-foreign joint venture)	23 January 2013	RMB200 million	Zhou Xiaoquan	51%	021-38556666	—
Central China International Financial Holdings Co., Ltd.	Suites 3101 and 3108, Two Exchange Square, 8 Connaught Place, Central, HK	China/HK Suites 3101 and 3108, Two Exchange Square, 8 Connaught Place, Central, HK	An investment holding company acting as the platform for overseas businesses of the Company, carrying out operational businesses through its underlying subsidiaries.	29 October 2014	HK\$300 million	N/A	100%	00852-25001375	On 12 January, 2015, it became wholly-owned subsidiary of the Company
Central China Blue Ocean Investment Management Company Limited	Room 2302, Block B, Chuangye Building, No. 1 Zhilidao Road, High-tech Industrial Development Zone, Qingdao City, Shandong	China/Room 2302, Block B, Chuangye Building, No. 1 Zhilidao Road, High-tech Industrial Development Zone, Qingdao City, Shandong	Financial product investment, security investment, investment management and investment advisory service with its own capital. (For projects requiring approvals from relevant authorities, approvals have to be obtained before the commencement of such projects)/China/limited company	25 March 2015	RMB300 million	Bao Dexu	100%	0532-68013830	In October 2015, the legal representative was changed from Mr. Jian Mingjun to Mr. Bao Dexu

SECTION 3 COMPANY PROFILE

Name	Office address	Country of incorporation/registered address	Main businesses/country for business/type of legal person	Date of incorporation	Registered capital	Legal representative	Shareholding ratio	Contact No.	Remarks
Central China Equity Exchange Co., Ltd.	6F, Zhongke Building, No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	China/23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City	Registration, custody, listing, transfer and financing services in equity, creditor's rights and other equity asset for enterprises, investment and asset management; financial advisory, enterprise promotion, enterprise demonstration and training and consultancy services. (For projects requiring approvals from relevant authorities, approvals have to be obtained before the commencement of such projects)/China/joint stock company limited	29 June 2015	RMB350 million	Zhao Jizeng	35%	0371-61775086	—

- (1) On 16 February 2016, Central China Futures Co., Ltd. completed the registration of the change of its name and obtained the business license issued by the Henan Administration for Industry & Commerce with a unified social credit code of 914100007109248495 and its Chinese name changed to “中原期貨股份有限公司” officially.
- (2) On 26 February 2016, CSRC accepted the application submitted by Ashmore CCSC for the change of its shareholders (to transfer 34% shareholdings held by the Company).

V. BRANCH OFFICES

As of the end of the Reporting period, the Company had 11 branch offices, as detailed below:

S/N	Branch Office	Address	Date of incorporation	Person in charge	Contact No.
1	Central China Securities Co., Ltd. Nanyang Branch Office*	No. 170 Renmin Road, Nanyang, Henan Province	20/05/2003	Yang Qing	0377-63205303
2	Central China Securities Co., Ltd. Shanghai Branch Office	Room 01-17, 18F, No. 1600 Century Avenue, Pudong New Area, Shanghai	02/07/2009	Wang Enyu	021-50588666
3	Central China Securities Co., Ltd. Zhengzhou Branch Office	Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou, Henan	10/03/2011	Li Huafeng	0371-60155208

S/N	Branch Office	Address	Date of incorporation	Person in charge	Contact No.
4	Central China Securities Co., Ltd. Beijing Branch Office	Room 1-907, 8-9F, No. 1 Langqin International Building, 168 Guang'anmen Outer Street, Xicheng District, Beijing	16/09/2011	Zhou Weidong	010-83065722
5	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	Securities Tower, Middle Liufeng Road, Sanmenxia, Henan	20/11/2013	Du Hongtao	0398-2830400
6	Central China Securities Co., Ltd. Luoyang Branch Office	No. 30, West Kaixuan Road, Xigong District, Luoyang	28/11/2013	Chen Mingwei	0379-63915178
7	Central China Securities Co., Ltd. Puyang Branch Office	No. 203, Middle Jianshe Road, Puyang	21/04/2014	Yu Chunyan	0393-8151517
8	Central China Securities Co., Ltd. Shangqiu Branch Office	No. 96, Shenhua Avenue, Shangqiu, Henan	24/04/2014	Li Yun	0370-2580966
9	Central China Securities Co., Ltd. Xuchang Branch Office	No. 38, Nanguan Avenue, Weidu District, Xuchang	12/06/2014	Zhou Jianghua	0374-2612899
10	Central China Securities Co., Ltd. Shenzhen Branch Office	Room 201, Block A, No.1, Qianwan Road 1, Qianhaishen Port Cooperative District, Shenzhen	14/05/2015	Jia Zhonghe	0755-83839961
11	Central China Securities Co., Ltd. Pingdingshan Branch Office	No.2, West Zhongxingnan Road, Pingdingshan City	30/06/2015	Yue Youliang	0375-4801728
*	On 28 December 2015, "Securities Branch of Renmin Road, Nanyang of Central China Securities Co., Ltd." was renamed as "Central China Securities Co., Ltd. Nanyang Branch Office" and obtained the business license.				

VI. DISTRIBUTION OF SECURITIES BRANCHES

As of the end of the Reporting period, the Company had 75 securities branches in 12 provinces, autonomous regions and municipalities, including 2 in Beijing, 3 in Shanghai, 1 in Zhejiang, 2 in Guangdong, 1 in Hubei, 1 in Hunan, 1 in Jiangsu, 1 in Shaanxi, 2 in Shandong, 1 in Hebei, 1 in Tianjin and 59 in Henan. See the following table for details:

No.	Securities Branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Jingliu Road Securities Branch	No.9-3 Jingliu Road, Jinshui District, Zhengzhou City, Henan Province	Zhao Zhenxu
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No. 43 Tongbai Road, Zhengzhou City, Henan Province	Xin Zhihong
3	Central China Securities Co., Ltd. Zhengzhou Business Outer Ring Road Securities Branch	Room 303-306, 3F, Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New Area, Zhengzhou City	Li Huafeng
4	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	2F, No. 72 Zijingshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Dong Fang
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities Branch	No. 25 Jingsan Road, Zhengzhou City, Henan Province	Xiao Zhongchun
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	2F, Jingwei Apartment, No. 30 Weier Road, Zhengzhou City, Henan Province	Li Weijie
7	Central China Securities Co., Ltd. Zhengzhou Guoji Road Securities Branch	Room Shang-15, 1-2F, Building 32, Sennavis II Area of Provence, No. 168, Guoji Road, Jinshui District, Zhengzhou City	Zuo Kexin
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No. 4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City	Feng Yongjun
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities Branch	No. 17, East Avenue, Xinmi City, Zhengzhou City, Henan Province	Zhang Yonghong

No.	Securities Branch	Address	Person in charge
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities Branch	No. 119-8 Songshan Road, Gongyi City, Zhengzhou City, Henan Province	Li Kaihui
11	Central China Securities Co., Ltd. Dengzhou North Wenhua Road Securities Branch	No. 91 North Wenhua Road, Dengzhou City	Ma Xue
12	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities Branch	Building 2, Rulin Yuzhu Garden, East Fanli Road, Nanyang City	Zhao Xiaoyu
13	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities Branch	East Wuyi Road, Guanzhuang Working Area, Nanyang City	Wang Qingfeng
14	Central China Securities Co., Ltd. Xixia Century Avenue Securities Branch	Intersection of Baiyu Road and Century Avenue, Xixia County, Nanyang City, Henan Province	Zhang Wandong
15	Central China Securities Co., Ltd. Pingdingshan South Zhongxing Road Securities Branch	No. 2, West Zhongxingnan Road, Pingdingshan City, Henan Province	Yue Youliang
16	Central China Securities Co., Ltd. Pingdingshan Xinhua Road Securities Branch	Guangsha Huishang Plaza, Middle Xinhua Road, Pingdingshan City, Henan Province	Wen Yiyao
17	Central China Securities Co., Ltd. Ruzhou Fengxue Road Securities Branch	2F, Business Department of Industrial and Commercial Bank of China, No. 3 Fengxue Road, Ruzhou City, Henan Province	Zheng Wenchao
18	Central China Securities Co., Ltd. Luohe Huanghe Road Securities Branch	No. 337-8 Huanghe Road, Luohe City, Henan Province	Luo Donghai
19	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No. 29 Changjiang Road, Luohe City, Henan Province	Wu Jun

SECTION 3 COMPANY PROFILE

No.	Securities Branch	Address	Person in charge
20	Central China Securities Co., Ltd. Puyang Kaizhou Road Securities Branch	1/F, China Unicom Building, southwest of the intersection of Zhongyuan Road and Kaizhou Road, Puyang City, Henan Province	Wu Zhigao
21	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No. 18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
22	Central China Securities Co., Ltd. Anyang Hongqi Road Securities Branch	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	Liu Jinlin
23	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Tian Liqi
24	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Li Zhimin
25	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Northwest Angle, Intersection of Zhenlin Road and Xinglin Street, Linzhou City, Anyang City, Henan Province	Fu Hongbin
26	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No. 2, Building B28, Huatong Century City, Wenming Road, Hua County, Henan Province	Chen Limin
27	Central China Securities Co., Ltd. Xinxiang Renmin Road Securities Branch	No. 250, Renmin Road, Xinxiang City, Henan Province	Deng Feng
28	Central China Securities Co., Ltd. Xinxiang Xiangyang Road Securities Branch	No. 107 Store, No.1 Xinshang International Building, Intersection of Xiangyang Road and Zhenzhong Road, Xinxiang City	Yang Tao
29	Central China Securities Co., Ltd. Changyuan Renmin Road Securities Branch	No. 3 Store, Yilong Ginza Apartment, Renmin Road, Changyuan County, Henan Province	Qiu Fei

No.	Securities Branch	Address	Person in charge
30	Central China Securities Co., Ltd. Huixian Sumen Avenue Securities Branch	South to the Middle Sumen Avenue, Huixian City	Zhang Xiaodong
31	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No. 152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
32	Central China Securities Co., Ltd. Hebi Xinghe Street Securities Branch	Podium 1-2F, Xinhua Mansion, No. 225 Xinghe Street, Qibin District, Hebi City, Henan Province	Zhou Zhen
33	Central China Securities Co., Ltd. Xun County Huanghe Road Securities Branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Henan Province	Lu Bin
34	Central China Securities Co., Ltd. Xuchang Liancheng Avenue Securities Branch	No. 114, Liancheng Avenue, Xuchang City, Henan Province	Xiong Peili
35	Central China Securities Co., Ltd. Changge Baqi Road Securities Branch	Middle Baqi Road, Changge City, Xuchang City, Henan Province	Wang Jun
36	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
37	Central China Securities Co., Ltd. Xinyang Zhongshan Road Securities Branch	5F, Xinxin Plaza, South-west angle of West Xinhua Road, Zhongshan Road, Xinyang City, Henan Province	Chen Lei
38	Central China Securities Co., Ltd. Gushi Hongsu Road Securities Branch	3F, Century Mansion, Chen Yuanguang Plaza, Intersection of North Chengliao Road and Hongsu Road, Gushi County, Xinyang City, Henan Province	Li Xiaohong
39	Central China Securities Co., Ltd. Jiaozuo Middle Jiefang Road Securities Branch	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	Ding Qingming

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No.	Securities Branch	Address	Person in charge
40	Central China Securities Co., Ltd. Mengzhou West Hanyu Street Securities Branch	No. 292, West Hanyu Street, Mengzhou City	Zhen Rongxing
41	Central China Securities Co., Ltd. Qinyang Jianshe Road North Securities Branch	Jianshe Road North, Qinyang City, Henan Province	Zhai Jun
42	Central China Securities Co., Ltd. Jiyuan Jishui Street Securities Branch	3F, Block C, Times Plaza, Jishui Street, Jiyuan City	Wang Yupeng
43	Central China Securities Co., Ltd. Kaifeng Daliang Road Securities Branch	Yindi Business Plaza, Intersection of Daliang Road and West Ring Road, Kaifeng City, Henan Province	Guo Zhijun
44	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	2F, Huazhong Business Chamber, opposite to People's Bank of China, East to North Yulu Avenue, Lankao County	Wang Yi
45	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Linjie Building, West to 4F County Government, Cuiliu Road, Development Zone, Yanling County	Zhang Weilin
46	Central China Securities Co., Ltd. Lingbao Wulong Road Securities Branch	2F, Four Seasons Business, Suqin Parkview, intersection of Wulong Road and Yinxi Road, North Lingbao District	Zhu Yanting
47	Central China Securities Co., Ltd. Mianchi Huimeng Road Securities Branch	(1F of People's Bank of China) Middle Huimeng Road, Mianchi County, Henan Province	Zhang Xueyun
48	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	3F, Block A, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City	Zhang Zhongmin
49	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Yongcheng City, Shangqiu City, Henan Province	Zhong Yahui

No.	Securities Branch	Address	Person in charge
50	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Henan Province	Su Wen Feng
51	Central China Securities Co., Ltd. Zhoukou Qiyi Road Securities Branch	Podium 3F, Netcom Corporation, No. 81, Qiyi Road, Zhoukou City, Henan Province	Li Hui
52	Central China Securities Co., Ltd. Luyi Ziqi Avenue Securities Branch	200m North, West intersection of Ziqi Avenue and Zhenyuan Avenue, Luyi County	Chun Qiyao
53	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	East Hall, 1F, (Qilihe Luoyang Medical Building) Xinrongji Mansion, No. 26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Wang Chongwu
54	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No. 260 Kaiyuan Avenue, Luoyang City, Henan Province	Song Fei
55	Central China Securities Co., Ltd. Yichuan Yugang Avenue Securities Branch	No. 170 Yugang Avenue, Chengguan Town, Yichuan County, Luoyang City, Henan Province	Gao Jingxian
56	Central China Securities Co., Ltd. Zhumadian Jiefang Road Securities Branch	No. 196 Jiefang Road, Zhumadian City, Henan Province	Jia Yingkui
57	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities Branch	No. 158 Xiping Avenue, Xiping County	Cheng Xiwen
58	Central China Securities Co., Ltd. Shanghai West Dalian Road Securities Branch	No. 261 West Dalian Road, Shanghai	Shen Ruowei
59	Central China Securities Co., Ltd. Shanghai Chongming Chenjia Town Securities Branch	Room 107, No. 2 Lane 4999 Yingchen Highway, Chenjia Town, Chongming County, Shanghai	Cai Huan

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No.	Securities Branch	Address	Person in charge
60	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	No. 2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
61	Central China Securities Co., Ltd. Shenzhen Mintian Road Securities Branch	Rooms 1903, 1905, 1906 and 1908, Xinhua Insurance Mansion, the south-west of crossroad between Shennan Avenue and Mintian Road, Futian District, Shenzhen City	Jia Zhonghe
62	Central China Securities Co., Ltd. Qingdao Xianxialing Road Securities Branch	B Area of Jin Ling Sunzone, No. 16 Xianxialing Road, Qingdao City, Shandong Province	Zhou Jianjun
63	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	A158, 1/F, No 51 Building, No. 14 Jiuxianqiao Road, Chaoyang District, Beijing	Liu Shu
64	Central China Securities Co., Ltd. Hangzhou Xintang Road Securities Branch	3F, Building 2, Xincheng Shidai Plaza, No. 111 Xintang Road, Jianggan District, Hangzhou City, Zhejiang Province	Cao Jianbo
65	Central China Securities Co., Ltd. Tianjin Xikang Road Securities Branch	No. 105-106, City Center VIP Plaza, 37 Xikang Road, Heping District, Tianjin City	Chen Litao
66	Central China Securities Co., Ltd. Shijiazhuang Xinhua Road Securities Branch	2F, Huite Building, No. 563 Xinhua Road, Shijiazhuang City, Hebei Province	Wei Jinxin
67	Central China Securities Co., Ltd. Jinan Jiefang Road Securities Branch	Rooms 301-305, Building 5, No. 159 Jiefang Road, Lixia District, Jinan City	Liu Zhigang
68	Central China Securities Co., Ltd. Xi'an Weiyang Road Securities Branch	23F, Block A, Zhongdeng Building, No.138 Economic and Technological Development Zone, Weiyang Road, Xi'an City, Shaanxi Province	Wang Lin

No.	Securities Branch	Address	Person in charge
69	Central China Securities Co., Ltd. Changsha North Chezhan Road Securities Branch	Building 5 of Panorama, No. 70 North Chezhan Road, Furong District, Changsha City, Hunan Province	Jiang Zhiang
70	Central China Securities Co., Ltd. Beijing Guang'anmen Outer Street Securities Branch	8F, Building 1, No 168, Guang'anmen Outer Street, Xicheng District, Beijing City	Zhou Weidong
71	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No. 7 Jiannong Road, Building 10 of Gang Cheng Hua Fu No. 1, Yangshe Town, Zhangjiagang City, Jiangsu Province	Chen Xiaogang
72	Central China Securities Co., Ltd. Wuhan Zhongbei Road Securities Branch	Room 9, 8F, Building 1 of Hai Shan Jin Gu, No. 101 Zhongbei Road, Wuchang District, Wuhan City	Wang Qilong
73	Central China Securities Co., Ltd. Guangzhou Tianhe Road Securities Branch	Room 2809, No. 1 Tianhe Road, Yuxiu District, Guangzhou City, Guangdong Province	Jiang Wang
74	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	Shops A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County	Zhao Jun
75	Central China Securities Co., Ltd. Qi County Chaohe Road Securities Branch	West to County Section Middle, 107 National Road, Qi County	Jie Jiwu

As at the end of the Reporting period, the Company is in process of setting up 9 securities branches.

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

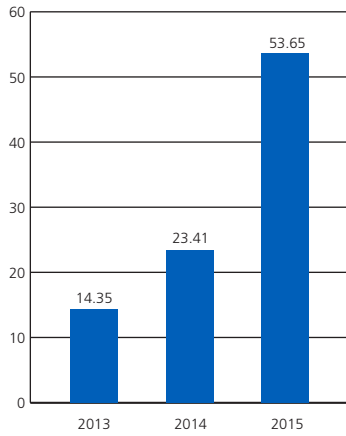
(I) Principal accounting data and financial indexes for the recent three years

Item	2015	2014	Growth of this period from last period	2013
Operating results (RMB'000)				
Total revenue and other income	5,365,260	2,341,061	129.2%	1,434,599
Profit before income tax	1,890,969	754,771	150.5%	338,235
Profit attributable to shareholders of the Company	1,405,501	562,290	150.0%	252,937
Net cash inflow/outflow from operating activities	-6,372,772	-2,179,300	–	-971,842
Earnings per share (RMB/share)				
Basic earnings per share	0.49	0.24	104.2%	0.12
Diluted earnings per share	0.49	0.24	104.2%	0.12
Profitability index				
Return on equity (%)	22.00	11.41	Up by 10.59 percentage points	6.40
<hr/>				
Item	31 December 2015	31 December 2014	Growth of the end of this period from the end of last period	31 December 2013
Scale merit (RMB'000)				
Total assets	41,651,249	28,269,242	47.3%	13,649,605
Total liabilities	32,774,795	22,412,446	46.2%	9,474,323
Accounts payable to brokerage clients	14,867,251	9,659,833	53.9%	4,994,071
Total equity attributable to shareholders of the Company	8,161,581	5,786,707	41.0%	4,091,342
Total share capital ('000 shares)	3,223,735	2,631,616	22.5%	2,033,516
Net asset value per share attributable to the Company's shareholders (RMB/share)				
	2.53	2.20	15.0%	2.01
Gearing ratio (%)¹	66.9	68.5	Down by 1.6 Percentage points	51.8

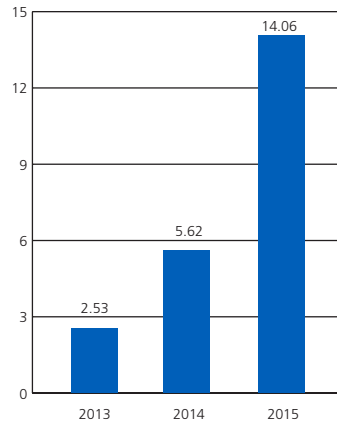
¹ Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

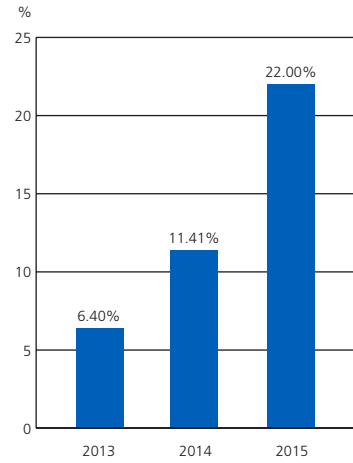
**Total revenue and other income
(RMB100 million)**



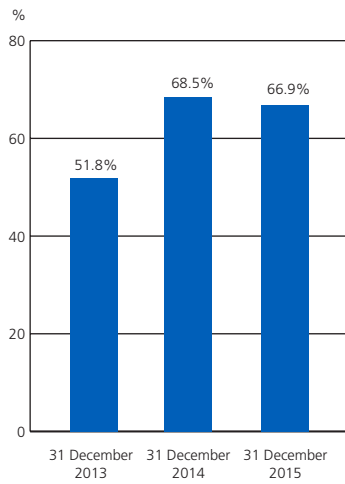
**Profit attributable to shareholders of the Company
(RMB100 million)**



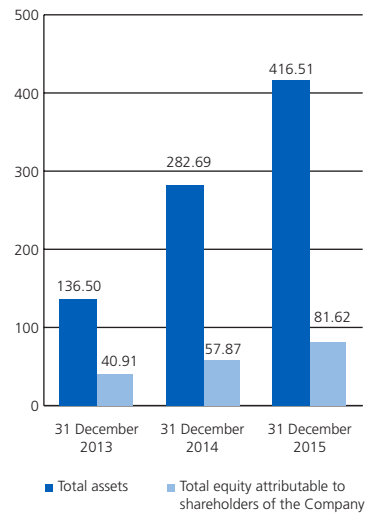
Return on equity



Gearing ratio



**Scale merit
(RMB100 million)**



(II) Principal accounting data and financial indexes for the recent five years**Earnings (RMB'000)**

Item	2015	2014	2013	2012	2011
Total revenue and other income	5,365,260	2,341,061	1,434,599	1,218,450	966,305
Total expenses	3,439,869	1,554,704	1,096,364	961,346	829,281
Profit before income tax	1,890,969	754,771	338,235	257,104	137,024
Profit attributable to shareholders of the Company	1,405,501	562,290	252,937	182,783	92,702

Assets (RMB'000)

Item	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	41,651,249	28,269,242	13,649,605	11,203,484	10,987,320
Total liabilities	32,774,795	22,412,446	9,474,323	7,364,827	7,360,476
Accounts payable to brokerage clients	14,867,251	9,659,833	4,994,071	5,208,568	5,249,766
Total equity attributable to shareholders of the Company	8,161,581	5,786,707	4,091,342	3,825,500	3,618,153
Total share capital ('000 shares)	3,223,735	2,631,616	2,033,516	2,033,516	2,033,516

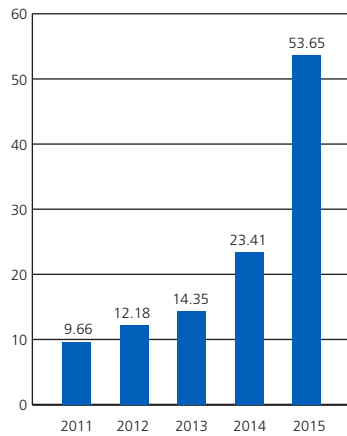
Key financial indexes

Item	2015	2014	2013	2012	2011
Basic earnings per share (RMB/share)	0.49	0.24	0.12	0.09	0.05
Diluted earnings per share (RMB/share)	0.49	0.24	0.12	0.09	0.05
Return on equity (%)	22.00	11.41	6.40	4.90	2.53

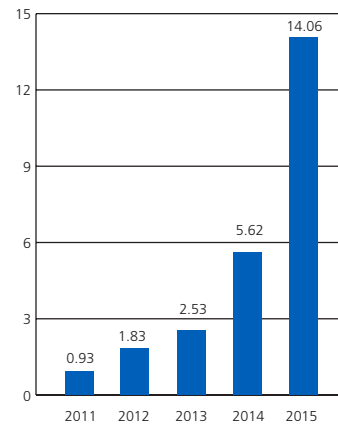
	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Gearing ratio (%)	66.9	68.5	51.8	36.0	36.8
Net asset value per share attributable to the Company's shareholders (RMB/share)	2.53	2.20	2.01	1.88	1.78

SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA

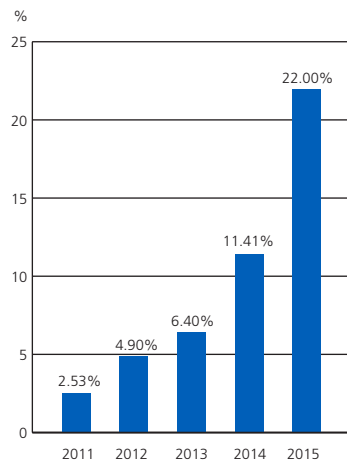
Total revenue and other income (RMB100 million)



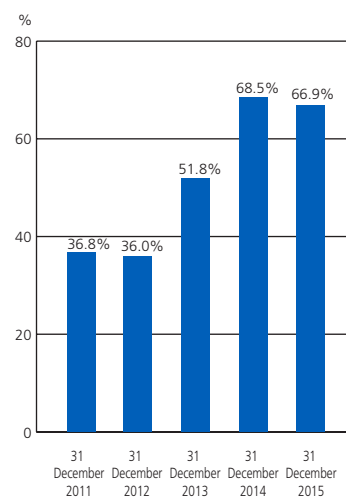
Profit attributable to shareholders of the Company (RMB100 million)



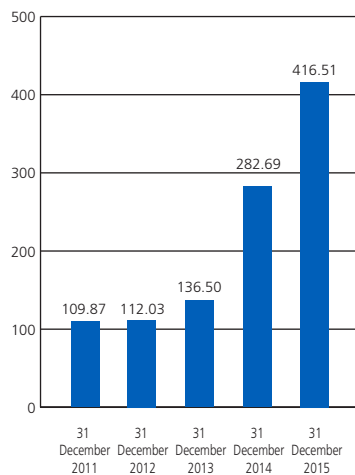
Return on equity



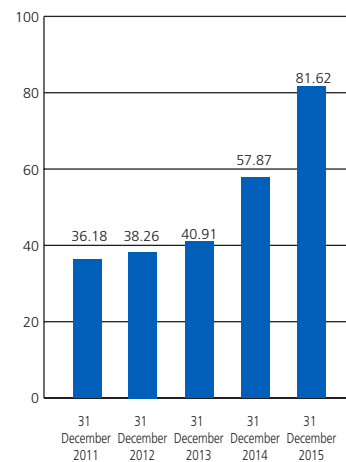
Gearing ratio



Total assets (RMB100 million)



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



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

The consolidated financial statement prepared by the Company in accordance with International Financial Reporting Standard and the consolidated financial statement prepared in accordance with China's Accounting Standards for Business Enterprises show no difference in the profit for the year in 2015 and 2014 and the total equity as at 31 December 2015 and 31 December 2014.

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

As at 31 December 2015, the net capital of the Company was RMB7,011 million, up by 75.2% from the net capital of RMB4,001 million in late 2014. During the Reporting period, related risk control index of the Company's net capital met the regulatory requirements.

Unit: in thousand RMB

Item	31 December 2015	31 December 2014	Regulatory standard
Net capital	7,010,801	4,001,041	–
Net assets	8,202,048	5,823,554	–
Net capital/sum of risk provisions (%)	648.51	423.08	>100%
Net capital/net assets (%)	85.48	68.70	>40%
Net capital/liabilities (%)	42.45	35.25	>8%
Net assets/liabilities (%)	49.67	51.30	>20%
Proprietary equity securities and securities derivatives/net capital (%)	42.42	17.41	<100%
Proprietary fixed income securities/net capital (%)	43.71	78.41	<500%

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

The global economy has gained a slow recovery in 2015, but the progress was under expectations, where developed economies outperformed emerging markets. The performance of the US was relatively strong and was well positioned to have positive economic development on a continuous basis. Although the economy in euro zone recovered to some extent, the sovereign debt crisis was not yet relieved completely. High unemployment rate, refugee crises and incidents of terrorism exacerbated the pressure on economic recovery. There was a slight improvement in Japan's economy due to the quantitative easing policy; while the emerging economies suffered from economic downturn because both internal and external demand were weak, and the prices of bulk commodity remained at a low level. In 2015, China's annual GDP growth dropped to 6.9%, but its economic transformation achieved some results, and consumption became the major growth driver. Under the policy of "mass entrepreneurship and innovation", the incubation of new industries, new business models, new products and new services was accelerating.

During the Reporting period, CPC's Recommendations for 13th Five-Year Plan for Economic and Social Development (《中共中央關於制定國民經濟和社會發展第十三個五年規劃的建議》) was promulgated, which stated clearly "developing an open, transparent and healthy capital market; accelerating stock and bond issuance and trading systems reform; increasing direct financing percentage and reducing leverage ratio". Capital market was included in the national development planning with its strategic position further promoted, which would play a more important role in facilitating China's real economy transformations and developments. In other words, the foundation for continuous and prosperous development of capital market would be further consolidated, providing the capital market a golden period full of development opportunities.

During the Reporting period, China's stock market fluctuated dramatically due to the impact of leverage funds. SSE Composite Index in the year increased by 9.41% with an amplitude of 71.95%; the balance of margin financing and securities lending also fluctuated dramatically, with a spike of RMB2.27 trillion in June 2015; while the balance of margin financing and securities lending as at the end of Reporting period decreased to RMB1.17 trillion with the weakening of A share market in the second half of the year. Eventhough new shares issuance was suspended for 4 months in the second half of the year, the number of IPOs reached 224 during the year, and proceeds raised amounted to RMB147.001 billion, being 2.4 times of the amount in 2014. The New OTC Board continued to increase dramatically, with listed companies reaching 5,129 as at the end of the Reporting period, 3,557 of which were newly listed during the Reporting period. Bull run still continued in the bond market. During the Reporting period, the central bank lowered interest rate for 5 consecutive times, with 125 bp in aggregate, leading the yield of 10-year treasury bonds declined 80 bp from 3.62% at the end of 2014 to 2.82% as at the end of the Reporting period. Bond issuance continued to grow rapidly. Securities firms issued bonds of RMB3,046.967 billion during the Reporting period, representing a year-on-year growth of 52%. Source: Wind Info

II. ANALYSIS OF PRINCIPAL BUSINESS OF THE COMPANY

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

(I) Brokerage Business

During the Reporting period, revenue and other income from brokerage business amounted to RMB3,776.1 million, representing an increase of 159.8% as compared to 2014.

1. Securities brokerage

Market environment

During the Reporting period, securities brokerage business faced both development opportunities and increasing competition. On one hand, the security market was active, and its trading volume hit a record high. According to statistics of Wind Info, trading amount of stocks and funds in Shanghai and Shenzhen stock market reached nearly RMB539.79 trillion for the whole year whilst daily average stock and fund transaction amount reached RMB2,212.2 billion, representing an increase of 278% as compared to 2014. The income contribution to the industry from the fast growing capital intermediary business, such as margin financing and securities lending, stock pledge and agreed repurchase, has risen sharply. Moreover, innovative measures such as Shanghai-Hong Kong Stock Connect explored new development areas, bringing securities brokerage business with good development opportunities. On the other hand, the competition in securities brokerage has been intensifying due to factors including the rapid growth of online financial services, the decline of nearly 25% in net brokerage commission rate and the official online of “Yimatong” account, forcing securities dealers to push forward transformation.

Operating measures and results

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

During the Reporting period, facing the increasing market competition, the Company maintained its comparative advantage in traditional business. The agency securities trading business of the Company ranked 34th among peer companies in terms of net revenue, up by 3 ranks as compared to 2014. Source: CSRC, The trading volume of A shares and funds amounted to RMB3,366,520 million; with market share of 0.62%, representing a decrease of 3.6% as compared to 2014. As at the end of the Reporting period, the total number of our customers was 1,576,000, representing an increase of 13.96% as compared to 2014. The market value of entrusted securities (including the market value of restricted shares) was RMB153,800 million.

Item	2015/ 31 December 2015	2014/ 31 December 2014	Year-on-year increase/ decrease
Ranking of net income of proxy trade of securities	34	37	3 places forward
A Share fund transaction volume (in RMB100 million)	33,665.2	10,213	230%
Number of securities brokerage clients ('0,000)	157.6	138.3	13.96%

During the Reporting period, the margin financing and securities lending business of the Company achieved a breakthrough. Interest income generated amounted to RMB847 million, representing an increase of 170.8% as compared to 2014.

At the end of the Reporting period, the balance for margin financing and securities lending was RMB8.118 billion, representing an increase of 9.5% as compared to the end of 2014. Credit transaction volume was RMB448.793 billion, representing an increase of 246.36% as compared to 2014. The number of accumulated credit accounts opened was 38,556, representing an increase of 29.60% as compared to the end of 2014.

Items	2015/ 31 December 2015	2014/ 31 December 2014	Year-on-year increase/ decrease
Balance for margin financing and securities lending (in RMB100 million)	81.18	74.13	9.52%
Credit transaction volume (in RMB100 million)	4,487.93	1,295.73	246.36%
Credit account	38,556	29,750	29.60%

Prospects for 2016

In 2016, leveraging on the establishment of the one-stop comprehensive financial service platform, the Company will strengthen its competitive edges in traditional brokerage business, accelerate business transformation and innovative development, promote online financial business from a high starting point, focus on optimization of revenue portfolio of securities brokerage business, and continue to enhance its competitiveness and profitability.

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

2. Futures brokerage

Market environment

In 2015, the financial market fluctuated heavily. The CSRC and stock exchange launched a series of policies, such as substantially increasing the SIF margins, strictly restricting the daily trading volume, raising the trading fee and rigorously controlling programmed trading, leading SIF trading volume and income to shrink till the end of the year, causing a plunge in the futures market.

Operating measures and results

During the Reporting period, Central China Futures seized favourable opportunities in the first half of the year, actively adopted various measures, expanded SIF business, and consolidated and expanded the brokerage business scale. In 2015, there were 3,118 new customers, with an average daily client margin deposit of RMB793 million, representing an increase of 22.95% as compared to last year; the Company completed the agency trading transactions of 26.22 million, with an amount of RMB2.14 trillion, representing a year-on-year decrease of 12% and increase of 23% respectively; the commission and fee income reached RMB40.3 million, representing an increase of 9.0% as compared to 2014.

Prospects for 2016

In 2016, Central China Futures will continue to promote the innovative transformation of brokerage business and the increase of deposits, laying the foundation for the transformation of Central China Futures; increase investment with focuses on asset management businesses and risk management businesses, striving to form a new profit growth point; gradually form the comprehensive service platform on which brokerage businesses, asset management businesses and risk management businesses can develop jointly.

3. Investment advisory

Operating measures and results

In 2015, by centering on the overall objective of developing investment advisory business and transition to wealth management, the Company continued to upgrade customer recognition and market influence of our brand "Central China Wealth" in brokerage value-added services by establishing comprehensive procedures of investment adviser standardized services and advisory product management, featuring "understanding customers, account diagnosis, product allocation, product delivery, dynamic monitoring and optimization." It also enriched product lines such as "cash management, fixed income, equity investments, alternative investments", as well as releasing information products like asset allocation reports, product portfolio reports. On top of that it organized related professional training to provide guidance for transition of branches and operational staff from simple product sales to specialized product allocation and wealth management.

At the end of the Reporting period, the Company cumulatively had 425,174 signed customers of the "Central China Bible" and "Central China Housekeeper" investment advisory services, with a year-on-year increase of 184%. Revenue and other income amounted to RMB268.2 million, representing an increase of 109.9% as compared to 2014. The booming is mainly resulted from surge in customers' investment and financing demands driven by the rebound of stock market. It also gave credit to our useful attempt in team building and business models of investment adviser business to increase customers' loyalty and activity in investment and financing.

Prospect for 2016

The Company will focus on “consolidating customer base, enhancing retail customer value,” and exert advantages on corporate customers and institution customers of “six-in-one” full-industry business. Based on strong support of online and offline channels and technology platform, the Company not only keeping on subdividing customer market, enriching service contents and servicing means, but also enhancing capabilities of investment advisers to provide professional services. Besides, It realized one-stop integrated financial services capabilities of its branches, thereby accelerating transition the process of brokerage business from traditional services to wealth management services.

4. Distribution of financial products

Operating measures and results

During the Reporting period, the Company launched information products such as asset allocation report, product portfolio report, fund product research and tracking of key fund products to provide standardized and personalized asset allocation solutions to customers. The Company continuously upgrades the professional capabilities of the personnel in order to increase satisfaction on customer services, guide non-professional customers to transform from individual stock trading to financial product allocation, and guide customers to make investments rationally, developing their concepts of asset allocation and wealth management.

During the Reporting period, the total agency sale of public funds products of the Company amounted to RMB2,656 million, representing an increase of 130.35%. The agency sale of bank wealth management products amounted to RMB497 million, representing an increase of 87.55% as compared to 2014. The agency sale of trusts products amounted to RMB20 million, representing a year-on-year decrease of 86.35%. The sale of asset management products managed by the Company was RMB4,107 million, representing a year-on-year increase of 63.95% as compared to 2014. Sales of beneficiary certification products issued by the Company reached RMB2,995 million in aggregate, representing an increase of 7,204.87% as compared to 2014.

Prospects for 2016

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

(II) Investment banking business

During the Reporting period, revenue and other income generated from investment banking business amounted to RMB225.7 million, representing an increase of 93.7% as compared to 2014.

1. Equity financing

Market environment

During the year, there were 224 companies in total that completed the initial offering, with financing amount of RMB147,001 million, representing a year-on-year increase of 79.20% and 139.70% respectively; 399 listed companies completed the refinancing offering, with financing amount of RMB893,196 million, representing a year-on-year increase of 31%; 12 of which issued preference shares, with financing amount of RMB203,650 million, representing a year-on-year increase of 93%; listed companies completed 2,669 merger and reconstruction businesses, involving a trading amount of approximately RMB2.2 trillion, representing a year-on-year increase of 52%. There were 3,557 new listed companies in the New OTC Board market, with financing amount of RMB121,617 million, representing a year-on-year increase of 193% and 821% respectively. Source: Wind Info, Website of CSRC

Operating measures and results

During the Reporting period, the Company seized the advantage of accelerating process of IPO approval in the first half of the year, and completed 3 IPO projects. Meanwhile, the Company put greater efforts on the expansion of refinancing of listed companies, and completed refinancing projects of non-public offering shares for 3 listed companies. Riding on the first-mover advantages in the New OTC Board market, the Company grasped the opportunities during the rapid growth of New OTC Board market, and actively recommended listing in the New OTC Board and private offer business.

During the Reporting period, the Company completed 7 offering projects as the lead underwriter, involving an amount of RMB3,616 million; 169 financial advisory projects were completed, 34 new companies were listed in the New OTC Board, 50 targeted financing in the New OTC Board were completed, involving an amount of RMB1,112 million, with 1 application of A share IPO pending for approval, 3 application of equity refinancing pending for approval, and 1 application of reorganization of material assets (purchases of assets and related financing by issuing shares) pending for approval.

Items	2015	2014	Year-on-year increase/ decrease
Lead underwriting amount (in RMB100 million)	36.16	25.52	41.69%
Number of lead underwriting companies	7	2	250%
Number of financial advisory projects	169	94	79.79%
Number of New OTC Board listing projects	34	26	30.76%
New OTC Board targeted financing (times)	50	5	900%

Stock lead underwriting project name	Financing method	Role of the Company	Amount of lead underwriting project (in RMB100 million)
PRCO asset purchase with cash, fundraising and other related transactions	Secondary offering	Lead underwriter	1.38
Henan Qingshuiyuan Technology Co., Ltd., IPO	IPO	Sponsor and lead underwriter	1.76
Henan Province Xixia Automobile Water Pump Co., Ltd., Non-public offering	Secondary offering	Sponsor and lead underwriter	5.50
Puyang Huicheng Electronic Material Co., Ltd., IPO	IPO	Sponsor and lead underwriter	1.83
Henan Kedi Dairy Co., Ltd., IPO	IPO	Sponsor and lead underwriter	4.69
Yinge Investment, Non-public offering	Secondary offering	Sponsor and lead underwriter	15.00
Do-Fluoride Chemicals Co., Ltd., Non-public offering	Secondary offering	Sponsor and lead underwriter	6.00

2. Debt financing

Market environment

Compared with 2014, bond financing continued to increase. In respect of bond financing institutions, financing instruments of association of dealers still lead the way. Enterprise bond decreased dramatically, while the size of corporates bond enlarged rapidly and assets-backed securities increased steadily. Bonds issued by association of dealers, NDRC and CSRC increased by 28.79%, decreased by 56.08% and increased by 537.99% respectively over the last year. Assets-backed securities continued its growth momentum of last year, gaining a year-on-year increase of 82.61%. Source: Wind Info

Private placement has become increasingly important as a means of offering. Corresponding to various types of public bonds, all of the top three bond financing institutions issued private placement bonds. During the Reporting period, private bond financing products with an aggregate amount of RMB1,305,227 million were issued, representing a year-on-year increase of 20.00% and accounting for 19.32% bond financing of the top three institutions for the same period. Private financing has become an important means of offering in the market.

Corporate bonds and asset securitization offer increased rapidly. In early 2015, CSRC revised the Management Measures of Corporate Bonds and introduced multiple measures for promoting the expansion of bond financing, thus the corporate bonds experienced an explosive growth in 2015, especially those of listed companies, high qualified real-estate enterprises and operating local enterprises. The areas that related to asset securitization products expanded gradually. Credit asset securitization dominated the market in 2015 while enterprise asset securitization developed rapidly.

Operating measures and results

Riding on the advantageous opportunity of bond development, the Company actively expanded related business. We completed 4 corporate bond projects, 1 enterprise bond project, 1 asset securitization offer, and 3 local government bond projects in Henan province during the year. Among the provincial local governments bond underwriting, the Company was the only securities company in the underwriting syndicate, whereby the Company entrusted the local bonds to the Shanghai Stock Exchange; that is the first local bond entrusted to stock exchanges in PRC.

During the Reporting period, the amount of the fixed income projects underwritten by the Company was RMB4,180 million.

Items	2015		2014	
	Amount of lead underwriting project (in RMB100 million)	Number of offerings	Amount of lead underwriting project (in RMB100 million)	Number of offerings
Corporate bond	19.1	4	–	–
Enterprise bond	10	1	41	4
Financial advisory service	–	–	15	1
Asset securitization	6.3	1	5.3	1
Local government bond	6.4	3	–	–
Total	41.8	9	61.3	6

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Items	Financing method	Role of the Company	Amount of lead underwriting project (in RMB100 million)
Henan Splendor Science & Technology Co., Ltd., Corporate bond	Corporate bond	Lead underwriter	2.5
Henan Xindaxin Materials Co., Ltd., Corporate bond	Corporate bond	Lead underwriter	6
Henan Rebecca, Corporate bond	Corporate bond	Lead underwriter	5.6
Tongling Development, Corporate bond	Corporate bond	Lead underwriter	5
Luoyang Municipal Development Investment Group Co., Ltd. (洛陽城市發展投資集團有限公司) Project	Enterprise bond	Lead underwriter	10
Pingdingshan Development Investment Company (平頂山市發展投資公司) Project	Financial advisory	Financial advisory	Note
Puyang District Heating Company, Asset Securitization Project	Asset securitization	Lead underwriter	6.3
Henan province local government bond	Local government bond	Member of the underwriting syndicate	6.4

Note: For the financial advisory project of Pingdingshan Development Investment Company, the financial advisory fees have been charged by phases in accordance with the financial advisory agreement and based on the actual progress of the project. The preparatory work for the acquisition has been completed, with a financial advisory fee of RMB0.50 million.

Prospect for 2016

In 2016, the Company will continue to improve the all-round contract system for its investment banking business by assessing and adjusting and improving the implementation rules timely, in order to take full advantage of the performance evaluation of the all-round contract system. We will also motivate our employees, promote the organic growth of the investment banking business, and actively introduce the front-line business team to accelerate the denotative expansion of the investment banking business.

In respect of the equity financing business, the Company will actively select the qualified enterprise from the listed companies in the New OTC Board for which we offer services, and introduce them for the offering and listing on the main board and Chi Next Board. In respect of the merger and reorganization business, the Company will fully explore the reform opportunities of the efficiency reform, classification reform, mixed ownership reform state owned enterprises and improving the asset securitization level in, and actively conduct the merger and reconstruction of financial advisory business. In respect of the New OTC Board business, the Company will seize the favourable opportunity of the possibility of the further development of New OTC Board through a process from a quantitative change to a qualitative change, actively increase the added-value of the New OTC Board business, and improve the income proportion of the financing and merger service of the New OTC Board business. In respect of the market making in New OTC Board business, the Company will optimize market making investment structure, improve the trading capacity, take advantage of its "six-in-one" industry chain, especially the collaboration between market making and investment banking business, and actively enhance and create the value of the market making inventory stock.

With regard to corporate bond of debt financing business, the Company will grasp the advantageous opportunity of the expansion of the corporate bond of the stock exchange, develop the needs for corporate bond offering of the listed companies for which we offer service and their shareholders, and make great efforts in introducing professional investment banking team for corporate bond business to increase market share. In respect of the corporate bond business, the Company will explore resources for key construction projects and increase the project reserve through its competitive edges in construction in Central Plains Economic Zone and Zhengzhou Airport Zone. With an aim to explore new markets and enhance our profitability, the Company will proactively explore innovative business such as asset securitization and renewable bonds, and enhance its research and development efforts on various products, including project revenue bonds, PPP mode, micro and small credit debts and private placement.

(III) Investment management business

During the Reporting period, the revenue and other income generated from investment management business amounted to RMB221.4 million, representing an increase of 68.7% as compared to 2014.

1. Asset management

Market environment

As at the end of Reporting period, the statistics from the Asset Management Association of China showed that the total assets under management of fund management companies and its subsidiaries, securities firms, futures firms and private fund management institutions were approximately RMB38.20 trillion. Asset under management of securities firms amounted to RMB11.89 trillion, of which assets under collective asset management scheme, targeted asset management scheme and specific asset management scheme amounted to RMB1,557,409 million, RMB10.15 trillion and RMB179,375 million, respectively. Hence, securities firms became one of the major asset management institutions. Source: Asset Management Association of China

Operating measures and results

Grasping market opportunities for the asset management business, the Company has strengthened its team building and brought benefit for both customers and the Company, achieving a win-win situation. Revenue generated from products significantly increased, and the asset under active management recorded rapid growth. Coupled with the diversifying product portfolio, the Company has added product series such as Xinghuo Series (星火系列), Panshi Series (磐石系列) and Huimin Series (惠民系列), in addition to the existing Lianmeng Series (聯盟系列), Yanhuang Series (炎黃系列) and Changsheng Series (長升系列).

During the Reporting period, revenue and other income generated from asset management business was RMB101.2 million, representing a 64.7% increase as compared to 2014. The total entrusted assets under management amounted to RMB5,618 million, representing a year-on-year increase of 67.00%. Of which, assets under collective asset management business amounted to RMB4,107 million, representing a year-on-year increase of 63.95%. Assets under targeted asset management scheme amounted to RMB401 million, representing a year-on-year increase of 38.28%. Assets under specific asset management scheme amounted to RMB1,110 million, representing a year-on-year growth of 95.08%. There were 20 assets under management (11 were assets under collective asset management scheme, 7 were assets under targeted asset management scheme and 2 were assets under specific asset management scheme).

Items	2015			2014		
	Share	Net value (in RMB 100 million)	Number	Share	Net value (in RMB 100 million)	Number
Collective asset management	40.73	41.07	11	25.13	25.05	8
Targeted asset management	–	4.01	7	–	2.9	9
Specific asset management	11.1	11.1	2	5.3	5.69	1

Prospect for 2016

In 2016, the Company will take advantage of its differentiation competition in terms of asset management business, and continue to improve the comprehensive financial service. It will develop its strategy, significantly improve the business collaboration capability, further deepen the Company's asset management business and propel it to a new level; further improve the investment management level, insist on the strategy of product diversification, and realize the relatively steady and sustainable development. The Company will also strengthen the construction of business operation system, improve the business system, reinforce the risk management of asset management business. Besides, the Company will strengthen the training for personnel, and the product system construction, and continue to promote the improvement of the operating function of asset management business to ensure the sustainable and steady operation of products.

2. Direct investment

Market environment

During the Reporting period, competition in Chinese equity investment markets kept intensifying, which significantly increased investment pressure and valuation of projects. Large amount of accumulated investment projects were pending exit and the average exit cycle has extended, causing a transient difficult period. Against the backdrop of mass entrepreneurship and innovation, the overall investment strategies of the industry moved forward and more in favour of emerging industrial projects at early stages, including mobile internet, culture media, healthcare, energy conservation and environmental protection; investments in early stages tended to increase significantly and continuously. With the gradual regulatory policy changes on direct investment business of securities companies, securities dealers began to explore the possibility of transforming from direct investment projects dominated by Pre-IPOs towards diversified investment models and strategies for their direct investment business, bringing increasingly diversified products and more balanced income ratio.

Operating measures and results

During the Reporting period, ZDKY Venture Capital timely adjusted its investment strategies and proactively expanded its business channels. It controlled risks strictly, strengthened management and implemented the investment strategies that “focus on equity investment, proactively promoting strategic investment, flexibly wielding debt investment”, exploring innovative investment and business cooperation mode, thus stockpiled innovative and investment projects.

During the Reporting period, revenue and other income amounted to RMB59.5 million, representing an increase of 142.8% as compared to 2014. There were 63 new investment projects with investment amount of RMB628 million, of which the investment quota for strategic investment, equity investment and debt investment were RMB124 million, RMB157 million and RMB347 million, respectively and various industries were involved such as agricultural cultivation, Internet, energy conservation and environmental protection, cultural diffusion, cold chain logistics, and devices and equipment. During the Reporting period, the Company completed the partial exit of an equity investment project and the exit of 19 debt investment projects and successfully recovered principal and expected interests.

Prospect for 2016

In 2016, ZDKY Venture Capital will focus on the overall objective that “practically serving for real economy and SMEs in particular, forging an all-round ecological financial industry chain centered by its own and serving SMEs” and actively arrange the direct investment business and establish our brands, so as to better serve the Company’s “Six-in-One” whole industry chain and seek for larger profits for short-term development. Firstly, we will concentrate our efforts on implementing equity investment in financial enterprises and the like to improve financial ecological service system of our Company. Secondly, we will seize key projects properly to foster regional or industrial leading company and seek proactive participation into SOEs mixed-ownership reform projects to innovate the investment models. Thirdly, we will make good use of capital leverage to optimize financial structure, develop the cooperation with local and municipal government and other social organizations and set up various investment fund. Through the implementation of the plans aforesaid, the regional and industrial influence of ZDKY Venture Capital will increase and relevant mechanism will further be improved, which will lay a sound foundation for it to develop rapidly and create profits.

3. Alternative investment

Operating measures and results

During the Reporting period, Central China Blue Ocean has been set up, and subsequently completed the establishment of systems, teams, and the determination of its investment strategies and directions. Relevant investments in equity investment funds, quantitative hedge funds, overseas asset allocation, internet finance, debt investment and other areas have been completed. During the Reporting period, RMB87.51 million has been invested, achieving the goal of “establishment, operation and profit making within the same year”.

Prospect for 2016

In 2016, Central China Blue Ocean will increase investments centering on the existing investment strategies in order to demonstrate the unique advantages of “alternative investment”, build its brand image and effectively implement the “Six-in-one” strategic setting. Firstly, it will expand the scale of quantitative investment and jointly set up FOF quantitative hedge fund with its partnering financial institutions; secondly, it will expand the scale of fixed income investment with major investment directions including debt investment, finance lease, factoring business, high-priority product investment, and so forth.; thirdly, it will expand the scale of overseas asset allocation in a prudent manner, proactively and steadily push forward the subsequent asset allocation based on the existing overseas investment scale.; fourthly, it will continue to expand the asset under management of equity investment funds and timely set up buyout funds centering on invested items; and lastly, it will consolidate its innovation and seek securitization of its own assets in order to expand its investment scale.

(IV) Proprietary trading

During the Reporting period, revenue and other income generated from proprietary trading business amounted to RMB528.4 million, representing an increase of 44.7% as compared to 2014.

Market environment

In respect of stock market, the overall A share market in 2015 indicated a three-phase trend, namely, rise-adjustment-restoration. From January to May, major stock indexes went up; from June to August, they adjusted substantially with the impact from initiative deleveraging; from September to December, the market entered into the phase of self-restoration and consolidation. As at the end of the Reporting period, SSE Composite Index, SZSE Component Index, SME Index and Chi Next Index closed at 3,539.18, 12,664.89, 8,393.83 and 2,714.05, representing increases of 9.41%, 14.98%, 53.7% and 84.41%, respectively. Source: Wind Info

In respect of bond market, it showed an upward trend and was flourishing in 2015. The bull market trend was driven by both continuous macroeconomic slowdown and liquidity ease, and nudged by the significant decline in stock market during the second half of the year. The yield of various bonds retained a downward trend during the year while the bond price kept rising. In 2015, China Bond Composite Index (net) rose by 3.97% as compared to the end of 2014. Source: Wind Info

Operating measures and results

- (1) **Equity investment:** In 2015, the overall tactic for equity securities investment was to achieve steady development in proprietary business on the premise of effective risk control and improve investment returns of our own funds with a given balanced risk return. We adhered to principles that risks are under control and value investment conception, and controlled the overall risks of proprietary business through effective employment of hedging mechanism including futures hedging. In 2015, our equity proprietary business tracked and seized opportunities arising from the upward phase of markets. However, with the following market tumble, we were a strict net buyer per day pursuant to requirements of regulatory authorities, and our equity proprietary business overcame the difficulties and yielded sound returns.
- (2) **Bond investment:** In 2015, we continued to maintain a prudent operating conception in bond investment and gained a relatively precise operation pace while carefully researching and identify the market trends. According to market status, we intensified configuration and gave priority to credit products with medium-to-high ratings during the first half of the year and unloaded once at high price and reduced positions once taking profits on the occasion of a booming bond market during the second half of the year. In addition, we strengthened efforts in risk control, further intensified the support of research to our bond proprietary trading business, kept improving our arbitrage mode and investment proportion, controlled the allocation of proprietary trading positions and types, prevented credit risks and minimized risk exposure of fixed income investment business.

Prospects for 2016

The market will face more uncertainties in 2016, requiring enhanced risk management control in equity investment, and the core of the risk management will be position control. As such, investments in equity will be carried out more cautiously to meet the requirements of risk management about position deployment, and investments will be focus on subjects with safety margins. The uncertainties in bonds market will be exacerbated against bonds investment and the yields may remain fluctuating in accordance with the macro factors and policies. The Company will put more efforts on creation and transformation. We will also consolidate and expand its quality customer base by further developing its customer base and business network.

(V) Overseas business

Market environment

During the Reporting period, the Hong Kong Stock Exchange saw a significant increase in the number of transactions in cash and derivatives markets with the average daily transaction amount rose 52% to 105.6 billion. Amongst this, the average daily transaction of amounts of equity securities products rose 42% from 56.2 billion in 2014 to 79.9 billion; the average daily transaction amount of warrants and callable bull/bear contracts rose 93% from 13.3 billion in 2014 to 25.7 billion. After the acquisition of the license for securities trading in Hong Kong in July 2015, the stock market in Hong Kong was trending downward with a plunge in the daily transaction volume. Nonetheless, the IPO market fared well, with the capital raised from IPO throughout the year ranked top in the world, which amounted to 263.1 billion. Source: Annual Report of the Hong Kong Stock Exchange

Operating measures and results

During the Reporting period, Central China International pushed forward the preparation work in a steady manner. On 13 July 2015, Central China International Securities (a subsidiary under Central China International) was licensed to conduct Type 1 (dealing in securities) regulated activities stipulated by Securities and Futures Commission of Hong Kong. Central China International has gradually adapted to the competitive environment in Hong Kong securities market, and explored to establish a business model and profit model conforming to its development features by leveraging its wide customer bases and other advantages. As such, the number of accounts and business size obtained rapid growth, achieving the goal of “establishment, operation and profit making within the same year”.

In respect of the securities brokerage business, Central China International Securities established a more comprehensive brokerage business management model and internal control mechanism based on domestic and foreign regulatory requirements. It gradually expanded business marketing system, and tried to explore a service model capable of meeting cross-border investment demand of domestic customers. Since August 2015 when the transaction was initiated, the number of customers increased significantly, and business expansion had achieved good results. As of the end of the Reporting period, the number of brokerage business accounts reached 1,944 and the assets of trading clients amounted to HK\$613 million, revealing a rapid development trend.

In respect of other businesses, in order to improve self-owned capital utilisation efficiency, Central China International also prudently developed proprietary trading and investment business. On one hand, relying on research and development strength and allocating appropriate amounts, Central China International developed proprietary trading business; on the other hand, it also participated in the subscription of new shares and issuance of preferred shares in the Hong Kong market. In order to speed up the building of an overseas business platform of the Company, Central China International seized the opportunity to acquire a company granted with an investment banking license”. Such acquisition was approved by the Securities and Futures Commission of Hong Kong in January 2016 and the deal was closed in February 2016, according to which the Company would be able to assist in the domestic and overseas listing of enterprises.

During the Reporting period, Central China International continued to explore and cultivate various overseas businesses and gained revenue and other income of HK\$18.2 million in overseas business and a profit of HK\$0.102 million.

Prospect for 2016

The capital market in Hong Kong underwent dramatic fluctuation in 2015. Under the influence of the global economy, particularly the Chinese economy, the prospect will become more uncertain for 2016. Complicated by the decline in the transaction volume of securities and the tightening of domestic and foreign regulatory requirements, the development of single security brokerage business will be more hard-hit and the competition between securities firms will become more intense. In order to better position itself and sustain robust development in the Hong Kong market, Central China International will exploit development opportunities to develop more profit points, forge itself of a full-licensed securities business platform in Hong Kong via proactive positioning, base the source of profit on the capital intermediary business and capital investment business, base the fundamental platform on securities and futures brokerage business, base the brand image on investment banking business and base the product foundation on the asset management business with an aim to provide customers with one-stop, diversified products and services and sustain balanced and sustainable development of business institutions and revenue structure. At the same time, it will strengthen the internal fundamental management to build a professional team, establish an internationalized, commercialized operation and allocation mechanism that suits its development, and value “efficiency”, “mechanism” and “domestic synergy” as the motivation for and competitive advantage of Central China International to take root and accelerate its development in Hong Kong.

(VI) Headquarters and others

1. Securities-backed lending and securities repurchase

During the Reporting period, the Company’s securities-backed lending recorded substantial growth in both revenue and size. Specifically, average daily transaction over the year logged RMB1,823 million, up by 92.30% compared with that of 2014, and interest income came to about RMB148.1 million, up by 89.3% compared with that of 2014. As at the end of the Reporting period, to-be-repurchased initial transaction amount reached RMB1,876 million, representing an increase of 8.06% as compared to the end of 2014, with an average performance guarantee percentage of 622.53%.

During the Reporting period, the Company developed small amount securities-backed lending operation for internet users, lowered the threshold of service and improved the efficiency. During the Reporting period, the peak of usage of small amount securities-backed lending operation reached RMB85.8 million, with 13,785 accounts opened for service, the accumulated initial transaction amount reaching 439 million, and the interest income reaching about RMB1.0 million. As at the end of the Reporting period, to-be-repurchased initial transaction amount reached RMB20 million, with an average performance guarantee percentage of 266%.

At the end of the Reporting period, 818 new accounts were opened for securities repurchase, up by 96.63% compared with that of the end of 2014; during the Reporting period, the Company’s initial transaction amount, repurchase transaction amount and balance to be repurchased recorded RMB170 million (down by 45.86% compared to of 2014), RMB225 million (down by 27.62% compared with that of 2014) and RMB29 million, respectively. During the Reporting period, the interest income from securities repurchase business came to RMB5.8 million in total, down by 52.8% compared to of 2014.

Items	2015/ 31 December 2015	2014/ 31 December 2014	Year-on-year Increase/ decrease
Amount of initial transaction over the year (in RMB100 million)	1.70	3.14	-45.86%
Amount of repurchase transaction (in RMB100 million)	2.25	3.11	-27.65%
Number of accounts opened for the business	818	416	96.63%

2. Market-making business on New OTC Board

During the Reporting period, the Company grasped the opportunity in market-making business on the New OTC Board, strengthened team building, strived to develop market-making project and control transaction risk of quotation strictly, hence, the number of market-making entities got a rapid growth and the investment income increased significantly. At the end of the Reporting period, the Company has 90 market-making stocks on the New OTC Board, which ranked 20th in the industry and accounted for 8.07% of the total market-making entities; and invested RMB310.35 million in market-making business on the New OTC Board, with revenue and other income of RMB78.7 million, representing an increase of 979.7% as compared with 2014.

3. Internet finance

During the Reporting period, the Company formulated the *Three-Year Development Outline for Internet Finance of the Company*, created an internet financial brand and found a new business model suitable for the Company's actual situation and a new revenue growth point. On December 29, 2015, the Company completed the registration of an internet finance subsidiary, and a new internet financial development pattern of "two-in-one" that combines Online Financial Headquarter with internet finance subsidiary has basically taken shape.

During the Reporting period, the Company has had 182,858 securities accounts newly opened through internet (including 14,446 new clients brought by its cooperation with external internet institutions to promote the account opening), which accounted for 85.36% of the total accounts of the Company, and its trade volume reached RMB224,667 million. According to the data available, online account opening has made great achievements, which contributed to the transformation of the Company.

4. Innovative business

OTC market business

During the Reporting period, the Company stably promoted its OTC market business, and its operational system has been improving gradually. The Company preliminarily established three product series for beneficiary certificate, including "Jin Yi", "Rong Yi" and "Bo Yi", with the products featured with fixed-income and floating-income, and the service targets covered retail customers and institutional customers. The product portfolio has been initially formed.

During the Reporting period, the Company issued three series of beneficiary certificates, with 60 tranches in total and an issuance size of RMB2,995.16 million, including 42 tranches of Jin Yi Series beneficiary certificates, with an issuance size of RMB447.96 million; 16 tranches of Rong Yi Series beneficiary certificates, with an issuance size of RMB2,545.00 million; and 2 tranches of Bo Yi Series beneficiary certificates, with an issuance size of RMB2.20 million.

In the coming stage, the Company will further improve the construction of a basic operation structure for the OTC market, introduce private fund products including asset management products, asset securitization and convertible corporate bonds to continuously expand product categories. At the same time, it will construct a transfer platform for the market making of the OTC market and strive to construct a more comprehensive OTC market for the issuance, sales and transference of private fund products.

Stock option business

On 16 January 2015, the Company became one of the first companies to be qualified by the SSE for stock option brokerage business, and commenced the business on 9 February. Since the commencement of the business, the Company actively promoted the training and client development for stock option business, constantly optimized the business operation system, carried out in-depth study on the future development orientation and business strategy of option business; and actively drove the continuous business development. As at the end of the Reporting period, the Company had 556 stock option clients, with a transaction of 139,000 contracts. The number of the Company's clients accounted for 0.67% of the market share, and the trading volume accounted for 0.48% of the market share, and the Company ranked 29th and 27th, respectively, in terms of the two indicators in the entire industry.

5. The Equity Exchange Co.

On 31 March 2015, the Henan Provincial Government issued the Approval on the Establishment Central China Equity Exchange Co., Ltd. (Henan Government Document [2015] No. 36), approving the establishment of Equity Exchange Co., which was established on 29 June with business launched on 16 September.

As of the end of the Reporting period, the Equity Exchange Co. has set up "One Market Two Boards". The enterprises on bulletin board and demonstration board reached 17 and 216, respectively, which covered 17 prefectures and 68 counties (or cities) of Henan Province. There were 311 members of various kinds, which was composed of 131 recommended institution members, including security firms, private equity investment institutions and guarantors, and 180 professional service members. The Equity Exchange Co. also held 14 custodian enterprises with 223 million entrusted shares. It raised in aggregate RMB44.30 million for more than 10 listed enterprises. It also successively entered into strategic cooperation agreements with Hebi City Government, Tangyin County Government in Anyang City and Zhongyuan Agricultural Insurance Co., Ltd. respectively.

6. Research business

During the Reporting period, the Company's research institute released 499 research reports, organized 240 morning meetings and issued morning meeting products, and provided about 240 service items to support the development of the Company's major businesses. The research institute also prepared a number of customized research reports assigned by the leaders of the Company, covering the development trend of securities industry in the PRC, construction of capital market in Henan, development of local financial institution and analysis of the Company's competitiveness, which provided important research support for the Company's decision-making. Its staff attended seminars organized by Securities Association of China (SAC), finished a subject research of SAC, and completed a number of special research tasks for competent departments in charge of companies in Henan Province such as Henan Securities Regulatory Department and Zhengzhou Center Sub-branch of the People's Bank of China. During the Reporting period, the research institute also actively cooperated with the organizations in Beijing, Shanghai and other areas to explore the service model of the seller to make breakthrough in business income.

III. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the profitability of the Company during the Reporting period

During the Reporting period, the Company captured the opportunities to accelerate our strategic layout and business innovation so that growth of our various businesses were achieved. During the Reporting period, the Group recorded total revenue and other income of RMB5,365.3 million in aggregate, representing an increase of 129.2% as compared with 2014. Of such total, securities brokerage recorded RMB2,529.5 million, representing an increase of 162.1% as compared with 2014; futures brokerage recorded RMB58.7 million, representing an increase of 10.7% as compared with 2014; margin financing and securities recorded RMB1,187.9 million, representing an increase of 172.8% as compared with 2014; investment banking recorded RMB225.7 million, representing an increase of 93.7% as compared with 2014; proprietary trading recorded RMB528.4 million, representing an increase of 44.7% as compared with 2014; investment and asset management recorded RMB221.4 million, representing an increase of 68.7% as compared with 2014; overseas business recorded RMB14.6 million; headquarters and others recorded RMB602.3 million, representing an increase of 101.9% as compared with 2014.

Total expenses increased in line with the growth of revenue and other income. During the Reporting period, our total expenses was RMB3,439.9 million, representing an increase of 121.3% as compared with 2014.

During the Reporting period, profit attributable to shareholders of the Company amounted to RMB1,405.5 million, representing an increase of 150.0% as compared with 2014. Earnings per share amounted to RMB0.49, representing an increase of 104.2% as compared with 2014. Return on equity was 22.00%, representing an increase of 10.59 percentage points as compared with 2014.

(II) Asset structure and asset quality

As at the end of the Reporting period, total assets of the Group amounted to RMB41,651.2 million, up by 47.3% as compared to RMB28,269.2 million as at the end of 2014. Total liabilities amounted to RMB32,774.8 million, up by 46.2% as compared to RMB22,412.4 million as at the end of 2014. Total equity attributable to shareholders of the Company amounted to RMB8,161.6 million, up by 41.0% as compared to RMB5,786.7 million as at the end of 2014. Net proceeds arising from listing of the Company's H shares had resulted in increase in equity of RMB1,952.4 million.

Our asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB17,586.0 million, representing 42.2% of our total assets. Margin assets, which primarily included margin accounts receivable and financial assets held under resale agreements, amounted to RMB14,985.5 million, representing 36.0% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB7,857.5 million, representing 18.9% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,182.9 million, representing 2.8% of our total assets. Assets of disposal group classified as held for sale was RMB39.4 million, representing 0.1% of our total assets. During the Reporting period, the Group has made corresponding impairment provision for available-for-sale financial assets and accounts receivable. There is no evidence showing that other assets may be subject to significant impairment.

Our gearing ratio increased. As at the end of the Reporting period, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients amounted to RMB17,907.5 million, representing a year-on-year increase of RMB5,154.9 million or 40.4% as compared to RMB12,752.6 million as at the end of 2014. The increase was primarily attributable to the expansion in financing channels, which significantly increased the scale of financing business. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the Reporting period was 66.9%, down by 1.6 percentage points from 68.5% as at the end of 2014.

(III) Financing channels and financing ability

The Company has currently met its operating capital requirement mainly through equity financing and debt financing.

The Company is able to conduct equity financing through issuing, re-issuing and placing shares based on market conditions and their own needs. On 3 August 2015, the Company offered 592,119,000 H Shares on the Hong Kong Stock Exchange, with the proceeds amounted to HK\$2,534 million. The Company has got a feedback on A share offering application document from the CSRC in December 2015.

Debt financing of the Company are mainly through the issuance of short-term notes payable, short-term corporate bonds, subordinated bonds, beneficiary certification and refinancing, bond repurchase as well as interbank borrowings, and obtain capital from the investors (such as commercial banks) through Shanghai Stock Exchange, inter-bank private fund product quotation and service system and national interbank lending market, according to the relevant policies and regulations of the competent authorities. Meanwhile, the Company received comprehensive credit limit granted by several commercial banks. The Company may comprehensively use the debt financing instruments to obtain capital based on their own business needs. The financing channels of the Company have been expanded effectively, strengthening our ability in maintaining sufficient capital for our business development.

(IV) Liquidity management of the Company

Based on the principle of “comprehensive, prudent and predictability”, our liquidity management focuses on the organic combination of the security, liquidity and profitability of capital. The Company well planned the size of the businesses, the size and structure of the liabilities, to maintain a stable asset and liability structure; held moderate current assets in high quality, to maintain the liquidity of the assets and considered earnings as well.

The Company established fund reservation reporting system to conduct plan to implement the liquidity management measures in management of large amount of cash flows and real-time management of daily liquidity movement to ensure sufficient and adequate liquidity. Liquidity risk can be measured, controlled and withstood through the prediction management of liquidity control indicators.

In 2015, the various financial indicators of the Company were excellent and the liquidity risk regulatory index was continuous qualified. As at the end of the year, liquidity coverage ratio and net stable funding ratio were 478.62% and 140.64% respectively, which were higher than the regulatory index.

(V) Cash flow

Excluding the effect of changes in client margin deposit, the net increase in cash and cash equivalents amounted to RMB470.3 million, which was attributable to the greater cash inflows generated from financing activities than the cash outflows arising from operating activities and investment activities of the Group for the year.

Net cash flow arising from operating activities for 2015 amounted to RMB-6,372.8 million, representing a decrease of RMB4,193.5 million from RMB-2,179.3 million in the corresponding period in 2014, mainly because the increase in cash inflows generated from the Group’s commission and fee income was substantial, but it was lower than the increase in financial assets held under resale agreements, and the decrease in the amount due to other financial institutions. Net cash flow arising from investment activities for 2015 amounted to RMB-1,859.7 million, down by RMB1,544.4 million from RMB-315.3 million in the corresponding period in 2014, mainly because the increase in cash outflow from the Group’s purchase of available-for-sale financial assets was higher than those of the corresponding period in 2014. Net cash flow arising from financing activities for 2015 amounted to RMB8,718.8 million, up by RMB5,387.2 million from RMB3,331.6 million in the corresponding period in 2014, mainly because the net proceeds from the additional issue of the H shares and the cash received from the issue of bonds during the Reporting period was higher than that of the corresponding period in 2014.

(VI) Analysis on operating revenue and profit

1. Items under income statement

Summary of financial results

During the Reporting period, the Group's profit before income tax amounted to RMB1,891.0 million, representing an increase of 150.5% as compared to 2014. The key financial results are as follows:

Unit: in RMB million

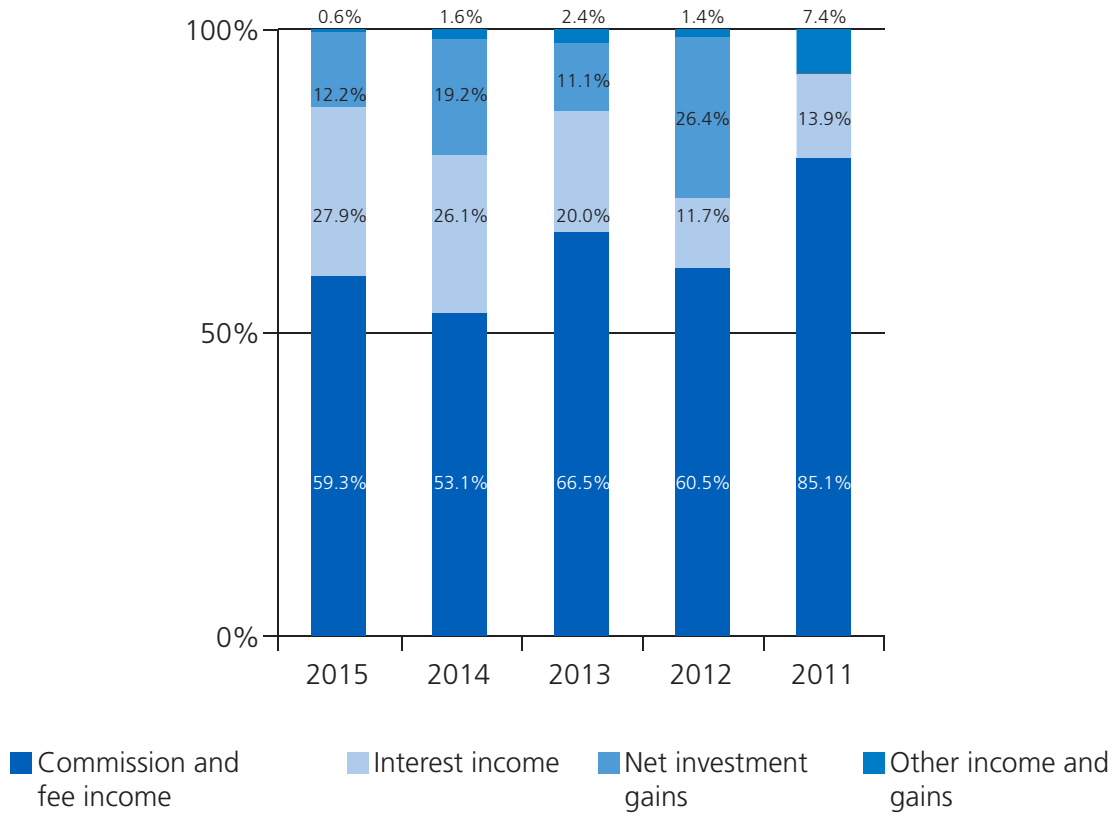
Items	2015	2014	Changes	Growth rate
Revenue				
Commission and fee income	3,182.0	1,243.1	1,938.9	156.0%
Interest income	1,497.7	610.8	886.9	145.2%
Net investment gains	655.1	449.7	205.4	45.7%
Other income and gains	30.5	37.3	-6.8	-18.3%
Total revenue and other income	5,365.3	2,341.1	3,024.2	129.2%
Total expenses	3,439.9	1,554.7	1,885.2	121.3%
Profit before income tax	1,891.0	754.8	1,136.2	150.5%
Income tax expense	488.6	204.8	283.8	138.6%
Profit for the year	1,402.4	550.0	852.4	155.0%
Profit attributable to shareholders of the Company	1,405.5	562.3	843.2	150.0%

Revenue structure

During the Reporting period, total revenue and other income of the Group amounted to RMB5,365.3 million, representing an increase of 129.2% as compared to 2014. Among which, the proportion of commission and fee income was 59.3%, representing an increase of 6.2 percentage points as compared to 2014. The proportion of interest income was 27.9%, representing an increase of 1.8 percentage points as compared to 2014. The proportion of net investment gains was 12.2%, representing a decrease of 7.0 percentage points as compared to 2014. The revenue structures of the Group in the past five years are as follow:

Items	2015	2014	2013	2012	2011
Commission and fee income	59.3%	53.1%	66.5%	60.5%	85.1%
Interest income	27.9%	26.1%	20.0%	11.7%	13.9%
Net investment gains	12.2%	19.2%	11.1%	26.4%	-6.4%
Other income and gains	0.6%	1.6%	2.4%	1.4%	7.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Bar chart below sets forth the comparison of structures:



SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

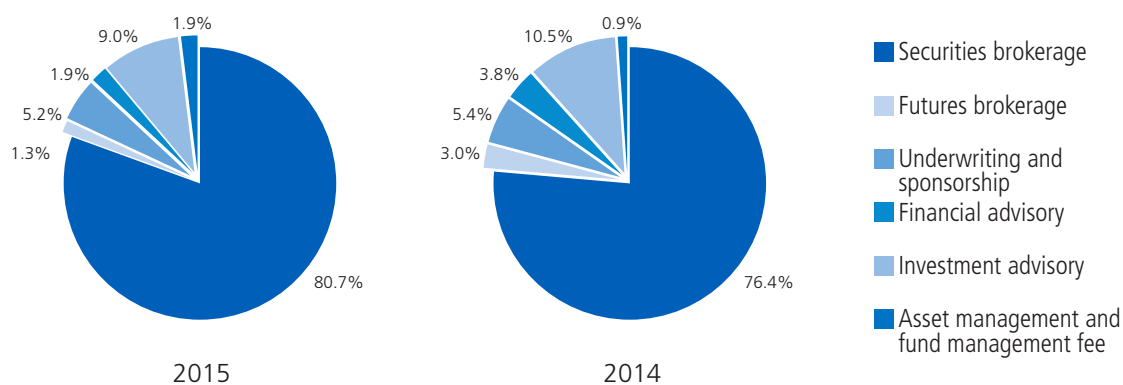
Commission and fee income

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

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Commission and fee income				
Securities brokerage	2,568.7	949.9	1,618.8	170.4%
Futures brokerage	39.8	36.9	2.9	8.0%
Underwriting and sponsorship	166.5	67.5	99.0	146.6%
Financial advisory	61.9	47.2	14.7	31.2%
Investment advisory	285.4	130.5	154.9	118.5%
Asset management and fund management fee	59.7	11.1	48.6	439.1
Total commission and fee income	3,182.0	1,243.1	1,938.9	156.0%
Commission and fee expenses	465.6	170.8	294.8	172.5%
Net commission and fee income	2,716.4	1,072.3	1,644.1	153.3%

The Group's commission and fee income consists of:



During the Reporting period, net commission and fee income of the Group amounted to RMB2,716.4 million, representing an increase of 153.3% as compared to 2014. The increase was primarily attributable to the increase in commission and fee generated from securities brokerage business, investment advisory fee, underwriting and sponsorship fee and asset management and fund management fee.

Commission and fee income generated from securities brokerage business increased by RMB1,618.8 million or 170.4% year-on-year, primarily attributable to a significant increase in trade volume resulting from an active security market in 2015.

Underwriting and sponsorship income generated from investment banking business increased by RMB99.0 million or 146.6% year-on-year, primarily attributable to increased number of financing projects arising from rising financing capability in IPO and the New OTC Board and our active exploration of innovative product types of bond issuance and underwriting.

Financial advisory fee income generated from investment banking business increased by RMB14.7 million or 31.2% year-on-year, primarily attributable to the excellent results as a result of our aggressive development and expansion of such business by grasping the opportunities arising from the development of New OTC Board.

Commission and fee income from futures brokerage increased by RMB2.9 million or 8.0% year on year, mainly due to expansion of stock index futures business and consolidation and extension of brokerage business scale.

Asset and fund management fee income increased by RMB48.6 million or 439.1% year on year, mainly because the Company's revenue generated from products of asset management business significantly increased, the asset under active management recorded rapid growth and the product portfolios were increasingly diversified.

Interest income

During the Reporting period, net interest income of the Group amounted to RMB561.6 million, representing an increase of 106.0% as compared to 2014. The Group's net interest income for 2015 consists of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Interest income				
Bank deposits	382.0	172.7	209.3	121.2%
Financial assets held under resale agreements	223.4	109.9	113.5	103.3%
Margin financing and securities lending	847.5	312.8	534.7	170.9%
Entrusted loans	43.2	14.6	28.6	195.2%
Others	1.7	0.8	0.9	101.9%
Total interest income	1,497.7	610.8	886.9	145.2%
Interest expenses	936.1	338.2	597.9	176.8%
Net interest income	561.6	272.6	289.0	106.0%

Interest income from bank deposits increased by RMB209.3 million or 121.2% year-on-year, primarily attributable to the increase in interest income as a result of rise in size of client margin deposit.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from financial assets held under resale agreements increased by RMB113.5 million or 103.3% year-on-year, primarily attributable to the increase in interest income of securities-backed lending business.

Interest income from margin financing and securities lending increased by RMB534.7 million or 170.9% year-on-year, primarily attributable to the stable increase of margin financing and securities lending business.

Interest income from entrusted loans increased by RMB28.6 million or 195.2% year-on-year, primarily attributable to the increase in size of the commencement of debt investment business by the affiliates.

Interest expenses increased by RMB597.9 million or 176.8% year-on-year, primarily attributable to the simultaneous increase in financing cost arising from expansion of the Company's capital intermediary business.

Net investment gains

During the Reporting period, net investment gains of the Group amounted to RMB655.1 million, representing an increase of 45.7% as compared to 2014. The Group's net investment gains for 2015 consist of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Net investment gains				
Realised gains from disposal of available-for-sale financial assets	28.1	22.8	5.3	23.4%
Dividends and interest income from available-for-sale financial assets	74.9	51.0	23.9	46.7%
Realised gains from disposal of financial assets held for trading	469.9	206.1	263.8	128.0%
Dividends and interest income from financial assets held for trading	291.0	227.2	63.8	28.1%
Net realised losses from derivative financial instruments	-48.4	-59.5	11.1	—
Investment income from associate	1.7	-0.3	2.0	—
Unrealised fair value change of financial instruments at fair value through profit or loss	—	—	—	—
– Financial assets held for trading	49.1	80.0	-30.9	-38.7
– Derivative financial instruments	6.6	-6.9	13.5	—
– Financial liabilities designated at fair value through profit or loss	-217.9	-70.6	-147.3	—
Total	655.1	449.7	205.4	45.7%

Operating expenses

During the Reporting period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB2,038.1 million, representing an increase of 94.9% as compared to 2014. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Operating expenses				
Staff costs	1,395.4	648.0	747.4	115.3%
Depreciation and amortisation	65.7	65.0	0.7	1.1%
Other operating expenses	449.4	304.9	144.5	47.4%
Impairment losses	127.6	27.7	99.9	360.5%
Total	2,038.1	1,045.6	1,037.5	94.9

Staff costs increased by RMB747.4 million or 115.3% year-on-year, primarily attributable to the increased bonus as revenue and profit increased.

Depreciation and amortisation increased by RMB0.7 million or 1.1% year-on-year, primarily attributable to the provision for amortisation of additions to intangible assets.

Other operating expenses increased by RMB144.5 million or 47.4% year-on-year, primarily attributable to significant increase in business taxes and surcharges.

Impairment losses amounted to RMB127.6 million, representing an increase of RMB99.9 million as compared to 2014. Details are as follows:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Impairment losses				
Margin accounts receivable	-0.4	10.5	-10.9	—
Available-for-sale financial assets	126.5	8.1	118.4	1,455.5%
Financial assets held under resale agreements	-1.5	6.3	-7.8	—
Entrusted loans	-0.2	2.9	-3.1	—
Accounts receivable	3.3	-0.1	3.4	—
Total	127.6	27.7	99.9	360.5%

Impairment losses on assets primarily included provision for impairment of available-for-sale financial assets and accounts receivable. Among which, impairment losses on available-for-sale financial assets incurred during the Reporting period were RMB126.5 million, the provision of which was made according to Zhong Jing Min Xin (2016) No. 069 Evaluation Report.

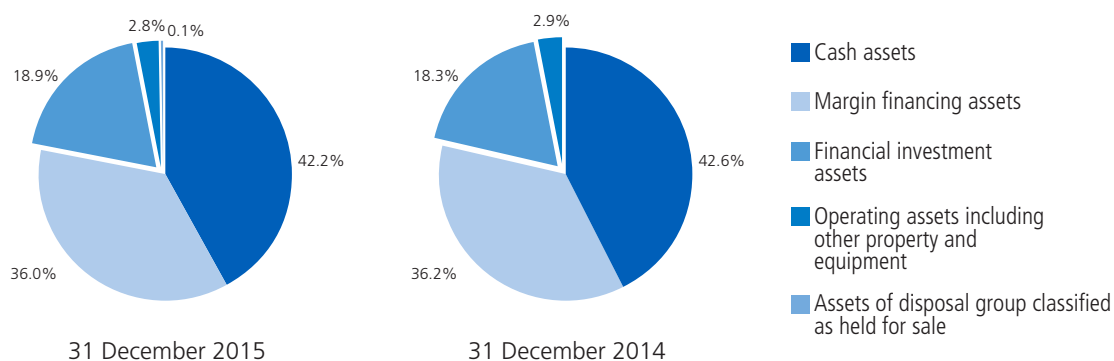
2. Assets

As at the end of the Reporting period, total assets of the Group amounted to RMB41,651.2 million, representing an increase of 47.3% as compared to the end of 2014. Of which, cash assets amounted to RMB17,586.0 million, representing an increase of 46.2% as compared to the end of 2014. Margin financing assets amounted to RMB14,985.5 million, representing an increase of 46.6% as compared to the end of 2014. Financial investment assets amounted to RMB7,857.5 million, representing an increase of 51.7% as compared to the end of 2014. Operating assets including other property and equipment amounted to RMB1,182.9 million, representing an increase of 41.1% as compared to the end of 2014. Assets of disposal group classified as held for sale was RMB39.4 million. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Item	2015 31 December	2014 31 December	Change amount	Year-on-year growth rate
Total assets				
Cash assets	17,586.0	12,030.7	5,555.3	46.2%
Financing assets	14,985.5	10,221.2	4,764.3	46.6%
Financial investment assets	7,857.5	5,179.1	2,678.4	51.7%
Operating assets including other property and equipment	1,182.9	838.2	344.7	41.1%
Assets of disposal group classified as held for sale	39.4	–	39.4	–
Total	41,651.2	28,269.2	13,382.0	47.3%

Total assets of the Group consist of:



Cash assets

As at the end of the Reporting period, cash assets of the Group increased by RMB5,555.3 million or 46.2% year-on-year, representing 42.2% of the Group's total assets. The following table sets forth the composition of the Group's cash assets:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	12,707.5	8,682.4	4,025.1	46.4%
Clearing settlement funds	4,455.6	2,620.9	1,834.7	70.0%
Refundable deposits	422.9	727.4	-304.5	-41.9%
Total	17,586.0	12,030.7	5,555.3	46.2%

Changes in cash assets were primarily reflected in cash and bank balances (including cash held for brokerage clients). Cash and bank balances (including cash held for brokerage clients) amounted to RMB12,707.5 million, representing an increase of 46.4% as compared to the end of 2014, which was primarily attributable to the increase in client deposits during the year, as well as increase in capital reserve for the capital requirement of our business and liquidity management.

Margin financing assets

As at the end of the Reporting period, margin financing assets of the Group increased by RMB4,764.3 million or 46.6% year-on-year, representing 36.0% of the Group's total assets. The following table sets forth the composition of the Group's margin financing assets:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Margin financing assets				
Margin accounts receivable	8,158.8	7,331.5	827.3	11.3%
Financial assets held under resale agreements	6,826.7	2,889.7	3,937.0	136.2%
Total	14,985.5	10,221.2	4,764.3	46.6%

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Margin accounts receivable amounted to RMB8,158.8 million, representing an increase of 11.3% as compared to the end of 2014, which was primarily attributable to the increase in the Group's margin financing and securities lending business.

Financial assets held under resale agreements amounted to RMB6,826.7 million, representing an increase of 136.2% as compared to the end of 2014, which was primarily attributable to the significant increase in buyout repurchase financial assets.

Financial investment assets

As at the end of Reporting period, financial investment assets of the Group increased by RMB2,678.4 million or 51.7% year-on-year, representing 18.9% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Financial investment assets				
Investment in associates	91.9	49.7	42.2	84.9%
Available-for-sale financial assets	2,459.8	752.6	1,707.2	226.8%
Financial assets held for trading	5,045.1	4,099.3	945.8	23.1%
Entrusted loans	260.6	277.5	-16.9	-6.1%
Total	7,857.5	5,179.1	2,678.4	51.7%

Available-for-sale financial assets: as at the end of the Reporting period, the available-for-sale financial assets of the Group increased by RMB1,707.2 million or 226.8% year-on-year, representing 5.9% of the Group's total assets. The following table sets forth the composition of the Group's available-for-sale financial assets:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Available-for-sale financial assets				
Debt securities	–	–	–	–
Equity securities	141.5	19.3	122.2	632.0%
Collective asset management schemes	267.1	20.0	247.1	1,239.3%
Wealth management products	70.6	–	70.6	–
Investment funds	122.4	82.2	40.2	48.8%
Trust schemes	36.2	–	36.2	–
Other investment	1,822.1	631.1	1,191.0	188.7%
Total	2,459.8	752.6	1,707.2	226.8%

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets held for trading: as at the end of the Reporting period, the financial assets held for trading of the Group increased by RMB945.8 million or 23.1% year-on-year, representing 12.1% of the Group's total assets. The following table sets forth the composition of the Group's financial assets held for trading:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Financial assets held for trading				
Debt securities	3,838.5	3,601.9	236.6	6.6%
Equity securities	720.8	337.8	383.0	113.4%
Investment funds	485.8	159.6	326.2	204.3%
Total	5,045.1	4,099.3	945.8	23.1%

Operating assets including other property and equipment

As at the end of the Reporting period, operating assets including other property and equipment of the Group amounted to RMB1,182.9 million, up by RMB344.7 million or 41.1% year-on-year, representing 2.8% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

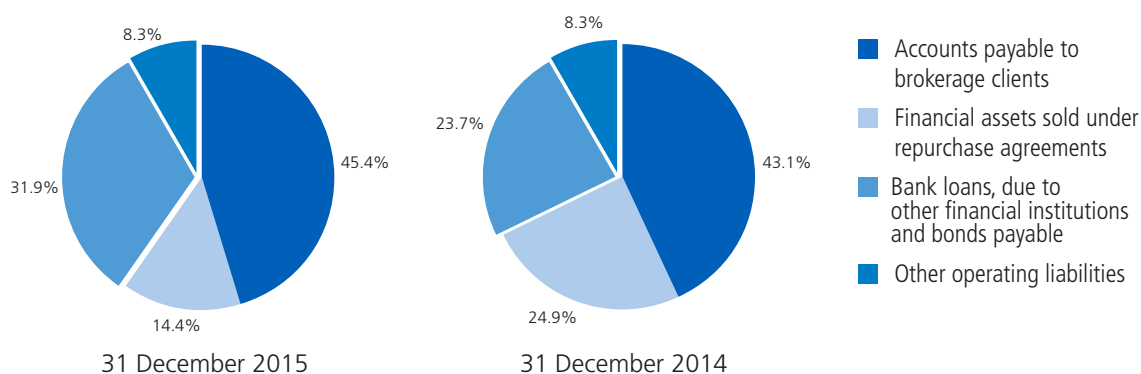
Items	31 December 2015	31 December 2014	Changes	Growth rate
Operating assets including other property and equipment				
Property and equipment and investment properties	257.3	240.2	17.1	7.1%
Goodwill	7.3	7.3	0.0	0.0%
Intangible assets	156.0	153.7	2.3	1.4%
Deferred income tax assets	209.3	104.5	104.8	100.4%
Other current assets and other non-current assets	553.0	332.5	220.5	66.3%
Total	1,182.9	838.2	344.7	41.1%

3. Liabilities

As at the end of the Reporting period, total liabilities of the Group amounted to RMB32,774.8 million, representing a year-on-year increase of RMB10,362.4 million or 46.2%. As at the end of the Reporting period, accounts payable to brokerage clients amounted to RMB14,867.3 million, representing an increase of 53.9% as compared to the end of 2014. Financial assets sold under repurchase agreements amounted to RMB4,713.0 million, representing a decrease of 15.6% as compared to the end of 2014. The decrease was primarily attributable to the decrease in transfer of equity rights in margin financing and securities lending. Bank loans, due to other financial institutions and bonds payable amounted to RMB10,449.9 million, representing an increase of 97.0% as compared to the end of 2014. Major changes in the Group's total liabilities are as follows:

Items	31 December 2015	31 December 2014	Changes	Growth rate
Liabilities				
Accounts payable to brokerage clients	14,867.3	9,659.8	5,207.5	53.9%
Financial assets sold under repurchase agreements	4,713.0	5,587.2	-874.2	-15.6%
Bank loans, due to other financial institutions and bonds payable	10,449.9	5,304.3	5,145.6	97.0%
Other operating liabilities	2,733.0	1,861.1	871.9	46.9%
Liabilities of disposal group classified as held for sale	11.7	–	11.7	–
Total	32,774.8	22,412.4	10,362.4	46.2%

The Group's total liabilities consist of:



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

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Bank loans, due to other financial institutions and bonds payable

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Year-on-year growth rate
Bank loans, due to other financial institutions and bonds payable				
Due to banks and non-bank financial institutions	51.8	2,373.0	-2,321.2	-97.8%
Bonds payable and short-term notes payable	10,398.1	2,931.3	7,466.8	254.7%
Total	10,449.9	5,304.3	5,145.6	97.0%

Due to banks and non-bank financial institutions decreased by RMB2,321.2 million year-on-year. The decrease was primarily attributable to the repayment of financing from CSF.

Bonds payable and short-term notes payable increased by RMB7,466.8 million year-on-year, which was attributable to the increase of including short-term notes payable, corporate bonds, subordinated bonds and beneficiary certificates issued in this period.

Other operating liabilities

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Year-on-year growth rate
Other operating expenses liabilities				
Salaries, bonus, allowances and benefits	711.0	375.9	335.1	89.1%
Other current liabilities	828.7	666.3	162.4	24.4%
Deferred income tax liabilities	49.2	27.8	21.4	76.6%
Financial liabilities designated at fair value through profit or loss	1,144.2	791.1	353.1	44.6%
Total	2,733.1	1,861.1	872.0	46.9%

Salaries, bonus, allowances and benefits increased by RMB335.1 million or 89.1% year-on-year, primarily attributable to the increase in the provision for salaries, bonus, allowances and benefits.

Other current liabilities increased by RMB162.4 million, primarily attributable to the increase in interest payable.

4. Equity

As at the end of the Reporting period, total equity of the Group amounted to RMB8,876.5 million, representing an increase of 51.6% as compared to the end of 2014. The increase was primarily attributable to the increase in equity of RMB1,952.4 million arising from net proceeds raised in listing of Company's H shares and the sharp increase in the Company's profits. The following table sets forth the composition of the Group's equity as at the dates indicated:

Unit: in RMB million

Item	2015 31 December	2014 31 December	Change amount	Year-on-year growth rate
Share capital	3,223.7	2,631.6	592.1	22.5%
Reserves	3,535.3	1,677.8	1,857.5	110.7%
Retained earnings	1,396.7	1,477.3	-80.6	-5.5%
Foreign currency translation reserve	5.8	—	5.8	—
Non-controlling interests	714.9	70.1	644.8	920.0%
Total	8,876.5	5,856.8	3,019.7	51.6%

5. Segment results

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

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

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

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

Items	2015		2014		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	2,529.5	47.1	965.2	41.2	1,564.3	162.1
Margin trading and securities lending	1,187.9	22.1	435.4	18.6	752.5	172.8
Futures brokerage	58.7	1.1	53.0	2.3	5.7	10.7
Investment banking	225.7	4.2	116.5	5.0	109.2	93.7
Investment and asset management	221.4	4.1	131.2	5.6	90.2	68.7
Proprietary trading	528.4	9.8	365.2	15.6	163.2	44.7
Overseas business	14.6	0.3	–	–	14.6	–
Headquarters and others	602.3	11.2	298.3	12.7	304.0	101.9
Inter-segment Eliminations	-3.3	-0.1	-23.9	-1.0	20.6	-86.0
Total	5,365.3	100.0	2,341.1	100.0	3,024.2	129.2

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

Items	2015		2014		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	1,370.3	39.8	615.6	39.6	754.7	122.6
Margin trading and securities lending	821.7	23.9	179.6	11.6	642.1	357.4
Futures brokerage	44.9	1.3	41.4	2.7	3.5	8.4
Investment banking	194.0	5.6	100.7	6.5	93.3	92.7
Investment and asset management	72.2	2.1	47.9	3.1	24.3	50.6
Proprietary trading	444.6	12.9	204.2	13.1	240.4	117.7
Overseas business	14.5	0.4	–	–	14.5	–
Headquarters and others	480.6	14.0	366.8	23.6	113.8	31.0
Inter-segment eliminations	-3.0	-0.1	-1.6	-0.1	-1.4	82.5
Total	3,439.9	100.0	1,554.7	100.0	1,885.2	121.3

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

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

Items	2015		2014		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	1,159.2	61.3	349.6	46.3	809.6	231.6
Margin trading and securities lending	366.3	19.4	255.7	33.9	110.6	43.2
Futures brokerage	13.8	0.7	11.6	1.5	2.2	18.6
Investment banking	31.7	1.7	15.8	2.1	15.9	100.1
Investment and asset management	149.3	7.9	83.3	11.0	66.0	79.2
Proprietary trading	83.9	4.4	161.0	21.3	-77.1	-47.9
Overseas business	0.1	0.0	–	–	0.1	–
Headquarters and others	121.7	6.4	-68.5	-9.1	190.2	-277.6
Inter-segment eliminations	-0.4	0.0	-22.2	-2.9	21.8	-98.2
Discontinuing operations	-34.4	-1.8	-31.6	-4.2	-2.8	9.0
Total	1,891.0	100.0	754.8	100.0	1,136.2	150.5

(VII) Contingent liability, capital commitment and capital pledge

Set out in note 51 in the Independent Auditor's Report of this report.

IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(I) Branches

1. Establishment of and changes in securities branches

(1) Newly established securities branches

During the Reporting period, the Company set up 2 new branch offices and 12 new securities branches pursuant to the Reply Concerning Approval of Opening of Four Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2015] No. 68) (《關於核准中原證券股份有限公司設立4家分支機構的批覆》(豫證監發[2015]68號)), the Reply Concerning Approval of Opening of Three Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2015] No. 175) (《關於核准中原證券股份有限公司設立3家分支機構的批覆》(豫證監發[2015]175號)), the Reply Concerning Approval of Opening of Seven Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2015] No. 222) (《關於核准中原證券股份有限公司設立7家分支機構的批覆》(豫證監發[2015]222號)). Among them, 9 branches are under preparation for construction. Details of the 3 established securities branches are set out as follows:

No.	Name	Region
1	Central China Securities Co., Ltd., Linying Yinghe Road securities branch	Henan Luohe
2	Central China Securities Co., Ltd., Yanling Cui Liu Road securities branch	Henan Xuchang
3	Central China Securities Co., Ltd., Qi County Chao ge Road securities branch	Henan Hebi

(2) Relocation of operation branches

The Company is constantly adjusting and optimizing its branch network. During the Reporting period, there were relocations of 9 branches within the same city, of which the relocation of branches such as Xi'an Weiyang Road securities branch, Qinyang Jianshe North Road securities branch, Weihui Bigan Avenue securities branch, Beijing Jiuxianqiao Road securities branch, Xinxiang Xiangyang Road securities branch and Hangzhou Xinhua Road securities branch was completed; and Tianjin Xikang Road securities branch, Zhengzhou Jingliu Road securities branch and Zhengzhou Zijinshan Road securities branch are under preparation.

2. Establishment of branch offices

During the Reporting period, the Company set up two new branch offices pursuant to the Reply Concerning Approval of Opening of Four Branches by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2015] No. 68) (《關於核准中原證券股份有限公司設立4家分支機構的批覆》(豫證監發[2015]68號)), namely, Pingdingshan branch office and Shenzhen branch office. For details, please see the section headed "V. Branch offices" in Chapter III.

(II) Subsidiaries

During the Reporting period, the Company participated in the establishment of Central China Equity Exchange Co., Ltd. with a registered capital of RMB350 million; the registered capital of ZDKY Venture Capital increased from RMB500 million to RMB1 billion; the registered capital of Central China Futures increased from RMB110 million to RMB330 million; and the Company established Zhongzhou International Holdings Ltd. with registered capital of HK\$300 million. The Company established Central China Blue Ocean Investment Management Company Limited with a registered capital of RMB300 million.

During the Reporting period, the extraordinary general meeting held on 12 October 2015 approved the establishment of an asset management subsidiary. Please refer to the circular of the Company dated 28 August 2015 for details. As of the date of this report, the asset management subsidiary has not been established.

(III) Impact on results

Impact of the establishment of operation branches and branch offices on the current results: In 2015, the Company set up two branch offices and three operation branches, whereas the Pingdingshan branch office and the Shenzhen branch office had limited impact on current results as the former undertook customers, assets, personnel and business from superior operation centers and the latter has not yet commenced operation. The three operation branches had not started operation for a long time, and therefore posted limited impact on the current results of the Company with total loss of RMB1.1 million.

After the establishment of the Equity Exchange Co. and the increase in capital contribution of ZDKY Venture Capital, the “six-in-one” whole industry chain was formed, directly integrating services such as direct investment, the listing in the Equity Exchange Co., the listing in the New OTCP Board, market-making, the change of board and the refinancing and securities-backed financing thereafter into a sustainable value chain with higher comprehensive income, which favors the enhance of competitiveness of the Company.

Central China Futures completed capital increase, share expansion and joint-stock reform, obtained the futures business license for asset management and risk management, realized full license of domestic futures business, and completed the establishment of its risk management subsidiary and made substantial breakthrough in diversifying business layout.

After the establishment of Central China Blue Ocean, we have founded the New Over-the-Counter Bulletin Board fund, the quantitative hedge fund and the QDII asset management plan, funded and set up the an internet finance subsidiary, and completed debt investments and others. All these have created new profit growth bases.

The establishment and operation of Central China International has laid the development platform for the Company to conduct overseas businesses, as well as the strategic gateway to preparing enterprises in Henan Province and the Mainland to go listing in Hong Kong and expand overseas. In the first year after establishment, it developed rapidly and generated profits. Leveraged its linkage to capital markets within and beyond the borders, it has developed itself as a two-way bridge for domestic clients of the Company to “go out” and international clients to “come in”, and played an important role in the transformation of the Company.

V. MAJOR INVESTMENT AND FINANCING ACTIVITIES OF THE COMPANY

(I) Equity financing

On 15 June 2015, the proposal for the Company re-issuing H Shares was approved in the 2nd extraordinary general meeting in 2015, the first Domestic Shares Class Meeting and the first H Shares class meeting of the Company. After obtaining the approval from the CSRC (Zheng Jian Xu Ke No. [2015] 1728), the Company re-issued H shares on the Hong Kong Stock Exchange in August 2015, offering 592,119,000 H shares at HK\$4.28 per share, with aggregate gross proceeds amounting to HK\$2,534,269,320.00 and aggregate net proceeds after deducting exchange fee amounting to HK\$2,534,074,181.26.

(II) Major debt financing

The Company was approved by the extraordinary general meeting held on 10 September 2015 for public or non-public issuance of various domestic debt financing instruments in one or more times or tranches after meeting the requirements of the Measures on Management of the Risk Control Indexes of Securities Companies and our internal prudent risk control indexes. Please refer to the circular dated 27 July 2015 for details.

- On 29 January 2015, the Company issued the first batch of short-term corporate bonds in the amount of RMB1.3 billion, with a term of 180 days and an annual nominal interest rate of 5.6%. Such batch of bonds became due on 28 July 2015.
- In 2015, the Company has issued four tranches of subordinated bonds with a total proceeds raised of RMB6.05 billion, with particulars as follows:

Unit: in RMB100 million

Tranche	Size	Use of proceeds	Issue date	Maturity date	Term	Coupon rate
15 Zhongyuan 01	14	To replenish liquidity	12 February 2015	13 February 2017	2 years	5.85%
15 Zhongyuan 02	20	To replenish liquidity	16 April 2015	17 April 2018	3 years, with the issuer's option to redeem or raise the interest rate at the end of the second year	6.00%
15 Zhongyuan 03	10	To replenish liquidity	26 May 2015	27 May 2016	1 year	5.20%
15 Zhongyuan 04	16.5	To replenish liquidity	15 June 2015	16 December 2016	18 months	5.50%

3. During the Reporting period, the Company issued four tranches of short-term notes in the interbank bond market through a bidding process, raising RMB3.7 billion in aggregate. As at 31 December 2015, among the notes RMB2 billion remained outstanding, with particulars as follows:

Unit: in RMB100 million

Tranche	Size	Use of proceeds	Date of issue	Expiry	Term (day)	Interest rate
15 Zhongyuan CP01	8	To replenish liquidity	11 March 2015	10 June 2015	90	5.15%
15 Zhongyuan CP02	9	To replenish liquidity	25 March 2015	24 June 2015	90	5%
15 Zhongyuan CP03	10	To replenish liquidity	27 November 2015	26 February 2016	88	3.14%
15 Zhongyuan CP04	10	To replenish liquidity	18 December 2015	18 March 2016	88	3.12%

4. During the Reporting period, the Company raised an aggregate of RMB2.067 billion through CSF. As at 31 December 2015, margin financing has all been returned, with particulars as follows:

Unit: 100 million

No.	Date of financing	Amount	Interest rate	Term	Maturity
1	26 February 2015	1.5	6.30%	182	27 August 2015
2	11 March 2015	4.1	6.30%	182	9 September 2015
3	16 April 2015	1.98	6.30%	182	15 October 2015
4	17 April 2015	3.00	6.30%	182	16 October 2015
5	20 April 2015	2.50	6.30%	182	19 October 2015
5	23 April 2015	1.50	6.30%	182	22 October 2015
6	27 April 2015	2.09	6.30%	182	26 October 2015
7	5 May 2015	4.00	6.30%	182	3 November 2015

5. During the Reporting period, the Company raised an aggregate of RMB2,995 million through beneficiary certificates. As at 31 December 2015, outstanding beneficiary certificates amounted to RMB857 million, with particulars as follows:

(III) Equity Investment

On 16 December 2013, it was passed at the seventh extraordinary general meeting of the Company for 2013 the Resolution of Central China Securities Co., Ltd. on Capital Increase and Equity Changes of Central China Futures Co., Ltd. approving the additional capital contribution of no more than RMB90 million by the Company to, and maintaining its controlling stake in, Central China Futures. During the Reporting period, the Company subscribed and paid in cash RMB78.50 million, which was verified in the Capital Verification Report Da Xin Yan Zi (2015) No. 1-00018 on 30 January 2015. The Company completed registration of change with the industry and commerce authority on 2 March 2015.

On 29 September 2014, the Proposal of Central China Securities Co., Ltd. on the *Establishment of an Alternative Investment Subsidiary in Qingdao City* was approved in the 35th meeting of the 4th session of the Board, proposing the Establishment of an Alternative Investment Subsidiary in Qingdao City. The Alternative Investment Subsidiary (Central China Blue Ocean) has been registered in March 2015 with a registered capital of RMB300 million. The first and second tranche of investment in the amount of RMB30 million and RMB105 million were contributed to Central China Blue Ocean on 21 July and 27 November 2015, respectively. while the remaining investment sum will be contributed into Central China Blue Ocean gradually based on its business operation.

To cope with our business development strategies, Central China Securities Co., Ltd. convened the 5th extraordinary general meeting 2014 on 22 September 2014, and considered and approved the *Proposal of Central China Securities Co., Ltd. on Establishment of a Subsidiary in Hong Kong for Securities Business* approving the establishment of a wholly-owned subsidiary in Hong Kong with our own funds. On 2 February 2015, the Company made investment payment of HK\$50 million to Central China International. On 20 March 2015, the *Proposal of Central China Securities Co., Ltd. on Capital Increase into Central China International Financial Holdings Company Limited* was considered and approved in the 44th meeting of the 4th session of the Board to seize chances to increase HK\$250 million capital contribution in cash to Central China International in 2015, raising capital contribution of Central China International to HK\$300 million. Such capital contribution can be completed at one time or in tranches. The Company made remittance of capital increase of HK\$50 million and HK\$200 million to Central China International in 13 July and 14 August 2015 respectively. During the Reporting period, the Company's monetary capital contribution in Central China International amounted to a total of HK\$300 million.

On 21 January 2015, the Company convened the 41st meeting of the 4th session of the Board for the *Plan of Central China Securities Co., Ltd. on Capital Increase and Equity Diversification for Zhongding Kaiyuan Venture Capital Management Co., Ltd.*; on 31 March 2015, the Company convened the 45th meeting of the 4th session of the Board for the *Resolution of Central China Securities Co., Ltd. on Adjusting the Plan of Capital Increase and Equity Diversification for Zhongding Kaiyuan Venture Capital Management Co., Ltd.*, pursuant to which the Company made capital increase of RMB44,512,600 to Zhongding Kaiyuan with registered capital increasing from RMB500 million to RMB800 million. On 1 September 2015, the *Proposal of Central China Securities Co., Ltd. on the Plan of Capital Increase Zhongding Kaiyuan Venture Capital Management Co., Ltd.* was approved in the 57th meeting of the 4th session of the Board of the Company, approving the additional registered capital contribution of 78.40 million by the Company and maintaining its controlling stake and Zhongding Kaiyuan's registered capital increasing from RMB800 million to RMB1 billion. Zhongding Kaiyuan completed the industry and commerce registration for the changes from two capital increases this year on 1 June and 21 October 2015 respectively.

On 17 May 2015, the *proposal of Central China Securities Co., Ltd. on funding to establish Central China Equity Exchange Co., Ltd.* was approved in the 49th meeting of the 4th session of the Board. As the founder, the Company took a leading role to establish the Equity Exchange Center with a registered capital of RMB350 million. The commerce registration was completed on 29 June. According to the founder agreement signed by Company dated 26 June 2015, Company holds 35% of the shares in the Equity Exchange Co. and the total investment fund was RMB122.5 million. The first installment of investment of RMB61,250,000 was injected into the Equity Exchange Co. on 31 July 2015, while the remaining installments will be injected step-by-step according to the development of the Equity Exchange Co.

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

Nil.

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business innovation

Set out in Part II (VI) of Section 5 “Headquarters and others” of this report.

(II) Impact of Business innovation

Internet banking crossed geographical boundaries and improved efficiency of business process, greatly facilitating customers to conduct business online and enriching sales channels of our financial products, account opening channels and Internet financing channels to form a new growth point of profit. As a result, the company greatly broadened its Internet business, thus speeding up its transition and upgrade of traditional services.

Over-the-Counter market business can enlarge the company’s transaction channels and product development space, fully exerting our product design, risk management and pricing capabilities, so as to improve depth and breadth of serving investors and real economy, and further optimize revenue structure of the Company and enhance our overall profitability.

(III) Risk control of innovative business

The Company consistently updates and improves internal control mechanisms of its innovation business such as management systems, organizational structure, information technology systems and risk control measures while risk management and control system consistently apply to the entire procedure of each type of innovation business.

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

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

(IV) Prospects of innovative business

Currently, the innovative business of the Company has a foundation of huge investment and robust development. In 2016, the Company will devise its plan and develop at a higher level and more effectively, with particular aspects as follows:

1. International businesses. With the two-way opening up of the capital market and the acceleration of the Shenzhen-Hong Kong Stock Connect and the Shanghai-London Stock Connect, the Company will actively promote the development of cross-border businesses. As a company listed in Hong Kong, we will translate the benefits of listing in Hong Kong into our business advantage to vigorously develop international businesses.
2. Businesses in the free trade zones. Free trade zone construction was a top priority in the agenda of the incumbent government, and securities companies, which are a major participating party in the capital market, should be able to thrive upon it. Currently, the Company has set up institutions in the free trade zones, and the next step is to align the policies on free trade zones with our businesses proactively in order to have a share of the bonus brought forth by the free trade zone system. From 2016 onwards, the Company will attach greater importance to learning from securities companies in Shanghai to bring forth new profit growth points to the Company.
3. FICC business. Amongst foreign investment banking institutions, FICC business accounts for 50% of the revenue. Against the current economic backdrop, there is great room for development for FICC business. Therefore, the Company has to step up efforts on research and training for the next innovation focus in order to achieve quick results.
4. OTC market business. Given that all innovation business within the securities market is very limited in the public fund market recently and the real source of innovative businesses come from the private fund market, the regulators attach great importance to the development of the private fund market. Therefore, the private fund market is expected to be the main battlefield among securities companies in the future. It is anticipated that the private fund market centering on the OTC market business of securities market would become the mainstream in the development of the private fund market. In view of this, the Company will strive to develop OTC market products and achieve seamless connection between investment and financing to serve the investors. Vigorous development of the OTC market and upholding the characteristics of Zhongyuan to develop core competitiveness of the Company are also a profit growth point of the Company in 2016.
5. Internet finance business: to proactively innovate in the new historic era of "internet+" and to undertake missions in order to become the new highlights of the innovation development of the Company.

VIII. RISK FACTORS AND POLICIES

Major risks include: credit risk, market risk, liquidity risk, compliance risk, operational risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in 2015 in order to achieve the Company's strategic development goal. Specific details are set out as follows:

(1) Credit risk and polices

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

With regard to credit risk management of margin financing and securities lending and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position, including strict customer entry barrier, credit investigation and credit standards and credit granting by the headquarters only, strict requirements on collateral, discount rate, deposit ratio and collateral ratio, daily marking for margin financing and securities lending, mandatory closing position when agreed level has been met, and subsequent claims to customers in case the capital or securities from such closing was not adequate. The Company also implemented customer credit rating through a special rating template and reviews on the results and the template. In 2015, the front-line, supporting and back-office of the margin financing and securities lending business stepped up their risk management to ensure sound operation.

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

(2) Market risk and policies

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Price risk mainly refers to the risk of losses in the company due to unfavorable changes in the price of securities like stocks brought by fluctuations in the securities market. Quantitatively, market price fluctuations of financial instruments held for trading will impact the Group's profit; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company in the same proportion. Interest rate fluctuation risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid, margin accounts receivable, monies for purchase of financial assets held under resale agreements, and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. Though fluctuations in exchange rate do bring certain risks to the Company, the Company pays close attention to the foreign exchange market, makes reasonable decision-making and appropriately controls the scale of foreign exchange, and has relatively few foreign currency assets susceptible to such fluctuations in 2015.

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock and bond proprietary trading during the year within the authorization granted by the Board, while the risk management department is responsible for monitoring relevant indexes and warning of risks; (2) established a multi-index risk monitoring and evaluation system. A quantitative index system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, stress test, sensitivity analysis, etc.; and (3) controlled trading procedures in an all-round way. The Company monitored various indexes via the investment management system, controlled the bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes. In 2015, the Company prudently and strictly controlled proprietary risk and significantly enhanced its market risk management capability.

(3) Liquidity risk and policies

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

In view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management, setting small quotas against all marketable securities within the same type of investments, thereby maintains liquidity risk at a relatively low level. Bond investments are mainly in fixed income products and debentures with high rating, with diversified positions, rational distribution of maturity and thus low liquidity risk. As for business development and due debt, the Company strengthens its real time monitoring and management of significant amount of fund in order to achieve fund centralised allocation and coordination; and enters into inter-bank market and the capital market and explores different sources of other kind of liquidity such as inter-bank lending, bond repurchases, margin financing, bank's credit, short-term notes, short-term bonds of securities companies, bonds of securities companies, subordinated bonds and IPO, in order to satisfy the Company's liquidity need. In 2015, the Company used net capital, liquidity coverage and new net stable funding ratio-based monitoring system for real-time monitoring of risk control indicators, and used stress tests to assess the impact of business activities on the above indicators.

(4) Compliance risk and polices

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

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

(5) Operational risk and policies

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

The risk management department, together with other relevant departments, responsively monitors operational risks of brokerage, proprietary business and fixed income business and has formulated a brokerage risk management manual and other business risk control system. The Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge. For risk not quantifiable, through setting up stringent operational control procedure, the Company has decreased the technological and artificial risks and improved the risk management efficiency. In 2015, the Company put constant efforts into improving its internal control system and measures and effectively prevented operational risks.

IX. RISK MANAGEMENT SYSTEM

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

(1) Level 1, the highest level

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

(2) Level 2

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

(3) Level 3

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

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

The Risk Management Headquarters, under the supervision of the Chief Risk Officer, promoted the comprehensive risk management and conducted risk control activities according to risk control objectives and policies set by the Board; formulated risk management system and reviewed relevant risk management system, procedures and indicators; continuously established and optimized overall risk control system, and monitored, evaluated and reported the overall risk level of the Company, and made recommendation on risk management for business decision making; assisted, instructed and examined the risk management work of departments and branches and established communication mechanism of risk control with departments and branches.

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

(4) Level 4

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

X. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITION

(I) Competition in the industry

2016 is the first year of the “13th Five-year Plan”, during which a number of financial reforms will be implemented. Securities industry is the core part of the capital market, which will fully benefit from this round of financial reform. After violent fluctuation in the A Shares market in 2015, the market risk has been fully released, and regulatory authorities unveiled various measures to stabilize the market, demonstrating the stance and confidence of regulatory authorities to ensure the stable and healthy operation of the market. Based on the favorable development in terms of policies and market environment, the securities industry will embrace the historic opportunities of sustainable development. Faced with the transformation of the real economy and construction dividend of the capital market, the securities industry still has the foundation for everlasting prosperity and development.

Internet securities business showed fast growth momentum in 2015, extending its footprint to business of high commission, which led to falling commission in the industry and a trend of cost-linked commission. The traditional brokerage business model is therefore no longer sustainable, helping the emergence of a new business model that features double platforms of “online+offline”. The ability to vie for customer resources and the capability upgrade of comprehensive financial service of securities companies are crucial to successful transition from traditional channel of brokerage business to the wealth management model.

Due to growing expectation of the launch of registration system, division of New OTC Board, change of board and Strategic Emerging Board in the stock market, the proportion of direct financing is expected to continuously rise in 2016, and transformation and upgrade of industry structure will promote the increasing size of merger and acquisition and restructuring.

After implementation of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Shanghai-London Stock Connect are actively explored and planned. Renminbi’s admission as SDR (Special Drawing Right) acts as a catalyst for acceleration of the opening up of the capital market of the PRC to the world. The commencement of international business of securities companies will increasingly become a way to create a diversified source of income and the key of forming competitive advantages that stand out from the market.

Some securities companies began to explore non-securities businesses such as banking, insurance and trust and strive to evolve into a modern financial holding group after restructuring as a group that can fully leverage on the synergy effect of mixed business models. It not only significantly increased securities companies' ability to support virtual economy but also greatly expanded the operation landscape for securities companies to gain long-term competitive advantages.

(II) Market position

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

According to the SAC, the Company ranked 35th, 43rd and 48th among securities companies in terms of total assets, net assets and net capital respectively as of 31 December 2014, and 43rd and 45th in terms of operating income and net profit respectively in 2014, all above industry medians.

According to Wind Info, the Company ranked 36th among all securities companies in China in terms of combined trading volume of share and fund in 2015, maintaining the same place as compared with 2014; 48th and 52nd in terms of amount of share underwriting in all securities firms in the industry and bond underwriting in all securities firms across China respectively in 2015; 34th in terms of balance of margin financing and securities lending business at the end of the Reporting period; and 24th in terms of consecutive number of companies sponsored for listing in New OTC Board by the Company at the end of the Reporting period.

(III) Core competitiveness

1. Leading geographical advantages

The Company is located in the Central Plains. Henan Province ranked fifth across China for eleven consecutive years in terms of total economic output with solid economic strength. Henan Province is currently in the stage of comprehensive implementation of three national strategies such as the Central Plains Economic Zone, Zhengzhou Airport Integrated Experimental Zone, the National Core Producing Area of Grains, with good development momentum for the real economy. However, the development of the financial industry in Henan Province is lagging behind. At the end of 2015, securitization ratio of Henan Province is only 23.68%, far below the national average level of 83.83%. source: Wind Info, National Bureau of Statistics of the People's Republic of China and Bureau of Statistics of Henan Province Lower securitization ratio indicates that huge development room exists for the securities industry in Henan. The Company was the only comprehensive securities companies in Henan, which will greatly benefit from rapid development of real economy in Henan and gradual emergence of the capital market in the region. At the meantime, the Company developed a thorough understanding of the securities market in Henan and good working relationship with local governmental authorities and enterprises after years of our efforts in exploring the market so as to gain a leading regional advantage and huge development potential.

2. Professional, stable, practical and aggressive team

Jian Mingjun, the chairman, and Zhou Xiaoquan, the president, who had held positions in general economy and management authorities including the Ministry of Finance and CSRC respectively, have profound understanding and comprehension of macro-economic movements and patterns of economic development. Both of them know the development and directions of the Company by heart after being chief officers of the Company for these years and organizing and implementing a series of major operation activities. Other members of the management are also with extensive management experience with about 20 years in the industry. In particular, the management of the Company stands united wholeheartedly towards a common development goal with highly similar mindset and strong implementation ability to ensure stable long-term development of the Company.

3. Advantages of mixed ownership

The Company has adopted mixed ownership structure at the time of incorporation. After our listing in Hong Kong and issuance of additional new shares, the shareholding of the Company was further optimized and our corporate governance was improved. Prior to the listing in Hong Kong, 65.43% of the total share capital of the Company was held by the government, which fell to 39.42% upon listing and issuance of additional new shares, when foreign and private combined shareholding amounted to above 60%. The Company is making substantial progress towards mixed ownership, which will be a sound foundation for further change in operation mechanisms and enhancement of decision-making efficiency.

4. Six-in-one whole industry chain

Leveraging on the advantages of OTC capital market and direct investment, the Company took the lead in the industry to advocate a model of direct-investment-led “five-in-one” whole industry chain. After the operation of Equity Exchange Co. Ltd. under the Group in the second half of 2015, such model of whole industry chain was further upgraded to “six-in-one” whole industry chain in which Equity Exchange Co., Ltd. acts as the first part of the chain, providing integrated financial services such as direct investment, listing, market-making, issuance of new shares for fund raising and change of board for medium, small and micro-sized companies. The “six-in-one” whole industry chain was a sign that the Company actively responded to policies of the Central Government for establishment of multi-layered capital market and implementation of support to real economy by financial market. Such policies are concrete measures to support economic development in Henan and business development for enterprises and cultivate growth momentum of innovative economy and our core competitive advantages to counter the industry cyclical fluctuation and ensure our sustainable stable development.

5. Visionary transformation and upgrade

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

6. Highly market-oriented employment mechanism

The Company adopted a market-oriented and performance-based employee compensation structure, and implemented a multi-layered and comprehensive evaluation system against the core criteria of results and management goals; strengthened the management of management personnel and employees and achieved a mechanism where management personnel can flexibly work in various positions and the number of employees and their remuneration can be adjusted accordingly. The Company insisted on the link of the incentive system to the business department and frontier employees of such department to achieve the maximum motivation to such department and employees.

7. Unique corporate culture and performance of social care

Through its long operation and development history, the Company has established its corporate culture founded on “integrity and kindness, faithfulness and generosity, stringency and perseverance, pragmatism and effectiveness”. The Company greatly rewards those employees with outstanding contribution and gives sincere care to new frontline staff and actively provide aid to staff with difficulties. The Company has taken it its mission to assume social responsibility for the benefit of public welfare, and is among the first in the industry in terms of social charitable expenditure for consecutive years that are used for mainly aiding the education of university and secondary school students and medical needs of children and single-living elderly in poverty. With unique corporate culture and mission of social care, the Company has greatly enhanced cohesion of our employees and ensured smooth implementation of our sustainable development, which became the soft power of our competitiveness.

XI. THE PROSPECT OF OUR FUTURE DEVELOPMENT

Looking forward, China will enter the critical moment of economic transformation and reform, in which it has become the national policy to accelerate the establishment of the capital market that shoulder the responsibility to promote the transformation and upgrade of the real economy, and the system foundation of long-term prosperity of the securities industry is strengthening. By capturing the historical opportunities of robust development of the securities market in China and leveraging the brand effect of our listing status, the Company will spare no effort in enhancing our strength, promote our transformation and consolidate the basis of our stable growth. At the same time, the Company is seeking opportunities of external growth, cultivating long-term competitiveness and moving faster to the goal of becoming a modern and international financial holding group. The company will strive to use another 2 to 3 years to recreate Central China Securities to be a listed company with both market value, capital allocation capacity and total size of assets exceeded RMB 100 billion. To achieve this goal, on top of actively promoting the return of our A shares, the Company will also urge to facilitate its subsidiaries ZDKY Venture Capital, Equity Exchange Co., Central China Futures and Central China International to be listed in New OTCP Board or Hong Kong main board within the coming 2 to 3 years, and strive for at least one of Central China Blue Ocean, Central China Flying or ZZKY Venture Capital to be listed in New OTCP Board.

In 2016, the Company will seize the opportunities arising from the reform of the system of new share issuance in domestic capital market and meanwhile, actively seek our listing in the A Share market and develop into a company with dual listing in H+A Share market for expanding our development platform and boosting our development momentum. The company will also accelerate the transition to vigorously develop business of capital intermediaries, capital investment and innovative services, together with actively cultivating “six-in-one” whole industry chain, and ensure stable growth of our operating results with the goal of growing into a boutique listed company and giving back to the investors.

I. THE COMPANY'S MAIN BUSINESS

Set out in Section 5 "II. Analysis of Principal Business of the Company" of this report, and form part of this Report of the Board of Directors.

II. ANALYSIS OF THE COMPANY'S MAIN RISKS

Set out in Section 2 "Material Risks" and Section 5 "VIII. Risk factors and Policies" of this report, and form part of this Report of the Board of Directors.

III. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Payment of final dividends for 2014

The Distribution Plan of Profits for 2014 of Central China Securities Co., Ltd. has been resolved at the 2014 annual general meeting of the Company held on 11 May 2015, which approved that based on the total share capital of Domestic Shares and H Shares of 2,631,615,700 shares as of 31 December 2014, the Company could distribute cash dividends of RMB1.2 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appeared on the Company's register on the record date, with total cash dividends of RMB315,793,884.00, accounting for 87.65% of the profits distributable to shareholders in 2014 of RMB360,269,574.88. In terms of distributing final dividends of 2014 to the Company's H shareholders, the relevant dividends were distributed to shareholders whose names appeared on the Company's H Share register of members on 20 May 2015.

The final dividends of 2014 were denominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of Domestic Shares and H Shares, respectively. The actual amount in HK Dollars was calculated based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date of the 2014 annual general meeting (namely RMB0.788836 to HK\$1.00). Therefore, the final dividends of 2014 were HK\$0.152123 per H Share (tax inclusive). The Company has completed the distribution of final dividends of 2014 on 29 May 2015.

(II) Dividends distribution plan

Due to favorable conditions such as listing of the H Shares, in order to further favor and bring return to the investors, the Board convened a meeting on 15 June 2015 and resolved that in the upcoming financial years (including this financial year), the Company shall distribute cash dividends twice a year (once every six months) on the premise that it has complied with the relevant requirements of the dividend distribution policy and has profit and accumulated undistributed profit during the relevant period.

(III) Payment of interim dividends for 2015

The Distribution Plan of Interim Profits for 2015 of Central China Securities Co., Ltd. has been resolved at the 4th meeting of 2015 extraordinary general meeting of the Company held on 12 October 2015, which approved that based on the total share capital of Domestic Shares and H Shares of 3,223,734,700 shares after new issuance of H Shares as of 3 August 2015, the Company could distribute cash dividends of RMB2.1 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appeared on the Company's register on the record date, with total cash dividends of RMB676,984,287.00. In terms of distributing Interim dividends of 2015 to the Company's H shareholders, the relevant dividends were distributed to shareholders whose names appeared on the Company's H Share register of members on 21 October 2015.

The interim dividends of 2015 were denominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of Domestic Shares and H Shares, respectively. The actual amount in HK Dollars were calculated based on the average benchmark rate between Renminbi and HK Dollar (namely RMB0.820632 to HK\$1.00) published by the People's Bank of China five working days prior to the date of the 4th meeting of 2015 extraordinary general meeting. Hence, the interim dividends of 2015 were HK\$0.255900 per H share (tax inclusive). The Company has completed the distribution of interim dividends of 2015 on 2 November 2015.

(IV) Distribution plan of profits for 2015

In view of long-term development and sustainable shareholders' return, the Company made the following distribution plan of profits for 2015 to share its fast developing results of operation with all the shareholders:

1. With total capital of Domestic Shares and H Shares of 3,223,734,700 as of 31 December 2015 as the basis, distribute cash dividends as per RMB2.1 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares in the shareholders' register on the record date of the Company, totalling RMB676,984,287.
2. Cash dividends are stated and announced in Renminbi, and paid in Renminbi and HK Dollars for holders of Domestic Shares and H Shares, respectively. The actual amount in HK Dollars will be based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date on which the 2015 annual general meeting of the Company is to be held to consider the distribution plan of profits for 2015.

After the distribution plan of profits for 2015 being considered and approved at the annual general meeting this year, the cash dividends will be distributed within two months from the date of such general meeting.

The Company will later announce the benchmark date for the distribution of H Share dividends and the book closure date.

IV. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

(I) Use of Proceeds from first-time issuance

As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2014] No. 438 Document, the Company issued public offering of 598,100,000 H shares at a price of HK\$2.51 per share in the Hong Kong Stock Exchange in June 2014, raising total funds of HK\$1,501,231,000. As of 31 December 2015, proceeds from the Company's initial public offering of H shares has been all used after deducting relevant fees, about 50% of the funds will be used for the development of margin financing and securities lending business; about 25% of the funds will be used for the development of capital intermediary business, including expansion of the stock pledged repurchase transaction and securities repurchase, gradual development of OTC products and market-making services, and actively exploring other capital intermediary business approved by the CSRC in the future; about 25% of the funds will be used for investing in fixed income securities and other proprietary trading products and for increasing the registered capital of ZDKY Venture Capital so as to prudently expand the direct investment business. The details are in line with the contents disclosed in the prospectus.

(II) Use of Proceeds from new issuance

As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2015] No. 1728 Document, the Company newly issued 592,119,000 H shares at an issue price of HK\$4.28 per share in the Hong Kong Stock Exchange in August 2015, raising total funds of HK\$2,534,269,300. As of 31 December 2015, proceeds from new issuance of H shares has been all used after deducting relevant fees, about 75% of the funds will be used in the capital intermediary business of the Company, including but not limited to margin financing and securities lending business, stock pledged repurchase transaction and securities repurchase; about 15% will be used in investment in and innovation business of the Company, including but not limited to proprietary trading business, alternative investment business, market-making business, increase in investment in subsidiaries, etc.; about 10% will be used in other businesses of the Company and replenishment of working capital. The details are in line with the contents disclosed in the circular dated 29 May 2015.

V. DIRECTORS

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

VI. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

VII. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE SIGNIFICANT CONTRACTS

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

VIII. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

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

IX. PERMITTED INDEMNITY PROVISION

During the Reporting period, the Company has bought appropriate liability insurances for the Directors, Supervisors and Senior Management.

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

As of 31 December 2015, based on the information acquired by the Company and the knowledge of the directors, the directors, supervisors and senior management officers have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the Securities and Futures Ordinance) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the Securities and Futures Ordinance, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the Securities and Futures Ordinance, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance):

Name	Number of shares at the beginning of the period (ordinary shares)	Number of shares at the end of the period (ordinary shares)	Changes in shares	Reason of changes	Capacity	(Approximate)	
						% of issued shares	Position
Jian Mingjun ^(Note1)	0	1,289,754	1,289,754	Personal will	Beneficial owner/ beneficiary of a trust	0.10%	Long position
Zhou Xiaoquan ^(Note2)	0	762,000	762,000	Personal will	Beneficial owner	0.60%	Long position

Note 1: Among the 1,289,754 shares of the Company, 750,000 are held in the capacity of beneficial owners; 539,754 are held in the capacity of beneficiaries of a trust. Shares acquired from the incentive scheme in 2014 are included.

Note 2: Shares acquired from the incentive scheme in the period of 2014 are included in the 762,000 shares of the Company.

Except as disclosed above, as of 31 December 2015, no directors, supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the directors, supervisors or their respective spouse or children under the age of 18 in any other body corporate.

XI. COMPLIANCE WITH NON-COMPETITION AGREEMENT

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

XII. SHARE OPTION SCHEME

Set out in section 7 “V. Share Option Scheme” of this report, and form part of this Report of the Board of Directors.

XIII. FUTURE DEVELOPMENT OF OUR BUSINESS

Set out in section 5 “XI. The prospect of our future development” of this report, and form part of this Report of the Board of Directors.

XIV. OTHER DISCLOSURES

(I) Equity

Set out in the consolidated financial position statement and Note 38 in the Independent Auditor’s Report of this report, and form part of this Report of the Board of Directors.

(II) Pre-emptive rights arrangements

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

(III) Sufficiency of Public Float

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

(IV) Management Contract

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

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

Individual investors

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

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

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

Enterprise

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

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

(VI) Reserves and reserves of profits available for distribution

Set out in the Statement of Consolidated Equity Changes and Note 39 in the Independent Auditor's Report of this report are the Group's reserves and reserve changes in the profits available for distribution during the Reporting period, and form part of this Report of the Board of Directors.

(VII) Major customers and suppliers

The Company provides services for the various institutional and individual customers engaged in a number of industries. The Company's clients include large, small and medium enterprises, high net worth clients and retail customers. Major customers are located in mainland China. With our future expansion in overseas markets, we are expected to provide services for more overseas customers. Top 5 customers accounted for less than 30% of the operating revenue in total.

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

(VIII) Employees

Set out in section 9 "VI. Employees and Remunerations Thereof" of this report, and form part of this Report of the Board of Directors.

(IX) Property and equipment

Set out in the consolidated Statement of Financial Position and Note 18 in the Independent Auditor's Report of this report are the Group's property and equipment as of the end of the Reporting period, and form part of this Report of the Board of Directors.

(X) Compliance with laws and regulations which have a significant impact on the Company

The Company strictly complies with domestic and overseas laws and regulations and industry standards such as the Hong Kong Listing Rules, Securities and Futures Ordinance, PRC Company Law, Securities Act.

(XI) Fulfill Social Responsibilities

During the Reporting period, Company intensified corporate social responsibility and actively carried out charitable contributions activities. As of the end of the Reporting period, the Company has invested RMB6.50 million to help vulnerable groups in society, support poor rural construction and offer services for social welfare. Including RMB3 million to Henan Province Welfare Fund for the Handicapped to help the handicapped in a comprehensive way, RMB0.5 million to Fangcheng County, Nanyang City to help the people who have suffered a hailstorm, RMB0.8 million to Henan College of Traditional Chinese Medicine to help poor students go to school and update medical devices, each RMB0.5 million to Henan Agricultural University, Henan Normal University and Henan Institute of Science and Technology respectively to help poor students go to school, RMB0.3 million to Yiyang County, Luoyang City for poverty alleviation and development (such as drilling a well to get drinking water) in poverty-stricken area, and RMB0.4 million to Gushi County, Xinyang City for the construction of water conservancy works in poverty-stricken area.

(XII) Environmental policy and performance

As a responsible enterprise, the Group acknowledged that we have the responsibility to mitigate the negative impact of business operation on environment. Therefore, the Group strives to mitigate the influence on environment through careful management of energy consumption and resource utilisation.

The Group follows the principle of conserving energy and other resources when managing its own businesses, in order to reduce carbon emission. Measures taken by the Group include:

- Encouraging employees to use two-sided printing mode in printing;
- Reminding employees of reducing waste in printing and photocopying;
- Setting up boxes in the office to collect one-sided papers for recycling.

Meanwhile, the Group encourages employees to reduce energy consumption, such as saving unnecessary lighting and use of air conditioners, to reach the goal of energy conservation and emission reduction.

(XIII) Suggestion of issuance of A shares

The relevant application for the Company's IPO of A shares has been resubmitted on 26 November 2014, and accepted by CSRC on 1 December 2014. Due to the application for new issuance of H shares, the Company submitted an application to suspend the application for issuance of A shares on 19 June 2015 and was noticed by CSRC that the application for issuance of A shares was suspended on 3 July 2015. After completing the new issuance of H shares, the Company submitted an application to resume the application for issuance of A shares to CSRC on 17 August 2015 and was noticed by CSRC that the application for the Company's IPO of A shares was resumed for review on 7 September 2015. On 29 December 2015, the Company received the feedback notice from CSRC.

(XIV) Subsequent Important Particulars

Set out in Section 7 "XII Other Subsequent Important Particulars" of this report, and form part of this Report of the Board of Directors.

I SIGNIFICANT LAWSUITS AND ARBITRATIONS

(I) New lawsuits and arbitration cases in the Reporting period

During the Reporting period, the Company's new significant lawsuits and arbitration cases with subject amount exceeding RMB10 million are set out below:

From 2013 to 2015, a person whose surname is Dou was suspected of forging the Company seal, passing off on behalf of the Company to enter into Leasing Contract, Tripartite Agreement and related attachments with China Co-op Finance Leasing Co., Ltd. (中合盟達融資租賃有限公司) ("China Co-op"), of which Dou leased the equipments from China Co-op under the name of the Company and paid the rentals to China Co-op through the company controlled by Dou, resulting in losses of China Co-op.

China Co-op brought a lawsuit to Beijing Xicheng District People's Court (北京市西城區人民法院) on 12 August 2015, required the Company to assume the contractual responsibilities and claimed arrears and overdue fine of RMB130,793,974. The lawsuit was officially accepted by Beijing Xicheng District People's Court on 12 August 2015. China Co-op submitted Nolle Prosequi Application to Beijing Xicheng District People's Court on 15 December 2015, withdrawing the action to the Company, Beijing Xicheng District People's Court made an oral order approving nolle prosequi application from China Co-op on the same day.

From 2012 to 2015, Dou was suspected of forging the Company seal, passing off on behalf of the Company to enter into Guarantee Contract with Tianjin Datian Supply Chain Development Co., Ltd. (天津大田供應鏈發展有限公司) ("Tianjin Datian"), to provide guarantee for the debt owned by the company controlled by Dou to Tianjin Datian, resulting in losses of Tianjin Datian.

Tianjin Datian brought a lawsuit to Tianjin Hexi District People's Court (天津市河西區人民法院) on 7 August 2015, required the Company to assume the contractual responsibilities and claimed arrears and overdue fine of RMB31,947,447.34. The lawsuit was officially accepted by Tianjin Hexi District People's Court on 14 August 2015. On 16 March 2016, this case was relegated to the Department of Public Security of Henan Province.

During the Reporting period, the Company and its subsidiaries has no significant lawsuits and arbitration cases with subject amount exceeding RMB10 million.

(II) Cases concluded in the Reporting period and its implementation

During the Reporting period, the Company and its subsidiaries has no significant lawsuits and arbitration cases with subject amount exceeding RMB10 million.

(III) Cases on enforcement procedures and bankruptcy proceedings

During the Reporting period, the Company and its subsidiaries had no cases on enforcement procedures and bankruptcy proceedings.

The Company believed that, above lawsuits and arbitration cases will not directly have any material and adverse effect on the Company's business, financial condition and operational results.

II IMPORTANT CONTRACTS AND CONTRACT FULFILLMENT

The Company, Beijing Jiuxianqiao Securities branch, Shangqiu Shenhua Avenue Securities branch, Shijiazhuang Xinhua Road Securities branch, Qingdao Xianxia Ling Road Securities branch, Zhengzhou WeiEr Road Securities branch, Zhengzhou Tongbai Road Securities branch, Pingdingshan South Zhongxing Road Securities branch, Luohe Kunlun Road Securities branch, the Company's subsidiaries Ashmore-CCSC Fund Management, Equity Exchange and Central China International entered into a house-leasing contract with Shanghai Lujiazui Capital Plaza Co., Ltd., Wen Rongli (as an individual), Beijing Zhaowei Electronic (Group) Co., Ltd., Shangqiu Federation of Trade Unions, Zhong Guangzhu (as an individual), Qingdao Jinling Industrial Limited (青島金嶺實業股份有限公司), Zhengzhou Hongfu Industrial Co., Ltd. (鄭州洪福實業有限公司), Henan Zhenxing Real Estate (Group) Limited (河南振興房地產(集團)有限公司), Henan Guangsha Real Estate Development (Group) Limited (河南廣廈集團房地產開發有限公司), Luohe Golden Land Property Management Co., Ltd. (漯河金土地物業管理有限公司), Shanghai Bading Property Development Co., Ltd., Henan Kun Wu Properties Limited (河南坤午置業有限公司) and The Hongkong Land Property Company Limited, respectively. The total rent within the lease term is RMB14,174,300, RMB12,675,800, RMB9,399,200, RMB7,400,000, RMB7,060,000, RMB7,226,800, RMB5,256,000, RMB5,000,200, RMB8,921,600, RMB9,500,000, RMB20,995,200, RMB12,618,100 and HKD13,320,000 respectively. The rent in the Reporting period was RMB4,859,756.04, RMB2,297,587.07, RMB829,405.56, RMB750,000, RMB875,982, RMB575,385.93, RMB850,000, RMB1,259,995, RMB1,060,000, RMB950,000, RMB5,248,809.48, RMB1,145,092 and HKD3,330,112 respectively.

The Company also signed a house-leasing contract with our subsidiaries Central China Futures Co., Ltd. and Zhongding Kaiyuan and Zhongzhou Jishi Capital Partners Limited, a wholly-owned subsidiary of Zhongding Kaiyuan. The total rent within the lease term is RMB4,621,200, RMB123,370, RMB616,850 each. The rent within the Reporting period in 2015 each was RMB922,608, RMB123,370 and zero. In addition, the Company was free from any major collocation, contract and lease (worth above RMB10 million) during or up to the Reporting period.

On 26 January 2015, the Company signed a strategic cooperation framework agreement with Ruiqi Capital Investment Company Limited, the general agent and marketing centre of Baidu in Henan.

On 1 September 2015, the Company signed Master Agreement for OTC Derivatives Trading in the China Securities Futures Market (《中國證券期貨市場場外衍生品交易主協議》) and the Confirmation of Return Swaps Trading (《收益互換交易確認書》) with China Securities Finance Co., Ltd.

III PUNISHMENT OR PUBLIC CENSURE IN THE COMPANY'S REPORTING PERIOD

During the Reporting period, the Company's directors, supervisors and senior management have not been punished or public censured by CSRC, SAC, Stock Exchange, CFFEX, finance and tax department, foreign exchange department and audit department.

During the Reporting period, Hangzhou Xinhua Road Securities branch relocated and operated without application for renewal of securities business permit, and received the Decision on Conducting Rectification Measures on Hangzhou Xinhua Road Securities branch of Central China Securities Co., Ltd. (Decision on Administrative and Supervisory Measures ([2015] No.16) from Zhejiang Securities Regulatory Bureau under CSRC. As of the end of Reporting period, Hangzhou Xinhua Road Securities branch has obtained the securities business permit from CSRC on 30 December 2015, and submitted report on rectification to Zhejiang Securities Regulatory Bureau under CSRC. Save for disclosed above, the Company has not been punished or public censured by CSRC, SAC, Stock Exchange, CFFEX, finance and tax department, foreign exchange department and audit department.

IV CONNECTED PARTIES AND CONNECTED TRANSACTIONS

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

On 26 June 2015, the Company, Henan Investment Group and the Other Founders entered into the Equity Exchange's Founder Agreement, pursuant to which the parties agreed to establish the Equity Exchange Co. with a registered capital of RMB350,000,000. Upon completion of the Founder Agreement, the Company will hold 35% equity interest in the Equity Exchange Co.. Henan Investment Group held approximately 33.096% of the issued share capital of the Company and was the controlling shareholder and a connected person of the Company at the time when the Founder signed the Founder Agreement. Accordingly, the transaction contemplated under the Founder Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more applicable percentage ratios (other than the profits ratio) in respect of the transaction contemplated under the Founder Agreement are over 0.1% but less than 5%, the Founder Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. More information about the connected transactions mentioned above, please refer to the Company's announcement dated 26 June 2015.

Set out in note 52 in the Independent Auditor's Report of this report is information about other connected parties and connected transactions.

V SHARE OPTION SCHEME

On 26 May 2015, Mao Yuan Capital Limited ("Mao Yuan"), a shareholder holding approximately 4.107% of the issued share capital of the Company at the time of issuing the notice, issued a written notice to the Company to propose new resolutions at the extraordinary general meeting and the class meetings regarding the proposed adoption of a Share Option Scheme. Pursuant to the written notice issued by Mao Yuan, it proposed the new resolutions in relation to the adoption of the Share Option Scheme because it hopes that the interest of the Company's management will be closely bonded with the interest of the Company to make the interests of the management of the Company, investors and the Company aligned, so that the confidence of the shareholders and investors will be enhanced and the interest of the shareholders will be maximized. The Share Option Scheme had been approved on 2nd extraordinary general meeting 2015, 1st Domestic Share class meeting and 1st H Share class meeting on 15 June 2015. Main terms in the share option scheme are set out below:

Participants

All directors (excluding non-executive and independent non-executive directors) and other management at the company level, middle management staff and some core employees of the Company (other than any Substantial Shareholder of the Company or its subsidiaries). The participants of the Scheme primarily include the Chairman, president, directors and supervisors (excluding external supervisors) of the Company and its management members acting as directors and supervisors (excluding external supervisors) of its subsidiaries who did not purchase shares of the Company through the qualified domestic institutional investors (QDII) when the Company was listed in Hong Kong on 25 June 2014.

Maximum Number of Shares upon the Exercise of Option

As at the reporting date, the total number of H shares in issue of the Company was 1,250,029,000, and H shares may be issued pursuant to the exercise of all options under the Share Option Scheme was 1,250,029,000, representing approximately 10% of the shares in issue of the Company as at the Latest Practical Dates.

The total number of shares to be issued pursuant to the exercise of all share options granted but yet not to be exercised under Share Option Scheme and any other scheme shall not exceed 30% of the total shares in issue from time to time.

Individual Limits

The total number of the shares issued or to be issued upon the exercise of options granted or to be granted to each participant under the Share Option Scheme and any other share option scheme of the Group shall not exceed 1% of the total shares in issue from time to time.

Period of Share Option Scheme

The Scheme shall be valid and effective for the duration commencing from the Adoption Date for five (5) years and expiring at the close of business on the day before the fifth anniversary of the Adoption Date, after which period no further Options will be granted but in respect of all Options which remain outstanding and exercisable on the expiry of the Scheme Period, the provisions of the Scheme shall remain in full force and effect.

Offer Period of Option and Consideration for Grant

The Offer for grant of an Option shall be deemed to have been accepted and effective when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of RMB1.00, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant thereof is received by the Company within twenty-one (21) days from the Offer Date or within such other period of time as may be determined by the Board pursuant to the Listing Rules. Such remittance shall in no circumstances be refundable nor deemed to be part of the Subscription Price.

Subscription Price

The subscription price shall be a price determined by the Board in its absolute discretion and notified to a Participant (which shall be stated in the Offer Letter) and shall be at least the highest of:

- (A) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date, which must be a Business Day;
- (B) the average closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) consecutive Business Date immediately preceding the Offer Date (provided that the new issue price for the listing of the Shares shall be used as the closing price for any Business Day falling within the period before listing of the Shares have been listed for less than five Business Day before Offer Date); and
- (C) the nominal value of the Shares.

Exercise of Options

Unless otherwise determined by the Board and/or specified in the Offer Letter at the time of the Offer, there is no performance target required to be achieved, complied with or surpassed before an Option can be exercised by the respective Grantee.

More details about the above Share Option Scheme, please refer to the Company's announcement dated 29 May 2015.

The Share Option Scheme shall be conditional upon: (i) shareholders approve and adopt the Share Option Scheme through a resolution and authorize the Board to grant options according to the Share Option Scheme, and to allot and issue shares upon the exercise of any options; (ii) the performance of the Share Option Scheme is subject to the laws and regulations of PRC and the jurisdictions in which the shares of the Company are listed; and (iii) the listing committee of the Hong Kong Stock Exchange grants approval of the listing of, and the permission to deal in, any shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme.

The Company will not implement the Share Option Scheme until the conditions for implementation of the Share Option Scheme have been met.

VI ACQUISITION, MERGER OR SEPARATION IN THE REPORTING PERIOD

None.

VII AMALGAMATION OR ARRANGEMENT OF AFFILIATED COMPANIES

On 13 May 2015, the Company approved *the Resolution on Bidding Invitation for the Disposal of the 34% Equity Interest of Ashmore-CCSC Fund Management Company Limited by Central China Securities Co., Ltd* at the 48th meeting of the 4th session of the Board. The Company entered into *the Property Right Transaction Agreement* with the transferee in August 2015, and the transferee has reported the transaction application to the supervision department in September 2015 and received approval on 15 February 2016. On 26 February 2016, CSRC accepted the application submitted by Ashmore CCSC for change its shareholders.

VIII MAJOR ITEMS OFF BALANCE SHEET

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

IX ENGAGEMENT OF ACCOUNTING FIRMS

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

The Company has re-appointed ShineWing Certified Public Accountants (Special General Partnership) and PricewaterhouseCoopers as its external audit institutions of 2015 for providing correlated audit and review services based on China's Accounting Standards for Business Enterprises and International Financial Reporting Standards upon the deliberation and approval of the shareholders' general meeting of the Company in 2014.

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

Domestic accounting firm, signature CPA and service length: ShineWing Certified Public Accountants(Special General Partnership); Wang Gongyong and Chao Xiaoyan; four years;

International accounting firm and service length: PricewaterhouseCoopers; two year.

Remunerations for accounting firm: the Company's external audit expenditure in 2015 was RMB3.33 million, including RMB550,000 of annual domestic audit fees, RMB100,000 of internal control audit fees, RMB1 million of H-share interim reviewing expenses and RMB1.68 million of H-share annual audit fees according to the resolution at the shareholders' general meeting of the Company in 2014. The non-audit services fee of the Company in 2015 was RMB80,000, which was the service fee for additional issue and capital verification paid by the Company.

The engagement of accounting firms by subsidiaries during the Reporting period is shown below:

ZDKY Venture Capital renewed the contract with ShineWing Certified Public Accountants (Special General Partnership) for annual external audit at RMB60,000 audit expenses, among which, semi-annual audit expenses were RMB10,000.

Central China Futures appointed ShineWing Certified Public Accountants (Special General Partnership) as its annual external audit institution at RMB80,000 audit expenses, the non-audit services fee was RMB50,000, which was the service fee for capital verification paid.

Central China International appointed PricewaterhouseCoopers as its annual external audit institution at HKD250,000 audit expenses.

Central China Blue Ocean appointed ShineWing Certified Public Accountants (Special General Partnership) as its annual external audit institution at RMB15,000 audit expenses.

Ashmore-CCSC Fund Management appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as its annual external audit institution at RMB130,000 audit expenses.

Equity Exchange Co. was founded on 29 June 2015, and no accounting firm was employed during the Reporting period.

X CLASSIFICATION AND EVALUATION RESULT OF THE COMPANY BY SECURITIES REGULATORS

The Company was classified into category “A” under type “A” in the 2015 classification and evaluation of securities companies by CSRC.

XI ATTAINED QUALIFICATIONS FOR BUSINESS DURING THE REPORTING PERIOD

On 16 January 2015, the Company was amongst the first to obtained the qualification for stock option brokerage business by the SSE.

On 28 January 2015, the Company's subsidiary Central China Futures obtained the approval from China Futures Association for conducting asset management business.

On 13 July 2015, Central China International Securities Co., Ltd., a subsidiary of Central China International (a subsidiary of the Company) obtained its license from the Securities and Futures Commission of Hong Kong to carry on type 1 regulated activities (dealing in securities) as defined in the SFO (Chapter 571 of the laws of Hong Kong).

On 7 September 2015, the Company's subsidiary Central China Futures obtained the approval from China Futures Association for conducting pilot businesses with risk management service as the focus.

On 28 October 2015, the Henan Government agreed that the Company will take lead as the largest shareholder in the establishment of the Henan Province life insurance company.

On 30 November 2015, the Company's wholly-owned subsidiary Yuxin investment management obtained the approval from China Futures Association for conducting four pilot businesses, namely warehouse receipt service, basis trading, cooperation hedging and pricing service.

XII OTHER SUBSEQUENT IMPORTANT PARTICULARS

(I) Subsequent change of shareholders, directors, supervisors and senior management of the Company and its subsidiaries

1. The Company

The Company received a written letter of resignation from Ms. Lee Kit Ying, an Independent Supervisor of the Company, on 7 January 2016. Due to her family reasons and her wish to devote more time to personal commitments, she resigned as the Independent Supervisor (non-employee supervisor) of the Fifth Session of the Supervisory Committee of the Company. Ms. Lee has confirmed that she has no disagreement with the Supervisory Committee or the Board and there are no other matters in connection with her resignation that needs to be brought to the attention of the shareholders of the Company. As agreed, the resignation of Ms. Lee will become effective upon the approvals of the candidate to fill Ms. Lee's vacancy as an Independent Supervisor by the Shareholders at the general meeting of the Company and from the relevant governmental authorities of the People's Republic of China. Prior to that, Ms. Lee Kit Ying will continue to perform her duties as an Independent Supervisor of the Company. More information about above event, please refer to the Company's announcement dated 8 January 2016.

2. Affiliated companies

Ashmore: Mr. Lin Weimeng resigned as general manager for personal reasons on 31 January, 2016; Mr. Huang Zhuping resigned as deputy general manager for personal reasons on 31 January, 2016. For details, please refer to the notice dated 1 February, 2016, in Ashmore-CCSC Fund Management' website <http://www.acfund.com.cn>.

Save as disclosed above, there were no changes in the shareholders, directors, supervisors and senior executive in the Company's subsidiaries, Central China Futures, Equity Exchange Co., ZDKY, Central China Blue Ocean and Central China International from the end of the Reporting period to the date of this report.

(II) Annual corporate profit distribution plan

1. Annual corporate profit distribution plan

The Profit Distribution Plan 2015 is set out in the "III. Profit Distribution and Profit Distribution Plan" under Section 6 of this Report.

2. Annual profit distribution plan of affiliated companies

There was no profit distribution plan in 2015 for the Company's subsidiaries Equity Exchange Co., ZDKY, Central China Futures, Central China Blue, Central China International, Ocean and Ashmore CCSC Fund Management.

(III) Subsequent major investment and financing

1. Subsequent major investment and financing of the Company and affiliated companies

The Company

On 9 February 2016, the Proposal of Central China Securities Co., Ltd. on Capital Increase into Central China International Financial Holdings Company Limited was considered and approved in the eleventh meeting of the fifth section of the Board of Directors. In 2016, the Company will increase capital of HK\$500 million in cash in Central China International, increase the registered capital of Central China International to HK\$800 million, the capital could be injected in one time or by stages. After completion of this capital increase, Central China International remains to be a wholly-owned subsidiary of the Company.

Subsidiaries

On 1 February 2016, ZDKY Venture Capital entered into the Partnership Interest Transfer Agreement with Equity Exchange Co. in relation to the disposal by ZDKY Venture Capital of its RMB30 million capital contribution (representing 27.272% Limited Partnership Interest) in ZZKY Venture Capital Fund to Equity Exchange Co. at the consideration of RMB36,913,624.40. On 3 February 2016, ZDKY Venture Capital received the consideration from Equity Exchange Co..

On 8 July 2015, pursuant to the business development plan, Central China International entered into an conditional sale and purchase agreement with the sole holding shareholder of Pan Asia Corporate Finance Limited (hereafter referred to as "Pan Asia Corporate Finance") (have the type 6 (advising on corporate finance) license under the SFO), and proposed to purchase the whole stock equity of Pan Asia Corporate Finance. On 29 January 2016, Central China International obtained the approval from SFC to become the sole shareholder of Pan Asia Corporate Finance. On 16 February 2016, this purchase completed the transfer and delivery of stock equity, the Pan Asia Corporate Finance became the wholly-owned subsidiary of Central China International, and was renamed as Central China International Capital Limited. The consideration of this purchase was HK\$24,416,272.

(IV) Major lawsuits or arbitration matters

From the end of Reporting period to the date of this report, the Company and its subsidiaries have no new significant lawsuits and arbitration cases with subject amount exceeding RMB10 million.

(V) Other subsequent major matters substantially affecting corporate financial condition, business performance, and cash flow

None.

(VI) Changes to the Articles of Association and Rules of Procedure for Board Meetings after the Reporting period

On 2 February 2016, the Company amended Articles of Association and parts of Rules of Procedure for Board Meetings, which will come into effect after the approval of the extraordinary general meeting by means of special resolutions and ordinary resolutions on 23 March 2016. For details, please refer to the Company's announcement dated 2 February 2016 and the circular dated 8 March 2016.

(VII) Subsequent connected transactions

From the end of Reporting period to the date of this report, the non-exempt connected transactions conducted by the Group in accordance with the Listing Rules are as follows:

On 1 February 2016, ZDKY Venture Capital entered into the Partnership Interest Transfer Agreement with Equity Exchange Co. in relation to the disposal by ZDKY Venture Capital of its RMB30 million capital contribution (representing 27.272% Limited Partnership Interest) in ZZKY Venture Capital Fund to Equity Exchange Co. at the consideration of RMB36,913,624.40. As at 1 February 2016, Henan Investment Group holds approximately 27.017% of the issued share capital of the Company and is the largest shareholder of the Company as defined under the Listing Rules, and thus a connected person of the Company under Rule 14A.07 of the Listing Rules. At the same time, Henan Investment Group holds 10% equity interest in Equity Exchange Co. which is a subsidiary of the Company. Therefore, Equity Exchange Co. is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and the transaction contemplated under the Partnership Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the transaction contemplated under the Partnership Interest Transfer Agreement are more than 0.1% but less than 5%, the entering into of the Partnership Interest Transfer Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details of the above connected transactions, please refer to the announcement of the Company dated 1 February 2016.

On 10 March 2016, the Company (as one of the lead underwriters) entered into the Underwriting Agreement with Henan Investment Group, in relation to the offering and underwriting of Henan Investment Group's corporate bonds (hereinafter referred to as the "Bond") with an aggregate principal amount of not exceeding RMB1.5 billion, for which the Company undertakes 30% its underwriting shares, and the Company is expected to receive the underwriting commission of up to RMB2,700,000 from Henan Investment Group. As at 10 March 2016, Henan Investment Group holds approximately 27.017% of the Company's issued share capital and is the largest shareholder of the Company as defined under the Listing Rules. Pursuant to Rule 14A.07(1) of the Listing Rules, Henan Investment Group is a connected person of the Company, and the transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Calculated with reference to the Company's expected maximum aggregate underwriting commitment and maximum underwriting commission under the Underwriting Agreement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) in respect of the transaction contemplated under the Underwriting Agreement are more than 0.1% but less than 5%, the entering into of the Underwriting Agreement is subject to the reporting and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details of the above connected transaction, please refer to the announcement of the Company dated 10 March 2016.

SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS

I. SHAREHOLDING STRUCTURE

Name of main shareholders	Class of Shares	Number of shares	Percentage of the Company's total issued domestic shares/ H shares (%)	Percentage of the Company's total issued shares (%)
Henan Investment Group Co., Ltd.	Domestic share	870,963,022	44.128%	27.017%
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund)	Domestic share	608,000,000	30.805%	18.860%
Anyang Iron and Steel Group Co., Ltd.	Domestic share	187,861,855	9.518%	5.827%
Other domestic shareholders	Domestic share	306,880,823	15.549%	9.519%
H-share public shareholders	H share	1,250,029,000	100%	38.776%

II. CHANGES IN SHARES

The Company successfully completed additional H share offering on 3 August 2015, issuing a total of 592,119,000 H shares. After the completion of this offering, the Company's total shares increased from 2,631,615,700 shares to 3,223,734,700 shares.

III. SHAREHOLDERS

At the end of the Reporting period, the Company had 56 shareholders, including 16 domestic shareholders and 40 registered shareholders of H shares.

At the end of the Reporting period, the shareholding of top 10 shareholders was as follows:

Name of main shareholders	Nature of shareholders	Number of shares held (shares)	Percentage	Number of shares changed during the year (shares)	Number of shares held without sale limitations	Number of shares held with sale limitations (shares)	Pledge or lock-up of shares held
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	1,249,908,000	38.772%	592,123,000	1,249,908,000	0	None
Henan Investment Group Co., Ltd.	State-own legal person	870,963,022	27.017%	0	870,963,022	0	None
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	Social legal person	608,000,000	18.860%	0	608,000,000	0	None
Anyang Iron and Steel Group Co., Ltd.	State-own legal person	187,861,855	5.827%	0	187,861,855	0	93,930,000
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	State-own legal person	79,421,369	2.464%	0	79,421,369	0	None

SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS

Name of main shareholders	Nature of shareholders	Number of shares held (shares)	Percentage	Number of shares changed during the year (shares)	Number of shares held without sale limitations	Number of shares held with sale limitations (shares)	Pledge or lock-up of shares held
Anyang Economic Development Group Co., Ltd.	State-own legal person	51,671,126	1.603%	0	51,671,126	0	None
Jiangsu SOHO Holdings Group Co., Ltd.	State-own legal person	28,651,425	0.889%	0	28,651,425	0	None
Xuchang Superlift Construction Materials Science & Technology Co., Ltd.	Social legal person	24,000,000	0.744%	0	24,000,000	0	None
Guangzhou Liby Investment Co., Ltd.	Social legal person	20,000,000	0.620%	0	20,000,000	0	None
Henan Shenhua Group Co., Ltd.	State-own legal person	18,784,734	0.583%	0	18,784,734	0	None

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

At the end of the Reporting period, Henan Investment Group held 27.017% equity interest in the Company. Bohai Fund Management (on behalf of the Bohai Fund) held 18.860% equity interest in the Company.

Pursuant to the *Henan Province People's Government Approval on the Establishment of Henan Investment Group Co., Ltd.* (Yu Zheng Wen [2007] No.176)(《河南省人民政府關於組建河南投資集團有限公司的批復》(豫政文[2007]176號)) promulgated by Henan Province People's Government, Henan Investment Group was established as a solely state-owned company by Henan Construction Investment by merging Henan Economic and Technology Development according to the *Company Law* on 6 December 2007, with a registered capital of RMB12 billion. It resides at Investment Building, 41 Agriculture Road East, Zhengzhou city with its production and operation premises mainly located in Henan province. The main businesses of Henan Investment Group include investment in and management on financial institutes in areas such as securities, trusts, insurance, banks, funds; investment in and management on resource industries, basic industries and modern logistics industries; investment in and management on infrastructure projects; and investment in and management on high-tech and advanced manufacturing projects. The legal representative of Henan Investment Group is Zhu Lianchang, and the general manager is Liu Xinyong.

Approved by the NDRC and Ministry of Commerce, Bohai Fund Management (on behalf of Bohai Fund) was incorporated as a limited liability company (Taiwan, Hong Kong, Macau and domestic joint venture) on 28 December 2006, with a registered capital of RMB200 million. It resides at 26th Floor, Ping'an Building, 59 Hao Zeng 1 Hao Machang Road, Hexi District, Tianjin. Bohai Fund Management is entrusted to manage Bohai Fund as its main business. The legal representative of Bohai Industrial Investment Fund Management Co., Ltd. is Gao Yingxin, and the general manager is Li Xiangsheng.

Bohai Fund is a fund established upon the approval by NDRC in the form of contract with a fund size of RMB20 billion, and its first raised size is RMB6.080 billion which was entrusted to be managed by Bohai Fund Management. Pursuant to *Bohai Industry Investment Fund Management Agreement* (渤海產業投資基金管理協議), Bohai Fund Management shall independently manage the assets of Bohai Fund and decide whether Bohai Fund to make or withdraw investment, sign agreements in relation to investments and exercise shareholder's rights or obligations arising from investments on behalf of Bohai Fund, as well as continuously monitor investment projects after making investment. Bohai Fund itself doesn't act as an independent legal entity and pursuant to fund contract and management agreement, the fund unitholders don't directly participate in any investment decisions of the fund, which together with the exercise and disposition of the fund property are independently made by Bohai Fund Management.

IV. DISCLOSURE OF INTERESTS

As of 31 December 2015, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or senior management officers of the Company) have the following interests or short positions in shares or underlying shares of the Company required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of main shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of		
				Percentage of the Company's total issued shares (%)	the Company's total issued domestic shares/ H shares (%)	Long positions/ short positions/ shares available for lending
Henan Investment Group Co., Ltd.	Domestic share	Beneficial owner	870,693,022	27.02	44.13	Long positions
Bohai Industrial Investment Fund	Domestic share	Beneficial owner	608,000,000	18.86	30.81	Long positions
Bohai Industrial Investment Fund Management Co., Ltd.	Domestic share	Investment manager	608,000,000	18.86	30.81	Long positions
Anyang Iron and Steel Group Co., Ltd.	Domestic share	Beneficial owner	187,861,855	5.83	9.52	Long positions
China Industrial International Trust Limited	H share	Beneficial owner	80,000,000	2.48	6.40	Long positions

Save as disclosed above, as at 31 December 2015, the Company was not aware of any other persons(excluding the Directors, Supervisors and senior management of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

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

During the Reporting period, the Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company, excluding the issue of additional H-shares.

VI. PREEMPTIVE RIGHTS

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

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

(I) Directors

Name	Positions	Gender	Age	Time of taking office	Total remuneration actually received from the Company during the Reporting period (RMB'000) ¹	Remarks
Jian Mingjun	Chairman of the Board and executive director	Male	53	Served as director and president from October 2008 to August 2012, and has served as chairman of the Board since August 2012	4,941	Re-elected after change of session of the Board on 10 September 2015
Zhou Xiaoquan	Executive director and president	Male	43	Served as chairman of the Supervisory Committee from March 2009 to August 2012, and has served as director and president since August 2012	4,545	Re-elected after change of session of the Board on 10 September 2015
Li Xingjia	Non-executive director	Male	51	Served as director from June 2008 to September 2015, has served as director since October 2015	29	Not re-elected after change of session of the Board on 10 September 2015 Reappointed on 12 October 2015
Wang Lixin	Non-executive director	Male	49	Has served as director since September 2014	31	Re-elected after change of session of the Board on 10 September 2015
Zhang Qiang	Non-executive director	Male	52	Has served as director since August 2012	31	Re-elected after change of session of the Board on 10 September 2015
Zhang Xiaoqi	Non-executive director	Male	30	Has served as director since September 2015	9	Re-elected for the new Board on 10 September 2015
Yu Zeyang	Non-executive director	Male	46	Has served as director since November 2014	31	Re-elected after change of session of the Board on 10 September 2015
Yuan Dejun	Independent non-executive director	Male	65	Has served as independent non-executive director since August 2012	223	Re-elected after change of session of the Board on 10 September 2015
Yuen Chi Wai	Independent non-executive director	Male	40	Has served as independent non-executive director since June 2014	223	Re-elected after change of session of the Board on 10 September 2015
Ning Jincheng	Independent non-executive director	Male	59	Has served as independent non-executive director since March 2015	174	Reappointed on 31 March 2015 and Re-elected on 10 September 2015 after change of session of the Board
Yu Xugang	Independent non-executive director	Male	47	Has served as independent non-executive director since December 2015	18	Reappointed on 7 December 2015
Zhu Jie	Non-executive director	Male	31	Served as director from September 2014 to September 2015	21	Not re-elected for the new Board on 10 September 2015
Yuan Shunxing	Non-executive director	Male	49	Served as director from 10 September 2015 to 21 September 2015	0	Reappointed after change of session of the Board on 10 September 2015 Resigned on 21 September 2015
Zhu Shanli	Independent non-executive director	Male	61	Served as independent non-executive director from August 2012 to September 2015	171	Re-elected after change of session of the Board on 10 September 2015 Passed away on 15 September 2015
Shi Dan	Independent non-executive director	Female	54	Served as independent non-executive director from August 2012 to January 2015	14	Resigned on 6 January 2015

(II) Supervisors

Name	Positions	Gender	Age	Time of taking office	Total remuneration actually received from the Company during the Reporting period (RMB'000)	Remarks
Lu Zhili	Chairman of the Supervisory Committee	Male	49	Has served as chairman of the Supervisory Committee since September 2015	3,256	Appointed after change of session of Board of Supervisors on 10 September 2015
Wang Jinchang	Shareholder representative supervisor	Male	42	Has served as supervisor since September 2015	7	Appointed after change of session of Board of Supervisors on 10 September 2015
Yan Changkuan	Shareholder representative supervisor	Male	52	Has served as supervisor since June 2006	21	Re-elected after change of session of Board of Supervisors on 10 September 2015
Cui Yuanfeng	Shareholder representative supervisor	Male	39	Has served as supervisor since September 2015	7	Appointed after change of session of Board of Supervisors on 10 September 2015
Xiang Siying	Independent supervisor	Female	53	Has served as supervisor since September 2015	27	Appointed after change of session of Board of Supervisors on 10 September 2015
Lee Kit Ying	Independent supervisor	Female	67	Has served as supervisor since September 2015	27	Appointed after change of session of Board of Supervisors on 10 September 2015. On 7 January 2016, Ms. Lee Kit Ying applied for resignation. For details, please refer to Section 7 XII(1) of this Report
Wang Jing	Employee representative supervisor	Female	47	Has served as supervisor since September 2015	1,584	Appointed after change of session of Board of Supervisors on 10 September 2015

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Positions	Gender	Age	Time of taking office	Total remuneration actually received from the Company during the Reporting period (RMB'000)	Remarks
Han Junyang	Employee representative supervisor	Male	46	Has served as supervisor since September 2015	1,494	Appointed after change of session of the Board of Supervisors on 10 September 2015
Lai Bulian	Employee representative supervisor	Male	43	Has served as supervisor since September 2015	1,916	Appointed after change of session of Board of Supervisors on 10 September 2015
Zhou Jianzhong	Chairman of the Supervisory Committee	Male	60	From August 2012 to September 2015	3,107	Resigned after change of session of the Board of Supervisors on 10 September 2015
Wang Rui	Shareholder representative supervisor	Female	55	From November 2013 to September 2015	15	Resigned after change of session of the Board of Supervisors on 10 September 2015
Ji Guangyuan	Shareholder representative supervisor	Male	42	From June 2009 to September 2015	15	Resigned after change of session of the Board of Supervisors on 10 September 2015
Zhu Qiben	Employee representative supervisor	Male	51	From April 2007 to September 2015	2,130	Resigned after change of session of the Board of Supervisors on 10 September 2015
Li Feng	Employee representative supervisor	Male	44	From February 2008 to September 2015	2,078	Resigned after change of session of the Board of Supervisors on 10 September 2015

(III) Senior management

Name	Positions	Gender	Age	Time of taking office	Total remuneration actually received from the Company during the Reporting period (RMB'000)	Remarks
Zhou Xiaoquan	Executive director, president	Male	43	Served as chairman of the Supervisory Committee from March 2009 to August 2012, has served as executive director and president since August 2012.	4,545	–
Zhu Jianmin	Vice president	Male	52	Has served as vice president from August 2007 to September 2015 and standing vice president since September 2015	3,227	–
Zhu Junhong	Vice president, chief financial officer	Female	46	Has served as chief financial officer since November 2002 and vice president since August 2012.	3,259	–
An Xiaolang	Audit-in-charge	Male	59	Served as audit-in-charge from May 2003 to September 2015	2,437	Resigned on September 2015
Fang Jianmin	Vice president	Male	43	Has served as vice president since November 2009.	3,069	Resigned on January 2016
Zhao Jizeng	Vice president	Male	51	Served as vice president from November 2009 to January 2016.	3,169	Resigned on January 2016
Xu Haijun	Secretary to the Board	Male	45	Served as chief compliance officer since December 2008 to December 2015 and has served as secretary to the Board since July 2014.	3,231	–
Xie Xuezhu	Chief compliance officer	Female	45	Served as secretary to the Board from September 2009 to July 2014 and chief risk officer from July 2014 to December 2015. Has served as chief compliance officer since December 2015	3,246	–
Zhao Lifeng	Vice president	Male	43	Has served as vice president since August 2012.	4,198	–
Zhu Qiben	Chief risk officer	Male	51	Has served as chief risk officer since December 2015.	2,130	–

* In mid-June of 2015, the stock markets in China and Hong Kong encountered abnormal fluctuations. At the request of CSRC and relevant authorities, the Company held an emergency meeting (the 16th enlarged meeting of the Company's office meeting in 2015) on 5 July, which decided to pay the bonus of the current year in advance, and purchase QDII legally for stabilisation and bailout purpose, of which the bailout standards are: for the chairman, RMB2.10 million; for the president, RMB1.90 million; for the vice president, RMB1.10 million. All the remuneration paid to the key leaders in 2015 were used for stability and bailout; but Hong Kong stocks continued to slump, with current share price substantially lower than the bailout price, forcing the stability maintenance fund to be frozen just for long-term investment.

(IV) Changes in the shareholding of directors, supervisors, senior management and staff

For details, please refer to “X. Interests and short positions of directors, supervisors and senior management in the shares, underlying shares or debentures of the Company and any of its associated corporations” in Section 6 of this report.

II. APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDERS’ AND OTHER INSTITUTIONS

(I) Directors

Name	Employing unit	Positions in Shareholders’ units and other institutions	Term of office
Jian Mingjun	Standing Committee of Henan Provincial People’s Congress	Committee member	From February 2015 up to now
	Financial and Economic Affairs Committee of Henan Provincial People’s Congress	Committee member	From January 2013 up to now
	Investment Bank Committee under SAC	Committee member	From June 2011 up to now
	Securities and Futures Association of Henan	Chairman	From June 2013 up to now
Zhou Xiaoquan	Ashmore-CCSC Fund Management	Director	From November 2014 up to now
	Ashmore-CCSC Fund Management	Chairman	Served as director from January 2013 to October 2014, and has served as chairman of the board of directors since October 2014
	Securities Companies Compliance Committee of the SAC	Deputy director	From October 2009 up to now
Li Xingjia	Henan Investment Group	Director and deputy general manager	From June 2010 up to now
Zhang Qiang	Strategy investment department of Anyang Iron & Steel Co., Ltd.	Deputy division director	From April 2008 up to now
Wang Lixin	Bohai Fund Management	Deputy general manager	From June 2013 up to now
Zhang Xiaoqi	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	From March 2014 up to now
	Central China International Investment Company. Limited	Deputy general manager	From December 2015 up to now

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Employing unit	Positions in Shareholders' units and other institutions	Term of office
Yu Zeyang	Capital Operation Department of Pingmei Shenma Energy	Head	From January 2011 up to now
	Henan Zhongping Investment Co., Ltd.	General manager	From June 2011 up to now
	Henan Zhongping Investment Co., Ltd.	Chairman	From September 2014 up to now
	Pingdingshan Tianan Coal Mining Co., Ltd.	Supervisor	From May 2010 up to now
Yuan Dejun	Henan Xindaxin Materials Co., Ltd.	Director	From June 2013 up to now
	Ningxia Qinglong Pipes Industry Co., Ltd.	Independent non-executive director	From January 2014 up to now
Yuen Chi Wai	Venture Executive Services Limited	Managing director	From August 2014 up to now
	Bolina Holding Co., Ltd.	Chief financial officer and company secretary	From May 2011 to May 2015
	Bolina Holding Co., Ltd.	Executive assistant	From May 2015 to October 2015
Ning Jincheng	Law Faculty of Zhengzhou University	Professor, doctoral tutor and university researcher	From November 2010 up to now
	Zhengzhou Coal Industry and Electric Power Co., Ltd.	Independent director	From June 2014 up to now
Yu Xugang	Beijing Dacheng Law Offices, LLP	Senior partner	From January 2004 up to now
	Inner Mongolia Baotou Steel Union Co Ltd	Independent director	From August 2009 to August 2015

(II) Supervisors

Name	Employing unit	Positions in Shareholders' and other institutions	Term of office
Lu Zhili	Central China Futures	Director	From March 2008 up to now
	Ashmore-CCSC Fund Management	Director	From January 2013 up to now
Wang Jinchang	Henan Investment Group	Supervisor of the department of disciplinary supervision	From July 2010 up to now
Yan Changkuan	Anyang Iron & Steel Group	Chief accountant	From December 2013 up to now
Cui Yuanfeng	Anyang Economic Development Group Co., Ltd.	General manager	From September 2013 up to now
Xiang Siying	CDH Investments Management (Hong Kong) Limited	Executive director	From June 2010 up to now
Lee Kit Ying	Virtus Foundation Limited	Chairman	From 2006 up to now

(III) Senior management

Name	Employing unit	Positions in Shareholders' and other institutions	Term of office
Zhou Xiaoquan	Ashmore-CCSC Fund Management	Chairman	Served as director from January 2013 to October 2014, has served as chairman of the board of directors since October 2014
	Securities Companies Compliance Committee of the SAC	Deputy director	From October 2009 up to now
Zhu Jianmin	Professional Committee of Securities Brokerage of the SAC	Committee member	From March 2013 up to now
	Securities and Futures Association of Henan	Vice president	From June 2013 up to now
Zhu Junhong	Financial Accounting and Risk Control Committee of the SAC	Committee member	From September 2011 up to now
Fang Jianmin	ZDKY Venture Capital	Chairman	From March 2012 up to now
	ZZKY Venture Capital	Director	From December 2012 to July 2014
	Central China Hefu (Beijing) Investment Management Co.,Ltd (中州禾富(北京)投資管理有限公司)	Chairman	From September 2015 up to now
	Direct Investment Committee of the SAC	Committee member	From December 2014 up to now
Zhao Jizeng	Central China Equity Exchange Co., Ltd.	Chairman	From July 2015 up to now
Xu Haijun	Central China International	Director	From September 2015 up to now
	Central China Huilian	Chairman	From December 2015 up to now
Xie Xuezhu	ZDKY Venture Capital	Director	From April 2013 up to now
	Ashmore-CCSC Fund Management	Supervisor	From January 2013 up to now
	ZZKY Venture Capital	Chairman of the Supervisory Committee	From November 2013 up to now

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

(I) Directors

Mr. Jian Mingjun, aged 53, has been the chairman of the Board of the Company and the executive director since August 2012, and has been the secretary of the party committee and a director of Ashmore-CCSC Fund Management since November 2014. Mr. Jian joined the Company in December 2007 as the deputy party secretary of the Company, and served as our executive director and president from October 2008 to August 2012. Before he joined the Company, he used to be the vice chief officer of the planning office of the Company during the period from October 2000 to October 2002. Mr. Jian has almost 30 years' experience in finance industry and served in various positions in governmental departments and institutions. Mr. Jian served in Comprehensive Plan Office of Ministry of Finance of the PRC from August 1985 to January 1987. Mr. Jian then served in Finance Department of Henan Province from January 1987 to May 1998. Mr. Jian served as the standing vice president of ASIA (group) Accounting Firm from May 1998 to June 2000. Mr. Jian was the director of General Office of Finance Department of Henan Province during the period from June 2000 to October 2000 and the period from October 2002 to December 2002. Mr. Jian was the chairman of State-owned Enterprises Supervisory Committee of the Henan Government from December 2002 to December 2007.

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

Mr. Jian graduated from Zhongnan University of Economics and Law (formerly known as Zhongnan University) with a bachelor degree of economics majoring in public finance in July 1985. Mr. Jian was admitted exceptionally by Research Institute for Fiscal Science, Ministry of Finance to study public finance in September 1997 and obtained a doctoral degree of economics in July 2000. Mr. Jian has obtained senior accountant qualification granted by the Henan Government in July 2000, a Provincial Excellent Expert granted by CPC Henan Province Committee and the Henan Government in May 2002, and was awarded as a State Council Expert for Special Allowance by the State Council of the PRC in April 2015.

Mr. Zhou Xiaoquan, aged 43, has been an executive director and the president of the Company since August 2012. Mr. Zhou joined the Company in March 2009 and served as the chairman of Supervisory Committee and the secretary of the party committee for disciplinary inspection of the Company for the period from March 2009 to August 2012. Mr. Zhou has been a director of Ashmore-CCSC Fund Management from January 2013 to October 2014. Mr. Zhou is a chairman of Ashmore-CCSC Fund Management since October 2014. Mr. Zhou is experienced in finance industry. Before he joined the Company, Mr. Zhou worked in the credit and loan department and corporate department of China

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Construction Bank Corporation respectively from July 1999 to November 2002. Mr. Zhou worked in the supervisory working department of CPC Central Financial Work Committee (which subsequently transformed into the China Banking Regulatory Commission) from November 2002 to August 2003. Mr. Zhou then worked consecutively in the supervisory committee of National Financial Institutions department of the CSRC, Institution Supervision Department of the CSRC and Securities Companies Risk Management Office of the CSRC from August 2003 to February 2009. Mr. Zhou is currently a deputy director of Securities Companies Compliance Committee of the SAC.

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

Mr. Li Xingjia, aged 51, was the non-executive director from June 2008 to September 2015 and has been the non-executive director since October 2015. Mr. Li has worked in the Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as officer, managing officer and deputy division head. He has served in Henan Construction and Investment Corporation as the chief economist and deputy general manager. He has also worked in Henan Investment Group as the temporary officer responsible for asset management department I and the chief technology officer, while serving as the chairman of the board of YUNENG Holdings Company Limited. He is currently serving as the deputy general manager of Henan Investment Group. Mr. Li also currently serves as a delegate of Henan Provincial People's Congress.

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

Mr. Wang Lixin, aged 49, has been a non-executive director of the Company since September 2014. Mr. Wang has been the deputy general manager of Bohai Fund Management since June 2013. Mr. Wang held the positions of vice president of Beijing Representative Office at BOC International Holdings Limited, executive director and managing director of BOCI Securities Limited, and managing director of BOC International Holdings Limited between June 1998 and June 2013.

Mr. Wang graduated from Peking University with a bachelor's degree in economics in July 1986 and obtained a master's degree in economics from Peking University in January 1989.

Mr. Zhang Qiang, aged 52, has been a non-executive director of the Company since August 2012. Mr. Zhang served as the deputy general manager of medium factory of Anyang Iron & Steel Co., Ltd. (the shares of which are listed on Shanghai Stock Exchange; stock code is 600569) from August 1983 to March 2002, and the deputy general manager of the third steel mill of Anyang Iron & Steel Co., Ltd. from March 2002 to August 2005. Mr. Zhang worked in Anyang Iron & Steel Group as the deputy director of the planning department from August 2005 to April 2008 and has been the deputy division director of the strategy investment department of Anyang Iron & Steel Co., Ltd. since April 2008.

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

Mr. Zhang Xiaoyi, aged 30, has been non-executive director of the Company since September 2015. And Mr. Zhang has been the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd since March 2014. Mr. Zhang was a researcher at the Shenzhen Stock Exchange Securities Information Co., Ltd. from December 2009 to August 2012, and served as a project manager of Beijing Maoyuan Capital Investment Management Co., Ltd. from September 2012 to February 2014. Mr. Zhang has been the vice general manager of Central China International Investment Company Limited since December 2015.

Mr. Zhang graduated from the Business School of University of Toronto in Canada, majoring in commerce and finance and accounting (commerce and finance), and received a bachelor's degree in commerce in June 2008.

Mr. Yu Zeyang, aged 46, has been a non-executive director of the Company since November 2014. Mr. Yu has been the head of Capital Operation Department of Pingmei Shenma Energy, general manager of Henan Zhongping Investment Co., Ltd., supervisor of Pingdingshan Tianan Coal Mining Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange; stock code is 601666) and director of Henan Xindaxin Materials Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange; stock code is 300080). During February 2005 to January 2011, Mr. Yu served as deputy head of secretariat of the board of directors of Pingdingshan Coal (Group) Co., Ltd., deputy chief of office of the board of directors of and deputy head of secretariat of general office of Pingdingshan Coal (Group) Co., Ltd., and head of secretariat of general office of China Pingmei Shenma Energy & Chemical Group Co., Ltd.

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

Mr. Yuan Dejun, aged 65, has been an independent non-executive director of the Company since August 2012. Mr. Yuan taught in Harbin Finance University (formerly known as Harbin Finance Institution) as an associate professor from September 1982 to January 1995, and taught in Tianjin University of Finance & Economics as a professor from February 1995 to October 2000. Mr. Yuan used to be the senior economist of China Galaxy Securities Co., Ltd. (the shares of which are listed on the Stock Exchange; stock code is 6881) from November 2000 to January 2012. Mr. Yuan has been an independent non-executive director of Ningxia Qinglong Pipes Industry Co., Ltd. (the shares of which are listed on Shenzhen Stock Exchange; stock code is 002457) since January 2014.

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

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Yuen Chi Wai, aged 40, has served as an independent non-executive director of our Company since June 2014. Mr. Yuen is experienced in auditing, corporate internal control and financial and risk management. Mr. Yuen used to work as an auditor in Charles Mar Fan & Co. from February 1998 to April 2000, and an auditor in Arthur Andersen from May 2000 to June 2002. Mr. Yuen worked in PricewaterhouseCoopers (Hong Kong) from July 2002 to August 2005 and served consecutively as an auditor; and worked in Beijing branch and Shenzhen branch of PricewaterhouseCoopers from August 2005 to December 2009 and served consecutively as an auditor. Mr. Yuen has been the chief financial officer and company secretary of Bolina Holding Co., Ltd. (the shares of which are listed on Hong Kong Stock Exchange; stock code is 1190) from May 2011 to May 2015 and has been its executive assistant from May 2015 to October 2015. Mr. Yuen also has been the managing director of Venture Executive Services Limited since August 2014.

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

Mr. Ning Jincheng, aged 59, has been an independent non-executive director of our Company since March 2015. Mr. Ning is currently a professor of the law faculty, doctoral tutor and a university researcher of Zhengzhou University. Mr. Ning has worked in the areas of legal education and research and administrative management and accumulated extensive experiences in the legal sector after graduating from Zhengzhou University with a bachelor's degree in economics in June 1982. Mr. Ning also obtained a PhD degree in law (civil law and business law) from Macau University of Science and Technology in January 2005 and completed the training course for senior management of listed companies organized by the Shenzhen Stock Exchange in August 2012. Mr. Ning has been an independent director of Zhengzhou Coal Industry & Electric Power Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange; stock code is 600121) since June 2014.

Mr. Yu Xugang, aged 47, has been an independent non-executive director of our Company since December 2015. Mr. Yu was a partner at Beijing Dacheng Law Offices, LLP from August 2001 to December 2003 and a senior partner at Beijing Dacheng Law Offices, LLP from January 2004 to the present. Mr. Yu acted as an assistant judge at Baoding City Intermediate People's Court, Hebei Province from August 1990 to July 1995 and an independent director of Inner Mongolia Baotou Steel Union Co Ltd (the shares of which are listed on the Shanghai Stock Exchange; stock code is 600010), from August 2009 to August 2015.

Mr. Yu obtained a bachelor's degree in law from the China University of Political Science and Law in July 1990, a master's degree in law from the Peking University in July 1998 and a doctoral degree in law from the Peking University in July 2001.

(II) Supervisors

Mr. Lu Zhili, aged 49, has been the chairman of the supervisory committee of our Company since September 2015. Mr. Lu joined the Company since our incorporation in November 2002 and served as the vice president from November 2002 to March 2013 and the standing vice president of the Company from March 2013 to September 2015. Mr. Lu has been the director of Central China Futures and Ashmore-CCSC Fund Management since March 2008 and January 2013 respectively. Before joining the Company, Mr. Lu worked consecutively as the manager of the securities issuance department, assistant to general manager and chairman of the research department of Henan Securities from September 1992 to November 2002.

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

Mr. Wang Jinchang, aged 42, has been a shareholder representative supervisor of our Company since September 2015. Mr. Wang worked in Zhengzhou Trust Investment Company from July 1997 to June 2001; worked in Henan Province Construction Investment Company from June 2001 to August 2004; worked as chief accountant of Henan Xuchang Xinlong Mining Co., Ltd. from August 2004 to February 2006; supervisor of the developmental planning department of Henan Province Construction Investment Company from February 2006 to October 2007; deputy supervisor of developmental planning department of Henan Investment Group Co., Ltd. from October 2007 to June 2008; deputy general manager and financial controller of Henan Ancai Hi-Tech Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange; stock code is 600207) from June 2008 to April 2010; director of general manager's office of Henan Investment Group Co., Ltd. from April 2010 to July 2010 and since then, Mr. Wang worked as supervisor of the department of disciplinary supervision of Henan Investment Group Co., Ltd..

Mr. Wang graduated from Henan University of Economics and Law (formerly known as Henan College of Finance and Economics), and was awarded a bachelor's degree majoring in finance in June 1997. He graduated from Wuhan University with a master's degree majoring in finance in December 2005. He graduated from Central South University, majoring in management science and engineering in January 2014, and received a doctoral degree in management science in June 2014. Mr. Wang was granted the accreditation of senior accountant by the government of Henan province in November 2005.

Mr. Yan Changkuan, aged 52, has been a shareholder representative supervisor of the Company since June 2006. Mr. Yan served consecutively as the assistant to the director of financial department and the deputy director of financial department of Anyang Iron & Steel Group from March 1996 to March 2002. He was the secretary to the board of directors and the head of the securities department of Anyang Iron & Steel Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange; stock code is 600569) from April 2002 to April 2006. Mr. Yan served as the director of the financial department of Anyang Iron & Steel Group from May 2006 to August 2011 and a director of Anyang Iron & Steel Co., Ltd. from November 2009 to November 2012. Mr. Yan was the director of the financial department and the general accountant of Anyang Iron & Steel Group from August 2011 to December 2013. Mr. Yan has served as the general accountant of Anyang Iron & Steel Group since December 2013.

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

Mr. Cui Yuanfeng, aged 39, has been a shareholder representative supervisor of our Company since September 2015. He worked as an associate professor at Zhongnan University of Economics and Law from July 2004 to December 2009, and was engaged in the education and research of economics. He worked as deputy county head at the People's Government of Tangyin County from January 2010 to August 2013 and was engaged in Party and political duties. Since September 2013, Mr. Cui has worked as general manager at Anyang Economic Development Group Co., Ltd. and been engaged in economic related duties.

Mr. Cui graduated from Zhengzhou University with a bachelor's degree majoring in international trade in June 1999.

Ms. Xiang Siying, aged 52, has been an independent supervisor of our Company since September 2015. Ms. Xiang has served as executive director of CDH Investments since 2010; the executive general manager of the direct investment division and the investment banking division of China International Finance Corporation Limited from 2004 to 2010; investment officer in the East Asia and Pacific Branch and Global Manufacturing and Consumer Service Branch of International Finance Corporation in Washington D.C. from 1996 to 2004; officer of the general office of the rural management and administration and the foreign economic office in the Ministry of Agriculture of China from 1988 to 1991.

Ms. Xiang graduated from China Agricultural University (formerly known as Beijing Agricultural University) with a bachelor's degree in agriculture in 1986. Ms. Xiang graduated from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics) as a postgraduate majoring in finance in 1988. She obtained a master's degree in economics from the Research Institute for Fiscal Science, Ministry of Finance of China in 1989 and received a master's degree in business administration from London Business School in 1999.

Ms. Lee Kit Ying, aged 67, has served as independent supervisor of the Company since September 2015, and Ms Lee has served in senior positions at the Hong Kong Futures Exchange, Stock Exchange and Hong Kong Exchanges and Clearing Limited, and has accumulated over 20 years of experience in the fields of derivative products and the operation, supervision and risk management of securities markets. Ms. Lee is currently the chairman of Virtus Foundation Limited; an independent non-executive director of China Blue Chemical Ltd. (the shares of which are listed on the Hong Kong Stock Exchange, stock code is 3983); and an independent non-executive director of Century Iron Mines Corporation (the shares of which are listed on the Toronto Stock Exchange, stock code is FER).

Ms. Lee graduated from London Metropolitan University (formerly known as the City of London Polytechnic) with a bachelor's degree majoring in accounting in 1979. She received a master's degree in financial engineering from the City University of Hong Kong in 1998. Ms. Lee is currently a fellow of the Institute of Chartered Accountants in England and Wales.

Ms. Wang Jing, aged 47, has been an employee representative supervisor of the Company since September 2015. Ms Wang worked as officer in the Zhengzhou Branch of People's Bank of China* (鄭州市人民銀行) (currently known as Zhengzhou Central Sub-branch of The People's Bank of China* (中國人民銀行鄭州中心支行)) from April 1990 to April 1992; deputy general manager and general manager of the branch of Henan Securities from April 1992 to November 2002; general manager of the branch of the Company from November 2002 to March 2013; departmental general manager of Customer Service Headquarter of the Company from March 2013 to March 2015; and since March 2015, Ms. Wang worked as departmental general manager of Brokerage Business Headquarter of the Company.

Ms. Wang graduated from Henan Radio & Television University in November 1991, majoring in auditing. Ms. Wang also graduated from Party School of Henan Province* (河南省委黨校) in April 1997, majoring in economics management.

Mr. Han Junyang, aged 46, has been an employee representative supervisor of the Company since September 2015. Mr Han worked as department manager of the Computer Division in Shenzhen branch of Henan Securities from July 1993 to May 1997; deputy manager of the administrative region branch of Henan Securities from May 1997 to September 1999; department head of Computer Centre of Henan Securities from September 1999 to November 2002; deputy general manager of Information Technology Headquarter of the Company from November 2002 to August 2003; worked in the Brokerage Business Headquarter from August 2003 to March 2005; general manager of Hangzhou branch of the Company from March 2005 to December 2008; and since December 2008, Mr. Han worked as department general manager of the Information Technology Headquarter of the Company.

Mr. Han graduated from Zhengzhou University in July 1993, and was awarded a bachelor degree in computer and computer application.

Mr. Lai Bulian, aged 43, has been an employee representative supervisor of the Company since September 2015. Mr Lai worked as officer in Investment Banking Department of Shandong Weifang Securities Company* (山東濰坊證券公司) from July 1995 to August 1996; officer in Investment Banking Department of Tiantong Securities Company Limited* (天同證券有限責任公司) from July 1999 to March 2003; officer and deputy general manager in Investment Banking Department of the Company from March 2003 to May 2006; officer in the Investment Banking Department of GF Securities Co., Ltd. from June 2006 to September 2006; officer and deputy general manager in Investment Banking Headquarter of the Company from October 2006 to August 2013; general manager in Business Development and Financing Headquarter of the Company from September 2013 to December 2014; since January 2015, Mr. Lai worked as general manager of Capital Market Headquarter (Investment Banking Operation Headquarter) of the Company.

Mr. Lai graduated from Renmin University of China in industrial economics in July 1995. In July 1999, he obtained his master degree in national economics from School of Economics in Renmin University of China. In July 2007, he was awarded a doctoral degree in political economics from School of Economics in Renmin University of China.

(III) Senior management

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

Mr. Zhu Jianmin, aged 52, has been a vice president of the Company since August 2007. Mr. Zhu joined the Company since our incorporation in November 2002 and served consecutively as the director of president's office, general manager of the brokerage department, and assistant to the president from November 2002 to August 2007. Before that, Mr. Zhu served as the chief officer of the planning office of the Company from January 2001 to November 2002. Before joining the Company, Mr. Zhu worked in Henan Securities and served consecutively as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, general manager of the operation department of Shangqiu branch from October 1993 to January 2001. Mr. Zhu is currently a member of the Professional Committee of Securities Brokerage of SAC and the executive vice president of the Securities and Futures Association of Henan Province.

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

Ms. Zhu Junhong, aged 46, has been the vice president, chief financial officer and general accountant of the Company since August 2012. Ms. Zhu joined the Company since our incorporation in November 2002 and served consecutively as assistant to president, principal officer of finance department and general accountant and chief financial officer from November 2002 to August 2012. Before joining the Company, Ms. Zhu worked in Henan Finance and Securities Company as the chief accounting officer, deputy manager and manager of planning and finance department, the general accountant and the general manager of the planning and finance department from November 1993 to November 2002. Ms. Zhu is currently a member of the Financial Accounting and Risk Control Committee of the SAC.

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

Mr. Xu Haijun, aged 45, has been the secretary to the Board and the Joint Company Secretary of the Company since July 2014. Mr. Xu joined the Company since its incorporation in November 2002, and served consecutively as the general manager of the business department of Shangqiu branch from November 2002 to December 2015, general manager of the business department of Sanmenxia branch, general manager of the IT department, the general manager of the legal and compliance department (Legal Affairs Department), the director of the office of the Board of the Directors and the chief compliance officer. Before joining the Company, Mr. Xu worked in Henan Securities as the manager of the IT department of Shanghai branch, deputy manager of Zhengzhou Huayuan Road branch, manager of Zijingshan business department, assistant to general manager and general manager of the Shenzhen branch consecutively from July 1993 to December 2000.

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

Ms. Xie Xuezhu, aged 45, has been the chief compliance officer since December 2015. Ms. Xie joined the Company since its incorporation in November 2002 and served consecutively as the director of the supervision office, deputy general manager of the brokerage department and general manager of the business department of Zhengzhou Shangcheng Road branch, the director of the office of the Company, the secretary to the Board and director of general office, director of the office of the Board, the chief risk officer and the general manager of the legal and compliance department (Legal Affairs Department) from November 2002 to December 2015. Ms. Xie is a supervisor of Ashmore-CCSC Fund Management since January 2013, director of ZDKY Venture Capital since April 2013, and the chairman of the Supervisory Committee of ZZKY Venture Capital since November 2013. Before joining the Company, Ms. Xie worked in Henan Finance and Securities Company from July 1993 to November 2002, where she served consecutively as a trader and the secretary of the general manager.

Ms. Xie obtained a bachelor degree of economics majoring in public finance and specialized management of state-owned assets from Jiangxi University of Finance (formerly known as Jiangxi Finance College) (located in Nanchang city, the PRC) in July 1993, and a master degree of economics majoring in political economics from Renmin University of China in January 2007. The Office of Personnel of Henan Province granted the qualification of corporate legal consultant to Ms. Xie in October 2000. He also passed the Exam on Compliance Management Capability of Securities Companies in May 2015.

Mr. Zhao Lifeng, aged 43, has been the vice President of the Company since August 2012. Mr. Zhao joined the Company in May 2004 and served consecutively as the deputy general manager and general manager of the investment banking department, employee representative Supervisor and assistant to the President and general manager of the investment banking department of the Company from May 2004 to August 2012. Before he joined the Company, from July 1997 to April 2004, Mr. Zhao used to work in the Citic Securities Company Limited and served consecutively as senior manager of investment banking department (Nanjing), assistant to general manager and project leader of investment banking department.

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

Mr. Zhu Qiben, aged 51, has been the chief risk officer of the Company since December 2015. Mr. Zhu joined the Company since our incorporation in November 2002 and consecutively served as the vice general manager, general manager of our human resources management department, assistant to the president and general manager of Human Resources Management Department, director of the supervision office and auditor-in-charge from November 2002 to December 2015. Before he joined the Company, Mr. Zhu was the project manager of the investment banking department and the assistant to director of general office of Henan Securities from July 1998 to November 2002.

Mr. Zhu obtained his bachelor degree of science majoring in mathematics from Henan University in July 1988 and obtained his master degree of economics majoring in industrial economics and business management from Sichuan Academy of Science in July 1998.

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes of directors

Ms. Shi Dan, a former independent non-executive director, resigned from the directorship and the member of the Board's Audit Committee for spending more time on her other business commitments on 6 January 2015.

The Company considered and approved the *Proposal on the Co-option of the Board's Audit Committee Members for Central China Securities Co., Ltd.* at the 42nd meeting of the 4th session of the Board on 9 February 2015. According to the proposal, Mr. Yuan Dejun was appointed as member of the Audit Committee, taking effect from 9 February 2015. On 31 March 2015, the Company approved the proposal of appointing Mr. Ning Jincheng as an independent non-executive director by ordinary resolution of extraordinary general meeting, taking effect from 31 March 2015.

For the 4th session of the Board of the Company would expire within the year, the Company held an extraordinary general meeting on 10 September 2015, at which the members of the 5th session of the Board were elected by ordinary resolutions: Mr. Jian Mingjun, Mr. Zhou Xiaoquan (as executive directors), Mr. Yuan Shunxing, Mr. Wang Lixin, Mr. Zhang Qiang, Mr. Zhang Xiaoqi, Mr. Yu Zeyang (as non-executive directors), Mr. Zhu Shanli, Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng (as independent non-executive directors). Mr. Li Xingjia and Mr. Zhu Jie, non-executive directors of the 4th Board of the Company, retired on September 10, 2015. At the same time, Mr. Li Xingjia was also no longer a member of the Board's Audit Committee, and Mr. Zhu Jie was no longer a member of the Board's Remuneration and Nomination Committee. The Company considered and approved the *Proposal on Development and Strategy Committee Members of the Board of Central China Securities Co., Ltd.*, the *Proposal on Electing Remuneration and Nomination Committee Members of the Board of Central China Securities Co., Ltd.*, the *Proposal on Electing Risk Control Committee Members of the Board of Central China Securities Co., Ltd.* and the *Proposal on Electing Audit Committee Members of the Board of Central China Securities Co., Ltd.* at the 1st meeting of the 5th session of the Board on 15 September 2015. Under the resolutions, Mr. Jian Mingjun, Mr. Zhou Xiaoquan, Mr. Yuan Shunxing, Mr. Wang Lixin and Mr. Zhang Qiang were appointed as Development and Strategy Committee members, of which Mr. Jian Mingjun was the Director; Mr. Zhou Xiaoquan, Mr. Zhang Xiaoqi, Mr. Zhu Shanli, Mr. Yuan Dejun, Mr. Yuen Chi Wai were appointed as Remuneration and Nomination Committee members, of which Mr. Yuan Dejun was the Director; Mr. Jian Mingjun, Mr. Yu Zeyang and Mr. Ning Jincheng were appointed as Risk Control Committee members, of which Mr. Jian Mingjun was the Director and Mr. Yuen Chi Wai, Mr. Yuan Dejun, Mr. Zhang Qiang were appointed as Audit Committee members, of which Mr. Yuen Chi Wai was the Director. The Company also considered and approved the *Proposal on Electing Mr. Jian Mingjun as Chairman of the Board of Central China Securities Co., Ltd.* and the *Proposal on appointing Mr. Zhou Xiaoquan as President of Central China Securities Co., Ltd.*, at the same meeting. Under the resolutions, Mr. Jian Mingjun was appointed as Chairman of the Board of the Company and Mr. Zhou Xiaoquan as President of the Company.

On 21 September 2015, the Company received a written resignation report submitted by the former non-executive director Mr. Yuan Shunxing. Due to occasional change of job, Mr Yuan Shunxing applied for resigning from his posts as a non-executive director and a member of the Board's Development and Strategy Committee, taking effect from 21 September 2015.

On 12 October 2015, the Company approved the proposal on appointing Mr. Li Xingjia as non-executive director by ordinary resolution of extraordinary general meeting, taking effect from 12 October 2015. On 19 October 2015, the Company considered and approved the *Proposal on Co-opting the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd.* at the 3rd meeting of the 5th session of the Board. Under the resolution, Mr. Li Xingjia was appointed as a member of Development and Strategy Committee.

Mr. Zhu Shanli, a former independent non-executive director and Remuneration and Nomination Committee member of the Company, unfortunately passed away on 15 September 2015.

On 7 December 2015, the Company approved the proposal on appointing Mr. Yu Xugang as independent non-executive director by ordinary resolution of extraordinary general meeting, taking effect from 7 December 2015. On 13 December 2015, the Company considered and approved the *Proposal on Co-opting the Board's Remuneration and Nomination Committee Members for Central China Securities Co., Ltd.* at the 6th meeting of the 5th session of the Board. Under the resolution, Mr. Yu Xugang was appointed as a member of Remuneration and Nomination Committee.

(II) Changes of supervisors

On 10 September 2015, the Company considered and approved the *Proposal on Electing Lu Zhili as Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Wang Jinchang as Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Yan Changkuan as Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Cui Yuanfeng as Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Xiang Siying as Independent Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Lee Kit Ying as Independent Supervisor of the 5th Supervisory Committee of Central China Securities Co., Ltd.* at the 3rd extraordinary general meeting in 2015, at which the Company agreed to elect Lu Zhili, Wang Jinchang, Yan Changkuan and Cui Yuanfeng as supervisors of the 5th Supervisors Committee of the Company, and elect Xiang Siying and Lee Kit Ying as independent supervisors of the 5th Supervisory Committee of the Company; on 10 September 2015, the Company elected Wang Jing, Han Junyang, Lai Bulian as employee representative supervisors of the 5th Supervisor Committee of the company by democratic election of the Company's labor union; except that the appointment of Lee Kit Ying took effect from 22 September 2015, the appointments of the rest of the personnel took effect from 10 September 2015, with a term of three years; on 15 September 2015, the Company considered and approved to elect Lu Zhili as chairman of the Supervisory Committee of the Company at the 1st meeting of the 5th Supervisory Committee.

(III) Changes of senior management

On 10 September 2015, the Company considered and approved the *Proposal on Appointing Zhou Xiaoquan as President of Central China Securities Co., Ltd., Proposal on Appointing Zhu Jianmin as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Zhu Junhong as Vice President and Chief Financial Officer of Central China Securities Co., Ltd., Proposal on Appointing An Xiaolang as Audit-in-charge of Central China Securities Co., Ltd., Proposal on Appointing Fang Jianmin as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Zhao Jizeng as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Xu Haijun as Secretary to the Board and Chief Compliance Officer of Central China Securities Co., Ltd., Proposal on Appointing Xie Xuezhu as Chief Risk Officer of Central China Securities Co., Ltd., Proposal on Appointing Zhao Lifeng as Vice President of Central China Securities Co., Ltd.* at the 1st meeting of the 5th session of the Board. The Company agreed to appoint Zhou Xiaoquan as president of the Company upon nomination of the chairman, Jian Mingjun. The Company agreed to appoint Zhu Jianmin, Fang Jianmin, Zhao Jizeng, Zhao Lifeng as vice presidents of the Company, respectively, and appoint Zhu Junhong as vice president and chief financial officer of the Company upon nomination of the president, Zhou Xiaoqun. The Company agreed to appoint An Xiaolang as audit-in-charge of the Company, Xu Haijun as secretary to the Board and chief compliance officer of the Company, Xie Xuezhu as chief risk officer of the Company upon nomination of the chairman, Jian Mingjun.

On 17 September 2015, the Company considered and approved the *Proposal on Changing Audit-in-charge of Central China Securities Co., Ltd.* at the 2nd meeting of the 5th session of the Board, at which Zhu Qiben was appointed as audit-in-charge of the Company upon nomination of the chairman, Jian Mingjun while An Xiaolang was no longer the audit-in-charge of the Company.

On 24 December 2015, the Company considered and approved the *Proposal on Changing Chief Compliance Officer and Chief Risk Officer of Central China Securities Co., Ltd.* at the 8th meeting of the 5th session of the Board, at which the Company agreed to appoint Xie Xuezhu as chief compliance officer and appoint Zhu Qiben as chief risk officer of the Company upon nomination of the chairman, Jian Mingjun while Xu Haijun, Xie Xuezhu and Zhu Qiben were no longer the chief compliance officer, chief risk officer and audit-in-charge of the Company, respectively.

V. REMUNERATION MANAGEMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The remuneration and evaluations of the Company's directors shall be proposed by the Board's Remuneration and Nomination Committee and considered and determined by the general meeting; the remuneration and assessment plans of the supervisors shall be proposed by the board of supervisors, which shall be considered and determined by the general meeting; and the remuneration and evaluations of the senior management shall be proposed by the Board's Remuneration and Nomination Committee and determined by the Board.

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

1. The remuneration of the internal directors and supervisors of the Company shall be determined according to the resolutions of the general meetings on remuneration of the directors and supervisors and such factors as the Company's operating results, job responsibilities, work performance and market environment. The remuneration of the external directors and supervisors shall be proposed by the Board's Remuneration and Nomination Committee according to the industry and market conditions, which proposal shall be implemented after approval by the general meeting. The remuneration, rewards and punishments of the senior management of the Company shall be determined according to the resolutions of the Board and the evaluation and incentive & restriction mechanism of the Company. The remuneration of senior management shall be distributed in strict accordance with relevant state provisions on deferred payment of remuneration.
2. The Company approved the linked system of annual evaluation and salaries at the extraordinary general meeting on 7 December 2015 in order to enhance the work motivation of cadre employees, cultivate competitiveness of the Company and facilitate the rapid development of the Company. The linked system of annual evaluation and salaries is an annual year-end evaluation designed especially for cadres employees of the Company which assesses the work done by the employees throughout the year. Evaluation standards mainly centre on the work performance of the employees, and the conduct, capability and diligence, etc. will also be considered. Marks will be given according to each item of assessment standard in the evaluation, the final mark will be calculated with reference to the proportion of each item of standard and the accumulation of each item. There are three grades of evaluation results, namely, Excellent (90-100 marks), Pass (60-89 marks) and Fail (below 60 marks) with the full marks being 100.
3. Following the increase in workload of and the increasing responsibilities borne by independent supervisors after the listing of the shares of the Company in Hong Kong and the proposed listing in the Mainland and pursuant to the actual conditions of the Company, the Company approved the proposal on the adjustment of allowance for independent supervisors at the extraordinary general meeting on 7 December 2015. Accordingly, the allowance increased from RMB100,000 (before tax) per annum to HK\$150,000 (before tax), with the way of distribution remained unchanged.
4. According to the salary system of the Company and in consideration of the current salary level of the securities industries the Company approved the proposal on the adjustment of the salary of the Chairman of the Supervisory Committee at the extraordinary general meeting on 7 December 2015. According to the proposal, the initial salary of the Chairman of the Supervisory Committee, was set at B+ of Grade 23 in the Salary System (Tentative) of Central China Securities Co., Ltd. ("salary system"), i.e. RMB35,519 per month; if the original salary of the new Chairman of the Supervisory Committee is approximate to higher than the salary at B+ of Grade 23, the standard salary will be set at 1.06 times at the next approximately higher level of the original salary; also, according to the linked system of annual evaluation and salaries, the requirement of obtaining a Pass grade for two years and obtain two Excellent grade within three years in the evaluation is applicable to the salary of the Chairman of the Supervisory Committee, The adjusted salary standard was effective from September 2015 onwards.

(III) Non-cash remuneration

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

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

For details about the remuneration payment of directors, supervisors and senior management, please refer to the Basic Information about Incumbent Directors, Supervisors and Senior Management and those Leaving Offices during the Reporting period in this section. The total remuneration that directors, supervisors and senior management of the Company actually received came to RMB51,981,000 in 2015.

On 1 January 2016, the Company received a statement from our independent director Mr. Ning Jincheng that he voluntarily waived the allowance of independent directors. Due to personal reasons, Mr. Ning Jincheng stated that he voluntarily waived the right to claim the allowance of independent directors paid by the Company monthly while he would continue to perform his duties as an independent director since 1 January 2016.

On 11 January 2016, the Company received a statement from our supervisor, Mr. Cui Yuanfeng that he voluntarily waived the allowance of supervisors. Due to personal reasons, Mr. Cui stated that he voluntarily waived the right to claim the allowance of supervisor paid by the Company monthly while he would continue to perform his duties as a supervisor since 1 February 2016. Meanwhile, he returned the allowance received after tax from September 2015 to January 2016 in total of RMB8266.66 to the Company in cash. The Company received such amount on 25 January 2016.

VI. EMPLOYEES AND REMUNERATIONS THEREOF

(I) Number and structure of employees

At the end of the Reporting period, the Group had 2,331 employees in total, including 2,080 employees of the Company, with the employee structure set out as follows:

Items	The Group		The Company	
	Number of persons	Percentage (%)	Number of persons	Percentage (%)
Specialty structure				
Brokerage	1,540	66.07	1,540	74.04
Investment banking	139	5.96	139	6.68
Investment management	27	1.16	0	0
Asset management	27	1.16	27	1.3
Proprietary trading	27	1.16	27	1.3
New businesses and others	24	1.03	10	0.48
Futures business	159	6.82	0	0
Fund management	33	1.41	0	0

SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Items	The Group		The Company	
	Number of persons	Percentage (%)	Number of persons	Percentage (%)
International business	18	0.77	0	0
Research	21	0.90	21	1.01
Legal risk, compliance and audit	31	1.33	31	1.49
IT	112	4.80	112	5.38
Financial accounting	85	3.65	85	4.09
Administration	88	3.78	88	4.23
Total number of employees:	2,331	100	2,080	100
Education level				
Doctor degree	18	0.77	17	0.82
Master degree	404	17.33	332	15.96
Bachelor degree	1,400	60.06	1,268	60.96
Junior college degree and below	509	21.84	463	22.26
Total number of employees:	2,331	100	2,080	100
Age				
Under 30	1,176	50.45	1,071	51.49
31-40	841	36.08	749	36.01
41-50	288	12.35	242	11.63
51-60	26	1.12	18	0.87
Total number of employees:	2,331	100	2,080	100

(II) Remuneration of employees

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

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

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

(III) Training plans

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

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

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

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

In the Reporting period, while maintaining effective operation of the basic management system of securities brokers, the Company kept on reinforcing the management of securities broker business of our branches, gained insight into the developing situation of securities broker team in each branch, and optimized relevant daily management procedure of securities brokers. As at the end of 2015, the number of securities brokers of our Company reached 310.

I. OVERVIEW OF CORPORATE GOVERNANCE

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of general meetings and shareholders

The general meeting is the supreme authority of the Company and exercises its power in accordance with Articles of Association and Rules of Procedure for General Meetings. The Company convened and held general meetings in strict accordance with relevant provisions and ensured all Shareholders could enjoy equal status and fully exercise their rights as Shareholders. In 2015, the Company convened 10 general meetings, including 1 annual general meeting, 5 extraordinary general meetings, 2 Domestic share class meetings and 2 H share class meetings, answered in detail the questions of Shareholders, and carefully listened to the opinions and suggestions of the Shareholders on the Company's development.

(II) General meetings

During the Reporting period, the Company convened 10 general meetings in total, including 1 annual general meeting, 5 extraordinary general meetings, 2 Domestic share class meetings and 2 H share class meetings, with the information about the meetings and resolutions set out as follows:

1. Central China Securities Co., Ltd. convened the 1st extraordinary general meeting 2015 on 31 March 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Amendments to Articles of Association, the Proposal on the Amendments to Board Meeting Rules of Central China Securities Co., Ltd., and the Proposal on Electing Ning Jincheng as Independent Director of the Fourth Session of the Board of Central China Securities Co., Ltd.;

2. Central China Securities Co., Ltd. convened the annual general meeting 2014 on 15 June 2015, and considered and approved the 2014 Annual Working Report of the Board of Central China Securities Co., Ltd., 2014 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd., Results Announcement of Central China Securities Co., Ltd. for the Year Ended 31 December 2014, Proposal on Considering the Annual Report 2014 of Central China Securities Co., Ltd., 2014 Final Accounts Report of Central China Securities Co., Ltd., Profit Distribution Plan of Central China Securities Co., Ltd. for the Year of 2014, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Domestic Auditing Firm for the Year of 2015, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Overseas Auditing Firm for the Year of 2015, 2014 Annual Working Report of Independent Director (the independent director Zhu Shanli) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Yuan Dejun) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Yuen Chi Wai) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Shi Dan) of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Directors in 2014 of Central China Securities Co., Ltd., and Explanation of the Remuneration and Evaluation of Supervisors in 2014 of Central China Securities Co., Ltd.;
3. Central China Securities Co., Ltd. convened the 2nd extraordinary general meeting 2015 on 15 June 2015, and considered and approved the Proposal on the Additional Issue of H Shares by Central China Securities Co., Ltd., the Proposal on Considering the Use of Proceeds from Previous Funds Raising Activity of Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Implementation of Share Option Scheme of H shares for Chairman, President and Relevant Personnel;
4. Central China Securities Co., Ltd. convened the 1st domestic share class meeting 2015 on 15 June 2015, and considered and approved the Proposal on the Additional Issue of H Shares by Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Implementation of Share Option Scheme of H shares for the Chairman, President and Relevant Personnel;
5. Central China Securities Co., Ltd. convened the 1st H Shares class meeting 2015 on 15 June 2015, and considered and approved the Proposal on the Additional Issue of H Shares by Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Implementation of Share Option Scheme of H shares for the Chairman, President and Relevant Personnel;

6. Central China Securities Co., Ltd. convened the 3rd extraordinary general meeting 2015 on 10 September 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Amendments to Articles of Association, Proposal on Electing Jian Mingjun as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Zhou Xiaoquan as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Yuan Shunxing as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Wang Lixin as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Zhang Qiang as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Zhang Xiaoqi as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Yu Zeyang as Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Zhu Shanli as Independent Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Yuan Dejun as Independent Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Yuen Chi Wai as Independent Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Ning Jincheng as Independent Director of the Fifth Session of Board of Central China Securities Co., Ltd., Proposal on Electing Lu Zhili as Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Wang Jinchang as Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Yan Changkuan as Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Cui Yuanfeng as Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Xiang Siying as Independent Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal on Electing Lee Kit Ying as Independent Supervisor of the Fifth Session of Supervisory Committee of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Allowance of Independent Supervisors, Proposal on the Amendments to "Rules of Procedures for the Supervisory Committee of Central China Securities Co., Ltd." and the Proposal of Central China Securities Co., Ltd. on the Issuance of Onshore and Offshore Debt Financing Instruments and Relevant Authorization;
7. Central China Securities Co., Ltd. convened the 4th extraordinary general meeting 2015 on 12 October 2015, and considered and approved the Distribution Plan for Interim Profit of Central China Securities Co., Ltd. for 2015, Proposal of Central China Securities Co., Ltd. on the Establishment of Assets Management Subsidiary, Proposal of Central China Securities Co., Ltd. on Changes in the Business Scope, Proposal of Central China Securities Co., Ltd. on the Amendments to the Articles of Association, and the Proposal on Electing Li Xingjia as Director of the Fifth Session of the Board of Central China Securities Co., Ltd.;
8. Central China Securities Co., Ltd. convened the 5th extraordinary general meeting 2015 on 7 December 2015, and considered and approved the Proposal on Referral to General Meeting for Approval of Assessment and Award Colligation Mechanism Plan of Central China Securities Co., Ltd., the Proposal on Referral to General Meeting for Approval of Proposal on the Establishment of Annual Assessment-based Salary Mechanism of Central China Securities Co., Ltd., the Proposal on Electing Yu Xugang as Independent Director of the Fifth Session of the Board of Central China Securities Co., Ltd., the Proposal on Adjusting the Allowances of Independent Supervisors of Central China Securities Co., Ltd., the Proposal on the Determination of the Salary Standard of the Chairperson of Supervisory Committee of Central China Securities Co., Ltd., the Proposal on the Amendments to the Articles of Association (Draft) of Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Extension of the Effective Periods for the Proposal of Issuance of A Shares and its Relevant Delegations;

9. Central China Securities Co., Ltd. convened the 2nd Domestic Shares class meeting 2015 on 7 December 2015, and considered and approved the Proposal on the Amendments to the Articles of Association (Draft) of Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Extension of the Effective Periods for the Proposal of Issuance of A Shares and its Relevant Delegations;
10. Central China Securities Co., Ltd. convened the 2nd H Shares class meeting 2015 on 7 December 2015, and considered and approved the Proposal on the Amendments to the Articles of Association (Draft) of Central China Securities Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on the Extension of the Effective Periods for the Proposal of Issuance of A Shares and its Relevant Delegations.

III. PERFORMANCE OF DUTIES OF BOARD

(I) Respective duties of the Board and the management

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

(II) Composition of the Board

The Board kept improving its rules of procedure for Board of Directors, gave full play to the strengths of its special committees and further improved its efficiency and ability in decision-making. During the Reporting period, two former non-executive Directors resigned during change of session of the Board, one former non-executive Director and one former independent non-executive Director resigned, and one independent non-executive Director passed away. So the Company timely appointed three new non-executive Directors and two new independent non-executive Directors according to the Articles of Association and other relevant rules. During the Reporting period, the Company timely elected and formed the 5th session of the Board upon the expiration of the term of office of the 4th session of the Board according to the Articles of Association and other relevant rules. Independent non-executive Directors of the Company faithfully fulfilled their duties and protected the overall interests of the Company, especially the interests of Minority Shareholders, which ensured the independent and scientific decision-making of the Board.

Currently the Company's Board comprises 11 Directors, including 2 executive Directors (Mr. Jian Mingjun (the Chairman) and Mr. Zhou Xiaoquan), 5 non-executive Directors (Mr. Li Xingjia, Mr. Wang Lixin, Mr. Zhang Qiang, Mr. Zhang Xiaoqi, and Mr. Yu Zeyang) and 4 independent non-executive Directors (Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng, and Mr. Yu Xugang). Mr. Jian Mingjun is the Chairman and executive Director of the Company and Mr. Zhou Xiaoquan is the executive Director and President of the Company. No Directors, Supervisors and senior management have any relations among one another (including financial, business, family or other material or related relations).

The Board proposed Mr. Yuan Shunying and Mr. Zhang Xiaoqi to be non-executive Directors. On the extraordinary general meeting on 10 September 2015, Mr. Yuan Shunying and Mr. Zhang Xiaoqi were appointed as non-executive Directors.

Mr. Li Xingjia and Mr. Zhujie resigned as the Directors after the establishment of the 5th session of the Board on 10 September 2015.

On 6 January 2015 the Company's independent non-executive Director Ms. Shi Dan resigned from her job as an independent non-executive Director and a member of the Board's Audit Committee. Since the then number of independent non-executive directors failed to reach one-third of the Board, the Board had, according to the Listing Rules, Articles of Association and other relevant rules, proposed to appoint Mr. Ning Jincheng to fill the said vacancy and he was formally appointed after the election at the general meeting held on 31 March 2015.

On 15 September 2015, the Company's independent non-executive Director and a member of the Remuneration and Nomination Committee Mr. Zhu Shanli passed away. Since the then number of independent non-executive directors failed to reach one-third of the Board and the number of members of the Remuneration and Nomination Committee decreased from 5 to 4 and two of which are independent non-executive directors, Rule 3.25 of the Listing Rules, which requires a majority of independent non-executive directors within the Remuneration Committee and the Provision A.5.1 of Appendix 14 of the Listing Rules, which requires a majority of independent non-executive directors within the nomination committee, and the relevant requirements provided in the Term of Reference of the Remuneration and Nomination Committee, were failed to be fulfilled. The Board had, according to the Listing Rules, Articles of Association and other relevant rules, proposed to appoint Mr. Yu Xugang to fill the said vacancy and he was formally appointed after the election at the general meeting held on 7 December 2015. Mr. Yu Xugang was appointed as a member of the Remuneration and Nomination Committee on 13 December 2015.

The Company accepted the written resignation report submitted by the non-executive Director Mr. Yuan Shunxing on 21 September 2015. Due to the temporary changed of works, Mr. Yuan applied for resigning from the positions of non-executive Director and the member of the Board's Development and Strategy Committee, which was effective from 21 September 2015.

The Company received the written notice sent by Henan Investment Group on 21 September 2015, proposing Mr. Li Xingjia acted as non-executive Director. Mr. Li Xingjia was appointed as non-executive Director at the extraordinary general meeting on 21 October 2015.

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

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

(III) Board meeting

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

During the Reporting period, the Board convened a total of 25 meetings as follows, and the details and resolution passed are:

1. Central China Securities Co., Ltd. convened the 41st meeting of the 4th session of the Board on 21 January 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Electing Receiving Agent for Payment of H-share Dividends and Relevant Expenses, Plan of Central China Securities Co., Ltd. on the Increases in Capital Contributions to and Diversification of Shareholding Structure of Zhongding Kaiyuan Venture Capital Management Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Change of Names and Adjustment of Roles and Responsibilities of Four Level-one Departments of Brokerage Business, and the Proposal of Central China Securities Co., Ltd. on Application for Establishment of Subsidiaries in Qianhai Cooperation Zone in Shenzhen;
2. Central China Securities Co., Ltd. convened the 42nd meeting of the 4th session of the Board on 9 February 2015, and considered and approved the Proposal on Electing Ning Jincheng as an Independent Director of the Fourth Session of Board of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Amendments to the Articles of Association, Proposal on the Amendments to "Rules of Procedures for the Board of Central China Securities Co., Ltd.", Proposal on Formulating "Internal Reporting System of Material Information of Central China Securities Co., Ltd.", Proposal on the Additional Appointment of Members to the Auditing Committee under the Board of Central China Securities Co., Ltd., and the Proposal on Convening 1st Extraordinary General Meeting 2015 of Central China Securities Co., Ltd.;

3. Central China Securities Co., Ltd. convened the 43rd meeting of the 4th session of the Board on 7 March 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Holding Shares in China Securities Inter-agency Quotation Systems Co., Ltd., and the Proposal of Central China Securities Co., Ltd. on Application for Establishment of 3 Branches in Henan Province;
4. Central China Securities Co., Ltd. convened the 44th meeting of the 4th session of the Board on 20 March 2015, and considered and approved the 2014 Annual Working Report of the Board of Central China Securities Co., Ltd., 2014 Annual Working Report of the President of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Making Provisions for Financing Business, Results Announcement of Central China Securities Co., Ltd. for the Year Ended 31 December 2014, Proposal on Considering the Annual Report of Central China Securities Co., Ltd. for the Year of 2014, Proposal of Central China Securities Co., Ltd. on the Increases in Capital Contributions to Central China International Financial Holdings Company Limited, 2014 Final Accounts Report of Central China Securities Co., Ltd., Profit Distribution Plan of Central China Securities Co., Ltd. for the Year of 2014, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Domestic Auditing Firm for the Year of 2015, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Overseas Auditing Firm for the Year of 2015, 2014 Annual Working Report of Independent Director (the independent director Zhu Shanli) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Yuan Dejun) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Yuen Chi Wai) of Central China Securities Co., Ltd., 2014 Annual Working Report of Independent Director (the independent director Shi Dan) of Central China Securities Co., Ltd., 2014 Annual Work Report of Employees Hired by the Board of Central China Securities Co., Ltd., 2014 Annual Working Report of the Board's Development and Strategy Committee of Central China Securities Co., Ltd., 2014 Annual Working Report of the Board's Risk Control Committee of Central China Securities Co., Ltd., 2014 Annual Working Report of the Board's Audit Committee of Central China Securities Co., Ltd., 2014 Annual Working Report of the Board's Remuneration and Nomination Committee of Central China Securities Co., Ltd., 2014 Internal Control Self-assessment Report of Central China Securities Co., Ltd., 2014 Compliance Report of Central China Securities Co., Ltd., Specified Explanation of the Remuneration and Evaluation of Directors in 2014 of Central China Securities Co., Ltd., and the Proposal on Convening of the 2014 Annual General Meeting of Central China Securities Co., Ltd.;
5. Central China Securities Co., Ltd. convened the 45th meeting of the 4th session of the Board on 31 March 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Adjustment of Increases in Capital Contributions to and Diversification of Shareholding Structure of Zhongding Kaiyuan Venture Capital Management Co., Ltd.;
6. Central China Securities Co., Ltd. convened the 46th meeting of the 4th session of the Board on 1 April 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Adjustment of the Scale of Margin Financing and Securities Lending, Stock Pledge and Agreed Repurchase Businesses in 2015; and the Proposal on Implementing Joint-stock Reform to Central China Futures Co., Ltd. and Proposed Quotation on the National Equities Exchange and Quotations System;

7. Central China Securities Co., Ltd. convened the 47th meeting of the 4th session of the Board on 9 April 2015, and considered and approved the Proposal on the Additional Issue of H Shares of Central China Securities Co., Ltd., Proposal on Considering Report on the Use of Proceeds from Previous Funds Raising Activity of Central China Securities Co., Ltd., and the Proposal on Convening of the 2nd Extraordinary General Meeting, 1st Domestic Shares Class Meeting and 1st H Shares Class Meeting of Central China Securities Co., Ltd. in 2015;
8. Central China Securities Co., Ltd. convened the 48th meeting of the 4th session of the Board on 13 May 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Bidding Invitation for the Disposal of the 34% Equity Interest of Ashmore-CCSC Fund Management Company Limited, Proposal of Central China Securities Co., Ltd. on the Determination of Risk Preference and Tolerance for the Year of 2015, and the Proposal on Considering the Financial and Relevant Reports of Central China Securities Co., Ltd. for the Latest Three Years;
9. Central China Securities Co., Ltd. convened the 49th meeting of the 4th session of the Board on 17 May 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Funding to Establish Central China Equity Exchange Co., Ltd.;
10. Central China Securities Co., Ltd. convened the 50th meeting of the 4th session of the Board on 26 May 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Funding to Establish the Joint Venture Company Central China Equity Exchange Co., Ltd. with its Controlling Shareholder Henan Investment Group Co., Ltd. and other Third Parties, and the Proposal of Central China Securities Co., Ltd. on the First External Donation in 2015;
11. Central China Securities Co., Ltd. convened the 51st meeting of the 4th session of the Board on 15 June 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Proposed Distribution of Interim Profit, and the “13th Five-Year” Development Strategy and Planning of Central China Securities Co., Ltd.;
12. Central China Securities Co., Ltd. convened the 52nd meeting of the 4th session of the Board on 22 July 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Amendments to the Articles of Association, Proposal on Electing Jian Mingjun as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Zhou Xiaoquan as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Yuan Shunxing as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Wang Lixin as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Zhang Qiang as a Director of the 5th session of the Board of Central China Securities Co., Ltd. Proposal on Electing Zhang Xiaoqi as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Yu Zeyang as a Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Zhu Shanli as an Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Yuan Dejun as an Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Yuen Chi Wai as an Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Electing Ning Jincheng as an Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on the Issuance of Onshore and Offshore Debt Financing Instruments of Central China Securities Co., Ltd. and Relevant Authorization, Proposal of Central China Securities Co., Ltd. on the Application for the Establishment of 3 New Branches, and the Proposal of Central China Securities Co., Ltd. on the Convening of the 3rd Extraordinary General Meeting in 2015;

13. Central China Securities Co., Ltd. convened the 53rd meeting of the 4th session of the Board on 1 August 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Establishment of Corporate Financing Headquarter;
14. Central China Securities Co., Ltd. convened the 54th meeting of the 4th session of the Board on 20 August 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on Distribution of Interim Profit in 2015, Interim Results Announcement for the Six Months Ended 30 June 2015 of Central China Securities Co., Ltd., Interim Report 2015 of Central China Securities Co., Ltd., Proposal on Considering the Financial Reports for the Past Three Years and Latest Period of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Valuation Methods for Holding Shares in NEEQ Market-Making Business, Interim Compliance Report 2015 of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Establishment of Assets Management Subsidiary, Proposal of Central China Securities Co., Ltd. on the Changes in the Business Scope, Proposal of Central China Securities Co., Ltd. on the Amendments to the Articles of Association, and the Proposal of Central China Securities Co., Ltd. on Convening of the 4th Extraordinary General Meeting in 2015;
15. Central China Securities Co., Ltd. convened the 55th meeting of the 4th session of the Board on 16 August 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Cancellation of Special Incentive Fund for the Chairman and President;
16. Central China Securities Co., Ltd. convened the 56th meeting of the 4th session of the Board on 24 August 2015, and considered and approved the Proposal of Central China Securities Co., Ltd. on the Notification Procedures for the Purchase and Sales of the Company's Securities by Directors of the Company;
17. Central China Securities Co., Ltd. convened the 57th meeting of the 4th session of the Board on 1 September 2015, and considered and approved Proposal on Increasing the Scale of Equity Securities Proprietary Business for Involvement in Return Swaps Business of China Securities Finance Co., Ltd. in 2015, Proposal of China Securities Finance Co., Ltd. on Increasing Investment in Zhongding Kaiyuan Venture Capital Management Co., Ltd., Proposal on Applying for the Establishment of Seven Branches by Central China Securities Co., Ltd. and Proposal on Continuous External Donation in 2015 of Central China Securities Co., Ltd.;
18. Central China Securities Co., Ltd. convened the 1st meeting of the 5th session of the Board on 15 September 2015, and considered and approved Proposal on Electing Jian Mingjun as Chairman of Central China Securities Co., Ltd.; Proposal on Appointing Zhou Xiaoquan as President of Central China Securities Co., Ltd., Proposal on Appointing Zhu Jianmin as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Zhu Junhong as Vice President and Chief Financial Officer of Central China Securities Co., Ltd., Proposal on Appointing An Xiaolang as Audit-in-charge of Central China Securities Co., Ltd., Proposal on Appointing Fang Jianmin as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Zhao Jizeng as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Xu Haijun as Secretary to the Board and Chief Compliance Officer of Central China

Securities Co., Ltd., Proposal on Appointing Xie Xuezhu as Chief Risk Officer of Central China Securities Co., Ltd., Proposal on Appointing Zhao Lifeng as Vice President of Central China Securities Co., Ltd., Proposal on Electing the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on Electing the Board's Audit Committee Members for Central China Securities Co., Ltd., Proposal on Electing the Board's Remuneration and Nomination Committee Members for Central China Securities Co., Ltd. and Proposal on Electing the Board's Risk Control Committee Members for Central China Securities Co., Ltd.;

19. Central China Securities Co., Ltd. convened the 2nd meeting of the 5th session of the Board on 22 September 2015, and considered and approved Proposal on Changing Audit-in-charge of Central China Securities Co., Ltd.;
20. Central China Securities Co., Ltd. convened the 3rd meeting of the 5th session of the Board on 19 October 2015, and considered and approved Proposal on Submission of the Assessment and Award Colligation Mechanism Plan of Central China Securities Co., Ltd. to the General Meeting for Consideration, Proposal on Submission of the Annual Assessment-based Salary Mechanism Plan of Central China Securities Co., Ltd. to the General Meeting for Consideration, Proposal on Recommending Yu Xugang as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., Proposal on Amending Articles of Association (Draft) of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Extension of the Valid Period of the A Share Issue Plan and the Relevant Mandate, Proposal on the Co-option of the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., and Proposal of Central China Securities Co., Ltd. on Convening of the 5th Extraordinary General Meeting, the 2nd Domestic Shares Class Meeting and the 2nd H Shares Class Meeting in 2015;
21. Central China Securities Co., Ltd. convened the 4th meeting of the 5th session of the Board on 9 November 2015, and considered and approved Proposal of Central China Securities Co., Ltd. on Changing 11 Securities Branches into Branch Offices and Proposal on Continuous External Donation in 2015 of Central China Securities Co., Ltd.;
22. Central China Securities Co., Ltd. convened the 5th meeting of the 5th session of the Board on 2 December 2015, and considered and approved Proposal on Continuous External Donation in 2015 of Central China Securities Co., Ltd.;
23. Central China Securities Co., Ltd. convened the 6th meeting of the 5th session of the Board on 13 December 2015, and considered and approved Proposal on the Co-option of the Board's Remuneration and Nomination Committee Members for Central China Securities Co., Ltd., Proposal on Amending Terms of Reference of the Board's Risk Control Committee of Central China Securities Co., Ltd.; Proposal on Amending Terms of Reference of the Board's Audit Committee of Central China Securities Co., Ltd. and Proposal on Formulating Measures for the Administration of Foreign Investment of Central China Securities Co., Ltd.;

24. Central China Securities Co., Ltd. convened the 7th meeting of the 5th session of the Board on 26 December 2015, and considered and approved Proposal of Central China Securities Co., Ltd. on Providing Guarantee or Counter Guarantee for Central China International Financial Holdings Company Limited and its subsidiaries, Proposal of Central China Securities Co., Ltd. on Scale of Securities Business on its Own Account and Risk Tolerance Limits in 2016, Proposal of Central China Securities Co., Ltd. on Deciding the Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase and Refinancing Businesses in 2016, and Proposal of Central China Securities Co., Ltd. on the Size of Equity Fund Investment in Asset Management Business in 2016;
25. Central China Securities Co., Ltd. convened the 8th meeting of the 5th session of the Board on 29 December 2015, and considered and approved Proposal on Changing Chief Compliance Officer and Chief Risk Officer of Central China Securities Co., Ltd. and Proposal on the Transfer of Capital Contribution of Zhongding Kaiyuan Venture Capital Management Co., Ltd..

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

None.

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

1. Attendances and votings of Directors at board meetings

Name of Director	Number of required attendances at board meetings	Number of actual attendances in person	Number of attendances by proxy	Number of absences	Number of proposals to be voted on	Number of proposals actually voted on	Remarks
Jian Mingjun	25	25	0	0	118	118	Re-elected for the new session of the Board on 10 September 2015
Zhou Xiaoquan	25	24	0	1	118	114	Re-elected for the new session of the Board on 10 September 2015
Li Xingjia	23	23	0	0	103	103	Resigned on 10 September 2015; Newly elected on 12 October 2015
Wang Lixin	25	25	0	0	118	118	Re-elected for the new session of the Board on 10 September 2015
Zhang Qiang	25	24	1	0	118	118	Re-elected for the new session of the Board on 10 September 2015
Zhang Xiaoqi	8	8	0	0	35	35	Newly elected for the new session of the Board on 10 September 2015
Yu Zeyang	25	25	0	0	118	118	Re-elected for the new session of the Board on 10 September 2015
Yuan Dejun	25	25	0	0	118	118	Re-elected for the new session of the Board on 10 September 2015
Yuen Chi Wai	25	25	0	0	118	118	Re-elected for the new session of the Board on 10 September 2015

Name of Director	Number of required attendances at board meetings	Number of actual attendances in person	Number of attendances by proxy	Number of absences	Number of proposals to be voted on	Number of proposals actually voted on	Remarks
Ning Jincheng	21	21	0	0	83	83	Newly elected on 31 March 2015; Re-elected for the new session of the Board on 10 September 2015
Yu Xugang	3	3	0	0	10	10	Newly elected on 7 December 2015
Yuan Shunxing	1	1	0	0	14	14	Newly elected for the new session of the Board on 10 September 2015; Resigned on 21 September 2015
Zhu Jie	17	16	1	0	83	83	Resigned on 10 September 2015
Shi Dan	0	0	0	0	0	0	Resigned on 6 January 2015
Zhu Shanli	18	16	1	1	97	83	Re-elected for the new session of the Board on 10 September 2015; passed away on 15 September 2015

2. Attendances of Directors at general meetings and class meetings

Name of Director	Number of required attendances at general meetings and class meetings	Number of attendances	Number of absences	Remarks
Jian Mingjun	10	10	0	Re-elected for the new session of the Board on 10 September 2015
Zhou Xiaoquan	10	5	5	Re-elected for the new session of the Board on 10 September 2015
Li Xingjia	9	8	1	Resigned on 10 September 2015; Newly elected on 12 October 2015
Wang Lixin	10	1	9	Re-elected for the new session of the Board on 10 September 2015
Zhang Qiang	10	0	10	Re-elected for the new session of the Board on 10 September 2015
Zhang Xiaoqi	4	0	4	Newly elected for the new session of the Board on 10 September 2015

Name of Director	Number of required attendances at general meetings and class meetings	Number of attendances	Number of absences	Remarks
Yu Zeyang	10	2	8	Re-elected for the new session of the Board on 10 September 2015
Yuan Dejun	10	1	9	Re-elected for the new session of the Board on 10 September 2015
Yuen Chi Wai	10	1	9	Re-elected for the new session of the Board on 10 September 2015
Ning Jincheng	9	1	8	Newly elected on 31 March 2015; Re-elected for the new session of the Board on 10 September 2015
Yu Xugang	0	0	0	Newly elected on 7 December 2015
Yuan Shunxing	0	0	0	Newly elected for the new session of the Board on 10 September 2015; Resigned on 21 September 2015
Zhu Jie	6	0	6	Resigned on 10 September 2015
Shi Dan	0	0	0	Resigned on 6 January 2015
Zhu Shanli	6	0	6	Re-elected for the new session of the Board on 10 September 2015; passed away on 15 September 2015

(VI) Training for Directors

1. On 19 January 2015, Zhou Xiaoquan received overseas roadshow training in Hong Kong.
2. On 23 March 2015, Jian Mingjun received overseas roadshow training in Hong Kong.
3. On 9 April 2015, Jian Mingjun and Zhou Xiaoquan received domestic roadshow training.
4. On 18 December 2015, Jian Mingjun, Zhou Xiaoquan, Li Xingjia, Wang Lixin, Zhang Qiang, Zhang Xiaoqi, Yu Zeyang, Yuan Dejun, Yuen Chi Wai, Ning Jincheng and Yu Xugang received compliance training regarding Hong Kong-listed companies, and the training content is about the disclosure of inside information.

IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

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

On 9 February 2015, the 42nd meeting of the 4th session of the Board of the Company considered and approved Proposal on the Co-option of the Board's Audit Committee Members for Central China Securities Co., Ltd.; on 15 September 2015, the 1st meeting of the 5th session of the Board of the Company considered and approved Proposal on Electing the Board's Development and Strategy Committee Members for Central China Securities Co., Ltd., Proposal on Electing the Board's Audit Committee Members for Central China Securities Co., Ltd., Proposal on Electing the Board's Remuneration and Nomination Committee Members for Central China Securities Co., Ltd. and Proposal on Electing the Board's Risk Control Committee Members for Central China Securities Co., Ltd.; on 19 October 2015, the 3rd meeting of the 5th session of the Board of the Company considered and approved Proposal on the Cooption of Development and Strategy Committee Members for Central China Securities Co., Ltd.; on 13 December 2015, the 6th meeting of the 5th session of the Board of the Company considered and approved Proposal on the Co-option of Remuneration and Nomination Committee Members for Central China Securities Co., Ltd.. The aforesaid resolutions took effect as from the date of approval. During the Reporting period, members of the committees before and after the changes are set out in the following table:

Name of committee	List of committee members before change	List of committee members after change
Development and Strategy Committee	Jian Mingjun (chairperson), Zhou Xiaoquan, Li Xingjia, Wang Lixin, Zhang Qiang	Jian Mingjun (chairperson), Zhou Xiaoquan, Li Xingjia (resigned on 15 September 2015; newly elected on 19 October 2015), Wang Lixin, Zhang Qiang
Risk Control Committee	Jian Mingjun (chairperson), Yu Zeyang, Zhu Shanli	Jian Mingjun (chairperson), Yu Zeyang, Ning Jincheng
Remuneration and Nomination Committee	Yuan Dejun (chairperson), Zhou Xiaoquan, Zhu Jie, Zhu Shanli, Yuen Chi Wai	Yuan Dejun (chairperson), Zhou Xiaoquan, Zhang Xiaoqi, Yuen Chi Wai, Yu Xugang,
Audit Committee	Yuen Chi Wai (chairperson), Li Xingjia, Shi Dan	Yuen Chi Wai (chairperson), Zhang Qiang, Yuan Dejun

For details of the changes of members of each special committee, please refer to "IV (I) Changes of directors" in Section 9 of this report.

(I) Development and Strategy Committee

1. Duties of the committee

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

2. Work highlights of the committee

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

3. Attendance of committee members

No formal meeting had been held by the Development and Strategy Committee during the Reporting period.

(II) Risk Control Committee

1. Duties of the committee

The main duties of the Risk Control Committee are: reviewing and opining on overall objectives and basic policies of compliance management and risk management; reviewing and opining on establishment of specific departments and duties of compliance management and risk management; evaluating and opining on the risk of major decisions approved by the Board and solution to eliminating such major risk; reviewing the Company's risk management and internal control system; reviewing and opining on compliance reports and risk evaluation reports approved by the Board; formulating the Company's corporate governance policies, reviewing the implementation and making suggestion to the Board; reviewing and supervising Directors and senior management's training and their continuing professional development; reviewing and supervising whether Company's policies is in compliance with laws and supervisory regulations, and the implementation; reviewing the Company's compliance with the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and relevant disclosure in the Corporate Governance Report, including but not limited to how to perform the duties of reviewing the risk management and internal control system and the effectiveness of the Company's internal audit functions; other duties specified by the Articles of Association. The duties of the Risk Control Committee are specified in the Terms of Reference for Risk Control Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website.

2. Work highlights of the committee

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

3. Attendance of committee members

No formal meeting had been held by the Risk Control Committee during the Reporting period.

(III) Remuneration and Nomination Committee

1. Duties of the committee

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

2. Work highlights and meetings of the committee

During the Reporting period, the Remuneration and Nomination Committee held four meetings, focusing on studying the election of the Company's directors and chairman, the appointment of senior management like president, vice president, chief financial officer, audit-in-charge, chief compliance officer, secretary to the Board and chief risk officer and giving suggestions to the Board. The meetings of the Remuneration and Nomination Committee were as follows:

- (1) The committee convened the 1st meeting of 2015 on 9 February 2015, and considered and approved Proposal on Recommending Ning Jincheng as Independent Director of the 4th session of the Board of Central China Securities Co., Ltd., which was submitted to the Board for consideration.
- (2) The committee convened the 2nd meeting of 2015 on 22 July 2015, and considered and approved Proposal on Recommending Jian Mingjun as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Zhou Xiaoquan as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Yuan Shunxing as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Wang Lixin as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Zhang Qiang as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Zhang Xiaoqi as Director of the 5th session of the Board of Central China Securities Co., Ltd. and Proposal on Recommending Yu Zeyang as Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Zhu Shanli as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Yuan Dejun as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd.; Proposal on Recommending Yuen Chi Wai as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd. and Proposal on Recommending Ning Jincheng as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., which were submitted to the Board for consideration.
- (3) The committee convened the 3rd meeting of 2015 on 22 September 2015, and considered and approved Proposal on Change of Audit-in-charge of Central China Securities Co., Ltd., which was submitted to the Board for consideration.
- (4) The committee convened the 4th meeting of 2015 on 19 October 2015, and considered and approved Proposal on Recommending Yu Xugang as Independent Director of the 5th session of the Board of Central China Securities Co., Ltd., which was submitted to the Board for consideration.

3. Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Yuan Dejun	4	4
Zhou Xiaoquan	4	4
Zhang Xiaoqi (Newly elected on 19 September 2015)	2	2
Yuen Chi Wai	4	4
Yu Xugang (Newly elected on 13 December 2015)	0	0
Zhu Jie (Resigned on 10 September 2015)	2	2
Zhu Shanli (Passed away on 15 September 2015)	2	2

(IV) Audit Committee

1. Duties of the committee

The major duties and authorities of the Audit Committee are: supervising and evaluating the Company's internal auditing; making recommendation to the appointment, re-appointment or replacement of the external auditing firm; examining and supervising the independence and objectiveness of the external auditing firm as well as the effectiveness of auditing process in accordance with the applicable standards; being responsible for the communication between internal and external auditing; conducting auditing of the Company's financial information and relevant disclosure; supervising the Company's financial reporting system, risk management and internal control system; reviewing the duties of the risk management and internal control system, the effectiveness of the internal audit function and reporting on the other responsibilities set out in the Corporate Governance Code, and other duties specified by the Articles of Association. The duties of the Audit Committee are specified in Terms of Reference for Audit Committee of the Board of Central China Securities Co., Ltd., which was published on the Company' website and HKExnews website.

2. Work highlights and meetings of the committee

During the Reporting period, the Audit Committee had convened two meetings, focusing on discussing the Company's results announcement for the year ended 31 December 2014, 2014 annual report, distribution of profits for 2014, distribution of interim profits for 2015, interim results announcement for the six months ended 30 June 2015, 2015 interim report, financial reports for the past 3 years and the most recent financial report, re-appointment of domestic and overseas auditing firms, the 2014 annual working report of the Audit Committee of the Board and giving suggestions to the Board. The Audit Committee of the Board has held a meeting with the external auditing firm in the absence of the management.

The meetings of the Audit Committee were as follows:

- (1) The Board's Audit Committee held the 1st meeting of 2015 on 20 March 2015, and considered and approved Proposal on Impairment Provision for Margin Financing Business of Central China Securities Co., Ltd., Annual Results Announcement for the Year Ended 31 December 2014 of Central China Securities Co., Ltd.; Proposal on Considering and Approving the Annual Report for the year of 2014 of Central China Securities Co., Ltd.; Final Accounts Report for the year of 2014 of Central China Securities Co., Ltd.; Proposal on Profits Distribution Plan for 2014 of Central China Securities Co., Ltd.; Proposal on Re-appointing Domestic Auditing Firm for 2015 of Central China Securities Co., Ltd.; Proposal on Re-appointing International Auditing Firm for 2015 of Central China Securities Co., Ltd. and 2014 Annual Working Report of the Audit Committee of the Board of Central China Securities Co., Ltd., which were submitted to the Board for consideration.
- (2) The Board's Audit Committee held the 2nd meeting of 2015 on 20 August 2015, and considered and approved Proposal on Interim Profits Distribution Plan for 2015 of Central China Securities Co., Ltd.; Interim Results Announcement for the Six Months Ended 30 June 2015 of Central China Securities Co., Ltd.; 2015 Interim Report of Central China Securities Co., Ltd.; Proposal on Considering Financial Reports for the past 3 years and the Most Recent Financial Report of Central China Securities Co., Ltd.; and Proposal on Valuation Methods of Stocks for Market Making Held by Central China Securities Co., Ltd., which were submitted to the Board for consideration.

3. Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Yuen Chi Wai	2	2
Zhang Qiang (Newly elected on 19 September 2015)	0	0
Yuan Dejun (Newly elected on 9 February 2015)	2	2
Li Xingjia (Resigned on 10 September 2015)	2	2
Shi Dan (Resigned on 6 January 2015)	0	0

V. CHAIRMAN AND PRESIDENT

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

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

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

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

At the end of the Reporting period, the Company had 5 non-executive Directors and 4 independent non-executive Directors (including one who has appropriate professional qualifications or majors in accounting or related financial management). The Company has signed a letter of appointment with each non-executive Director, for a term of three years. Their positions are specified in the "Basic Information about Incumbent Directors, Supervisors and Senior Management and Those Leaving Office during the Reporting period" of this report.

VII. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTY

(I) Duties of the Supervisory Committee

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

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

The Supervisory Committee performs its duties according to relevant laws and regulations and the Articles of Association. The Supervisory Committee convened 11 meetings during the Reporting period, namely:

1. On 19 March 2015, the Company convened the 17th meeting of the 4th session of the Supervisory Committee and considered and approved 2014 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd., Proposal on Impairment Provision for Margin Financing Business of Central China Securities Co., Ltd., Annual Results Announcement for the Year Ended 31 December 2014 of Central China Securities Co., Ltd.; Proposal on Considering and Approving Annual Report for the year of 2014 of Central China Securities Co., Ltd.; Final Accounts Report for the year of 2014 of Central China Securities Co., Ltd.; Proposal on Profits Distribution Plan for 2014 of Central China Securities Co., Ltd.; Proposal on Re-appointing Domestic Auditing Firm for 2015 of Central China Securities Co., Ltd.; Proposal on Re-appointing International Auditing Firm for 2015 of Central China Securities Co., Ltd.; 2014 Internal Control Self-assessment Report of Central China Securities Co., Ltd.; 2014 Compliance Report of Central China Securities Co., Ltd. and Explanation of the Remuneration and Evaluation of Supervisors in 2014 of Central China Securities Co., Ltd..
2. On 9 April 2015, the Company convened the 18th meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on New Issuance of H Shares by Central China Securities Co., Ltd. and Proposal on Use of Previously Raised Funds of Central China Securities Co., Ltd.
3. On 13 May 2015, the Company convened the 19th meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on Considering and Approving Financial Reports in the Past 3 Years and the Relevant Reports of Central China Securities Co., Ltd.

4. On 26 May 2015, the Company convened the 20th meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on the establishment of the joint venture Central China Equity Exchange Co., Ltd by Central China Securities Co., Ltd., Henan Investment Group Co., Ltd. (controlling shareholder) and the other third parties and Proposal on Initial External Donation in 2015 of Central China Securities Co., Ltd..
5. On 15 June 2015, the Company convened the 21st meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on the Proposed Interim Profits Distribution Plan of Central China Securities Co., Ltd..
6. On 22 July 2015, the 22nd meeting of the 4th session of the Supervisory Committee considered and approved Proposal on the Revision of the Rules of Procedures for the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Lu Zhili as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Wang Jinchang as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Yan Changkuan as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Cui Yuanfeng as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Xiang Siying as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Recommending Lee Kit Ying as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd.; Proposal on Allowance of Independent Supervisors of Central China Securities Co., Ltd. and Proposal on the Issuance of Onshore and Offshore Debt Financing Instruments and the Relevant Mandate of Central China Securities Co., Ltd..
7. On 20 August 2015, the Company convened the 23rd meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on Interim Profits Distribution Plan for 2015 of Central China Securities Co., Ltd.; Unaudited Interim Results Announcement for the Six Months Ended 30 June 2015 of Central China Securities Co., Ltd.; 2015 Unaudited Interim Report of Central China Securities Co., Ltd.; Proposal on Considering and Approving Financial Reports in the Past 3 Years and the Most Recent Financial Report of Central China Securities Co., Ltd. and 2015 Interim Compliance Report of Central China Securities Co., Ltd..
8. On 7 September 2015, the Company convened the 24th meeting of the 4th session of the Supervisory Committee and considered and approved Proposal on Continuous External Donation in 2015 of Central China Securities Co., Ltd..
9. On 15 September 2015, the Company convened the 1st meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on Electing Lu Zhili as Chairman of the Supervisory Committee of Central China Securities Co., Ltd..
10. On 19 October 2015, the Company convened the 2nd meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on the Determination of the Salary Standard of the Chairperson of Supervisory Committee of Central China Securities Co., Ltd and Proposal on Adjusting Allowance of Independent Supervisors of Central China Securities Co., Ltd..

11. On 29 December 2015, the Company convened the 3rd meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on the Disposal of Capital Contribution by Zhongding Kaiyuan Venture Capital Management Co., Ltd..

Name of Supervisor	Number of meetings required to attend	Number of meetings actually attended
Zhou Jianzhong	8	8
Wang Rui	8	8
Yan Changkuan	11	11
Ji Guangyuan	8	8
Zhu Qiben	8	8
Li Feng	8	8
Lu Zhili	3	3
Wang Jinchang	3	3
Cui Yuanfeng	3	3
Xiang Siying	3	3
Lee Kit Ying	2	2
Wang Jing	3	3
Han Junyang	3	3
Lai Bulian	3	3

VIII. OTHER RELATED ISSUES

(I) Shareholders' Rights

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

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

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

(II) Compliance with Model Code

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

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

(III) Responsibilities of directors concerning financial statements

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

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

(IV) Appointment and remuneration of auditors

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

(V) Review of the Audit Committee

The Audit Committee has reviewed the Company's Independent Auditor's Report.

(VI) Secretary of the Company

Mr. Xu Haijun, secretary to the Board and the joint company secretary of the Company, is responsible for making proposals to the Board for the corporate governance and ensuring the policies and procedures of the Board, governing laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Kwong Yin Ping, Yvonne, vice president of SW Corporate Services Group Limited, as the joint company secretary of the Company to assist Mr. Xu Haijun in fulfilling the duties as the secretary to the Board and the secretary of the Company. The Company's main contact person is Mr. Xu Haijun, the secretary to the Board and the joint company secretary of the Company. As of 31 December 2015, Mr. Xu Haijun and Ms. Kwong Yin Ping, Yvonne accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

(VII) Communications with shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company formulated corresponding systems to ensure the compliance of the convening and holding of the general meetings. The Company explicitly specified Shareholders' rights in the Articles of Association, to ensure the Shareholders' right to know, especially the minority Shareholders. The Articles of Association was amended four times during the Reporting period: 1. the first extraordinary general meeting in 2015 approved the amendment of the article about direct investment subsidiaries in the Articles of Association, such amendment was approved by the Henan Branch of the CSRC on 15 April 2015; 2. the second extraordinary general meeting, the first Domestic shares class meeting and first H shares class meeting in 2015 approved the amendment of issue of additional H shares by the Company and revision of the article about the registered capital and equity structure in the Articles of Association based on the actual issue of additional H shares, such amendment was filed with the Henan Branch of the CSRC on 5 August 2015; 3. the third extraordinary general meeting in 2015 approved the amendment of the article about independent supervisors in the Articles of Association, such amendment was approved by the Henan Branch of the CSRC on 22 September 2015; 4. the fourth extraordinary general meeting in 2015 approved the amendment of the article about business scope in the Articles of Association, which has not been submitted to the regulatory authority for approval as such amendment to the article will come into effect only when the applications for establishment of asset management subsidiary and change in business scope of the Company are approved by the regulatory authority. For details about the abovementioned amendments of the Articles of Association, please refer to the Company's circular dated 13 February 2015, 29 May 2015, 24 July 2015 and 27 August 2015.

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

The Company set "Investor Relations" column on its website www.ccnew.com for publishing such information as announcements and financial data of the Company. Shareholders can also directly call the Company to inquire about relevant informant, and the Company will deal with such inquiry in a timely and proper manner. Contact details are set out in Section 3 "I. Basic Information about the Company" of this report.

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

(VIII) Investor relation activities

Dedicated to becoming a quality listed company in the Hong Kong capital markets, the Company has always given priority to protect the interests of investors, paid high attention to investor relations management, continuously established clear two-way communication channels with investors, communicated with investors through ways like conducting non-deal roadshows, phone calls, emails, receiving visitors and attending investor summits, actively enhancing investors' recognition of the Company, comprehensively and timely information disclosure, treating all investors fairly and equally, and strictly implementing decision procedures and processes to ensure that all Shareholders can fully exercise their rights and constantly improving the Company's governance structure.

During the Reporting period, the Company has organized 2014 annual report and 2015 interim results conferences in Hong Kong, conducted several non-deal roadshows in various places in Hong Kong, Singapore and Shanghai, and conscientiously arranging several investor teleconferences and field research activities of the Company.

During the Reporting period, the Company performed its obligations on information disclosure in a truthful, accurate, complete and timely manner in strict compliance with the laws, regulations and regulatory provisions.

(IX) Board diversity policy

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

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

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

(X) Internal control

1. Building of internal control system

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

The Company has further improved its internal control according to the *Basic Standard for Enterprise Internal Control* and *Guidelines for the Internal Control of Securities Companies*, and has always kept building the internal control in its operation and development.

As of the end of the Reporting period, the Company has built an internal control system suiting its business nature, scale and complexity, and made achievements in guaranteeing the legitimacy and compliance of operation management, the safety of assets and authenticity and integrity of financial reports and relevant information, and improving operating efficiency and performance.

During the Reporting period, the Company has built internal control system of significant information, procedures for handling and publishing price-sensitive information and internal control measures.

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

The Company has set up an internal audit function. As of the date of this report, the effectiveness of the risk management and internal control system of the Company and its subsidiaries had been reviewed twice, covering the period from 1 January 2014 to 31 December 2014 and from 1 January 2015 to 31 December 2015 respectively. The Company considered the risk management and internal control system to be effective.

2. Evaluation of internal control

On 18 March 2016, the audit institution of the Company ShineWing Certified Public Accountants produced Assurance Report on Internal Control of Central China Securities Co., Ltd. (XYZH/2016BJA10109) regarding the Company's internal control, considering that the Company has maintained effective internal control over financial reporting in all material respects on 31 December 2015 according to the Basic Standard for Enterprise Internal Control and relevant regulations.

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

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

The Board of the Company has evaluated the internal control of the Company according to the Basic Standard for Enterprise Internal Control. Based on the identification for significant defects in internal control over the Company's financial reporting, as at the benchmark date of the internal control evaluation report (31 December 2015), the Company did not have any significant defect in internal control over financial reporting. The Board thought that the Company has maintained effective internal control over financial reporting in significant aspects according to basic standard for enterprise internal control and relevant regulations; based on identification of significant defects in internal control over the Company's non-financial reporting, as at the benchmark date of the internal control evaluation report, the Company did not find any significant defect in internal control over non-financial reporting.

3. Report of other matters

(1) Building of compliance system

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

- ① Build and improve compliance management organizational structure. The Company built a four-tier compliance management organization system covering the Board, chief compliance officer, compliance management department and compliance officers of various branches of all departments. The compliance management department carried out specific compliance management works under the leadership of the chief compliance officer. The Company allocated qualified officers in time in setting up new departments and branches. In respect of compliance management, the officers were guided by and reported to the compliance management department. The responsibilities of persons at all levels were clarified and the communication and reporting channels were clear.
- ② Continuously improving the Company's compliance management system. In 2015, the compliance management department formulated and issued Money Laundering Risk Self-assessment Measures (Trial), Compliance Management Measures for Stock Option Business of the Company (Trial), Compliance Management Measures for Participating in Business of Regional Equity Transaction Market (Trial), drafted Measures for Assessment of Compliance Management Effectiveness, Working Procedures for Management of Information Isolation by Compliance Management Department, Compliance Management Measures for External Access to Information System (Trial), Implementation Measures for Information Isolation of Comprehensive Custody of Privately Raised Funds, and undertook to amend Ethical Wall System and Internal Control System of Anti-money Laundering and Anti-terrorist Financing. The compliance management department also reminded and supervised the relevant departments to sort out and improve the relevant system procedures in various forms based on the regulatory requirements and business management needs of the Company.

- ③ Carry out compliance audit and consultation with discretion, guard against and reduce compliance risks, and exert efforts to improve the normative and supportive effect of compliance management in business development. The Company organized reviews over 1,678 contracts, and more than 300 reviews over the Company's systems, important decisions, business innovative programs and other filings, and conducted compliance consultation in various forms, which provided strong support for the Company's continuous and steady business development.
 - ④ Actively carry out compliance monitoring and anti-money laundering. By monthly compliance report, the Company regularly monitored and evaluated the compliance condition and followed key regulatory issues, so as to have timely information on the overall compliance situation of the Company and guide the compliance risk prevention. The Company organized to carry out anti-money laundering, monitor and analyze 5,835 items of abnormal trading data of anti-money laundering and submit one item of suspicious trading data.
 - ⑤ Further improve the information isolation work. Firstly, study the interest conflict control mechanism of comprehensive custody of privately raised funds, to optimize and improve the separation barrier system process of the Company; secondly, keep optimizing and improving the isolation logic and formation mechanism of watch list and restricted list, to sort out and improve weak links of systemic function; thirdly, supervise business department to maintain, isolate and detect sensitive information well, accept relevant departments' matters for examination and approval and give survey feedback in time; fourthly, keep strengthening management of inter-departmental movements of employees and fulfil obligations for cross-wall examination and approval and prompt.
 - ⑥ Compliance training and building of compliance culture. Organize employees to study new annual key rules; appoint persons to participate in the trainings organized by organizations like SAC, stock exchanges, HKSI; issue notices according to the focus of regulatory works and recurrent compliance risks in the industry to supervise relevant departments to strengthen management and take preventive measures.
- (2) Inspections completed by the compliance management department

During the Reporting period, according to the requirements of regulatory authorities and self-regulatory organizations, and in view of the Company's compliance management guidelines in phases, major risk events in the market and prominent risks reflected in the daily management, the Company mainly conducted compliance inspections like: special inspection over the compliance of IB business and joint self-inspection over business-start check and acceptance, self-inspection over the account real-name system, special inspection over the compliance of asset management business, special inspection over the proxy sale of financial products, special self-inspection over IB personnel and entrusted compliance inspection.

(3) Inspection and audit completed by the Audit Department

During the Reporting period, adhering to the audit objective of keeping being oriented by the risks and taking the internal control as the core and value addition as the purpose, the Company's internal auditors audited highly risky businesses noted by the headquarter, branches and regulatory agencies. During the Reporting period, the audit department of the Company completed 72 audits in total, including 15 audits to Brokerage Business Department, Assets Management Department, Innovative Business Department, Operation Management Department, and Credit Business Department; 14 audits to economic responsibility of the senior management and officers-in-charge of each department and branch of the Company; 43 audits to branches as well as 2 audits to internal control self-assessment of the headquarter of the Company.

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

The Company set up a dynamic monitoring and management model of risk control index system centering on net capital according to a series of relevant regulations including Measures for the Management of the Risk Control Indexes of Securities Companies of CSRC, and monitored, conducted warning for and reported various indexes in strict accordance with CSRC's regulations. The Company built the complete stress test mechanism as required by the Guidelines on Securities Companies' Stress Test (Trial) issued by SAC and conducted regular and irregular stress tests. In 2015, based on the monitoring and measurement of various indexes including the net capital, the Company regularly analyzed and evaluated the support of net capital for the Company's business development, studied and tested rational and efficient allocation of net capital, reserved sufficient net capital support for carrying out major business and built the dynamic linkage mechanism between business scale and net capital. In 2015, the Company, based on the aforesaid risk management activities, regularly prepared Monthly Report on Management of Net Capital Risk to provide a comprehensive analysis and evaluation on the risk profile of the Company's financials and net capital, realizing effective control on risks of financials and net capital. Risk control indexes of the Company including net capital all reached the standard in 2015.

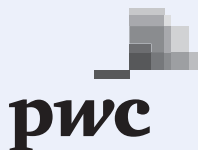
The Company has established net capital dynamic replenishment mechanism and long-term replenishment planning. In order to meet the rapid growth of brokerage business and investment business in company's capital in 2015, the Company replenished the net capital by additional issuance of subordinated securities and H shares, which effectively ensured the risk control indicators such as the net capital meet the standards continuously. To consider the further development requirements of all the businesses of the Company, the Company is actively seeking for the regression of A shares listed to further strengthen the net capital according to capital planning of the Company. The Company further intensified capital management capability to enhance capital quality, to further improve capital's role in guiding and restricting the development of various businesses, continuously improved capital efficiency and guaranteed sustainable, healthy and rapid development of business lines with sufficient capital, thus maximizing value for the Shareholders.

(5) Standardization of accounts

Taking standardized management of accounts as an important foundation, the Company focused on the normalization, standardization and systematism of account management and kept perfecting the long-effective mechanism of standardized management of accounts. In 2015, according to the requirements of relevant regulations of the CSDC and the Company, the Company effectively implemented various measures for standardized management of accounts, conscientiously carried out standardization of general securities accounts information, continued basic work like standardization of stock account information and completion of customer information, to ensure that the account information is true, accurate, complete and valid.

During the Reporting period, various branches logged no risk disposal accounts and work like standardization of unqualified accounts and activation of dormant accounts had been progressing in an orderly way. Specifically, the Company standardized 85 unqualified cash accounts and 93 unqualified securities accounts (as of the end of the period, there were 1,215 unqualified cash accounts and 1,285 unqualified securities accounts); and activated 10,640 dormant cash accounts and 20,046 dormant securities accounts (as of the end of the period, there were 400,354 dormant cash accounts and 654,836 dormant securities accounts). Besides, as of the end of the period, the Company had 2 cash accounts and 4 securities accounts frozen by the court. See the following table for details:

Type of account		Number of	Decrease	Number of
		accounts at the		accounts at the
		end of 2014		end of 2015
		(RMB account)		(RMB account)
Dormant accounts	Cash account	410,994	10,640	400,354
	Securities account	674,882	20,046	654,836
Unqualified accounts	Cash account	1,300	85	1,215
	Securities account	1,378	93	1,285
Judicially frozen accounts	Cash account	3	1	2
	Securities account	5	1	4
Risk disposal accounts	Cash account	0	0	0



羅兵咸永道

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

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

We have audited the consolidated financial statements of Central China Securities Co., Ltd. ("the Company") and its subsidiaries (together, the "Group") set out on pages 166 to 280, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2015, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

	Notes	Year ended 31 December	
		2015	2014
Continuing operations			
Revenue			
– Commission and fee income	5	3,181,952	1,243,134
– Interest income	6	1,497,719	610,838
– Net investment gains	7	655,080	449,741
		5,334,751	2,303,713
Other income and gains	8	30,509	37,348
Total revenue and other income		5,365,260	2,341,061
Commission and fee expenses	9	(465,598)	(170,874)
Interest expenses	10	(936,144)	(338,243)
Staff costs	11	(1,395,391)	(647,965)
Depreciation and amortisation	12	(65,714)	(65,021)
Other operating expenses	13	(449,391)	(304,885)
Impairment losses	14	(127,631)	(27,716)
Total expenses		(3,439,869)	(1,554,704)
Profit before income tax		1,925,391	786,357
Income tax expense	15	(488,588)	(204,788)
Profit for the year from continuing operations		1,436,803	581,569
Discontinued operations			
Loss for the year from discontinued operations	37	(34,422)	(31,586)
Profit for the year		1,402,381	549,983
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	39	14,544	27,440
– Income tax effect on changes in fair value	39	(4,585)	(6,860)
– Reclassification adjustments for gains included in the consolidated income statement, net	39	(4,280)	9,746
Foreign currency translation reserve		5,795	–
Other comprehensive income for the year, net of tax		11,474	30,326
Total comprehensive income		1,413,855	580,309

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(All amounts in RMB'000 unless otherwise stated)

		Year ended 31 December	
	<i>Notes</i>	2015	2014
Profit attributable to:			
– Shareholders of the Company		1,405,501	562,290
– Non-controlling interests		(3,120)	(12,307)
		1,402,381	549,983
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		1,423,056	578,399
– Discontinuing operations		(17,555)	(16,109)
		1,405,501	562,290
Total comprehensive income attributable to:			
– Shareholders of the Company		1,415,254	592,616
– Non-controlling interests		(1,399)	(12,307)
		1,413,855	580,309
Total comprehensive income attributable to shareholders of the Company arises from:			
– Continuing operations		1,432,809	608,725
– Discontinuing operations		(17,555)	(16,109)
		1,415,254	592,616
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
Basic/Diluted			
From continuing operations	16	0.50	0.25
From discontinuing operations	16	(0.01)	(0.01)
		0.49	0.24
From profit for the year		0.49	0.24
Dividends	17	992,778	–

The notes on pages 174 to 280 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Notes	2015	2014
Assets			
Non-current assets			
Property and equipment	18	236,096	217,146
Investment properties	19	21,225	23,066
Goodwill	20	7,269	7,269
Intangible assets	21	155,961	153,743
Investments in associates	22	91,864	49,685
Other non-current assets	24	24,452	25,630
Available-for-sale financial assets	25	569,042	650,089
Financial assets held under resale agreements	31	531,169	–
Deferred income tax assets	26	209,335	104,469
Refundable deposits	27	422,907	727,404
Total non-current assets		2,269,320	1,958,501
Current assets			
Other current assets	28	528,544	306,912
Entrusted loans	29	260,628	277,487
Margin accounts receivable	30	8,158,803	7,331,517
Available-for-sale financial assets	25	1,890,799	102,546
Financial assets held under resale agreements	31	6,295,521	2,889,715
Derivative financial assets	32	–	–
Financial assets held for trading	33	5,045,128	4,099,282
Clearing settlement funds	34	4,455,616	2,620,867
Cash held for brokerage clients	35	10,739,356	7,225,908
Cash and bank balances	36	1,968,105	1,456,507
		39,342,500	26,310,741
Assets of disposal group classified as held for sale	37	39,429	–
Total current assets		39,381,929	26,310,741
Total assets		41,651,249	28,269,242
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	38	3,223,735	2,631,616
Reserves	39	3,535,304	1,677,832
Retained earnings		1,396,747	1,477,259
Foreign currency translation reserve		5,795	–
Total equity attributable to shareholders of the Company		8,161,581	5,786,707
Non-controlling interests		714,873	70,089
Total equity		8,876,454	5,856,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	<i>Notes</i>	2015	2014
Liabilities			
Non-current liabilities			
Bonds payable	40	5,291,078	1,490,027
Bank loans	41	51,818	–
Deferred income tax liabilities	26	49,157	27,837
Total non-current liabilities		5,392,053	1,517,864
Current liabilities			
Other current liabilities	42	1,272,545	802,491
Financial liabilities designated at fair value through profit or loss	43	1,144,170	791,074
Tax payable	44	267,155	239,670
Bonds payable	40	2,650,000	–
Short-term notes payable	45	2,456,960	1,441,280
Financial assets sold under repurchase agreements	46	4,712,965	5,587,234
Due to other financial institutions	47	–	2,373,000
Derivative financial liabilities	32	–	–
Accounts payable to brokerage clients	48	14,867,251	9,659,833
		27,371,046	20,894,582
Liabilities of disposal group classified as held for sale	37	11,696	–
Total current liabilities		27,382,742	20,894,582
Total liabilities		32,774,795	22,412,446
Total equity and liabilities		41,651,249	28,269,242

The notes on pages 174 to 280 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 March 2016 and were signed on its behalf:

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaquan

Executive Director and President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company									
	Share capital (Note 38)	Capital reserve (Note 39)	Surplus reserve (Note 39)	General reserve (Note 39)	Transaction risk reserve (Note 39)	Available -for-sale financial assets revaluation reserve (Note 39)	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Total equity
Balance at 1 January 2015	2,631,616	504,649	399,283	380,772	366,383	26,745	1,477,259	-	70,089	5,856,796
Profit/(Loss) for the year	-	-	-	-	-	-	1,405,501	-	(3,120)	1,402,381
Other comprehensive income for the year (Note 39)	-	-	-	-	-	3,958	-	5,795	1,721	11,474
Total comprehensive income for the year	-	-	-	-	-	3,958	1,405,501	5,795	(1,399)	1,413,855
Issuance of shares, net	592,119	1,360,279	-	-	-	-	-	-	-	1,952,398
Cash dividend recognised as distribution	-	-	-	-	-	-	(992,778)	-	-	(992,778)
Appropriation to surplus reserve	-	-	205,514	-	-	-	(205,514)	-	-	-
Appropriation to general reserve	-	-	-	150,711	-	-	(150,711)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	137,010	-	(137,010)	-	-	-
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	646,183	646,183
Balance at 31 December 2015	3,223,735	1,864,928	604,797	531,483	503,393	30,703	1,396,747	5,795	714,873	8,876,454

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company								
	Share capital (Note 38)	Capital reserve (Note 39)	Surplus reserve (Note 39)	General reserve (Note 39)	Transaction risk reserve (Note 39)	Available -for-sale financial assets revaluation reserve (Note 39)	Retained earnings	Non- controlling interests	Total equity
Balance at 1 January 2014	2,033,516	-	314,845	317,353	310,091	(3,581)	1,119,118	83,940	4,175,282
Profit/(Loss) for the year	-	-	-	-	-	-	562,290	(12,307)	549,983
Other comprehensive income for the year (Note 39)	-	-	-	-	-	30,326	-	-	30,326
Total comprehensive income for the year	-	-	-	-	-	30,326	562,290	(12,307)	580,309
Issuance of shares, net	598,100	504,649	-	-	-	-	-	-	1,102,749
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,544)	(1,544)
Appropriation to surplus reserve	-	-	84,438	-	-	-	(84,438)	-	-
Appropriation to general reserve	-	-	-	63,419	-	-	(63,419)	-	-
Appropriation to transaction risk reserve	-	-	-	-	56,292	-	(56,292)	-	-
Balance at 31 December 2014	2,631,616	504,649	399,283	380,772	366,383	26,745	1,477,259	70,089	5,856,796

The notes on pages 174 to 280 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2015	2014
Cash flows from operating activities		
Profit before income tax	1,925,391	786,357
Adjustments for:		
Depreciation and amortisation	65,714	65,021
Impairment losses	127,631	27,716
Net losses on disposal of property and equipment and other intangible assets	76	178
Foreign exchange gains	(62,062)	(5,156)
Net gain on disposal of available-for-sale financial assets	(28,146)	(22,817)
Dividends and interest income from available-for-sale financial assets	(74,850)	(51,031)
Investment (gains)/losses from the associate	(1,725)	315
Interest expenses of bonds payable	505,600	57,571
Interest expenses of bank loans	51	–
Changes in fair value of financial instruments at fair value through profit or loss	162,227	(2,479)
	2,619,907	855,675
Net decrease/(increase) in operating assets:		
Net increase in margin accounts receivable	(826,851)	(5,082,572)
Net increase in financial assets held for trading	(896,781)	(578,983)
Net increase in financial assets held under resale agreements	(3,935,428)	(2,102,578)
Net decrease/(increase) in refundable deposits	304,497	(314,294)
Net increase in cash held for brokerage clients	(3,513,448)	(3,263,159)
Net increase in clearing settlement funds	(1,813,970)	(1,561,452)
Net increase in other assets	(190,843)	(444,258)
Net (decrease)/increase in operating liabilities:		
Net increase in accounts payable to brokerage clients	5,207,418	4,665,762
Net increase in financial liabilities designated at fair value through profit or loss	135,179	12,069
Net (decrease)/increase in financial assets sold under repurchase agreements	(874,269)	3,490,946
Net (decrease)/increase in due to other financial institutions	(2,373,000)	1,973,000
Net increase in other liabilities	370,041	325,108
Income tax paid	(544,648)	(122,164)
Net decrease in assets of disposal group classified as held for sale	(40,576)	(32,400)
Net cash outflow from operating activities	(6,372,772)	(2,179,300)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2015	2014
Cash flows from investing activities		
Dividends and interest received from available-for-sale financial assets	74,850	51,031
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	592	499
Purchase of property and equipment, intangible assets and other long-term assets	(92,125)	(50,079)
Cash paid for purchase of available-for-sale financial assets	(8,035,734)	(1,770,904)
Cash received from disposal of available-for-sale financial assets	6,235,903	1,505,807
Capital injection to an associate	(42,375)	(50,000)
Net decrease in liabilities of disposal group classified as held for sale	(824)	(1,623)
Net cash outflow from investing activities	(1,859,713)	(315,269)
Cash flows from financing activities		
Dividends paid	(992,778)	(1,544)
Net proceeds from issuance of H shares	1,952,398	1,102,749
Capital injection of subsidiaries from non-controlling shareholders	489,483	156,700
Cash received from issuance of short-term notes	6,588,858	4,841,280
Cash paid for redemption of short-term notes	(6,579,480)	(4,259,543)
Cash received from issuance of bonds	7,208,462	1,492,000
Cash received from bank loans	51,818	–
Net cash inflow from financing activities	8,718,761	3,331,642
Net increase in cash and cash equivalents	486,276	837,073
Cash and cash equivalents at the beginning of the year	1,596,054	755,452
Effect of exchange rate changes on cash and cash equivalents	62,224	3,529
Cash and cash equivalents at the end of the year (Note 49)	2,144,554	1,596,054
Cash and cash equivalents at the end of the year		
– Continuing operations	2,128,430	1,538,718
Cash and cash equivalents at the end of the year		
– Discontinuing operations	16,124	57,336
Cash and cash equivalents at the end of the year (Note 49)	2,144,554	1,596,054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the "Company") is a joint-stock financial institution incorporated in Henan Province, the People's Republic of China (the "PRC"). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the "CSRC") and the People's Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the "HAIC") on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business licence No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province. As at 31 December 2015, the registered capital of the Company is RMB3,223,734,700.

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

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

The Company completed its placement of H shares on Hong Kong Stock Exchange on 3 August 2015. The Company issued a total of 592.12 million shares with a nominal value of RMB1 per share. After this placement, total share capital of the Company was increased to RMB3,223.73 million.

These consolidated financial statements were authorised for issue by the Board of Directors on 18 March 2016.

2 BASIS OF PREPARATION

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

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

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

2 BASIS OF PREPARATION (CONTINUED)

2.1 Standards, amendments and interpretations that are adopted in 2015

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.
- Amendments from annual improvements to IFRSs – 2010 – 2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.
- Amendments from annual improvements to IFRSs – 2011 – 2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

2.2 New Hong Kong Companies Ordinance that is adopted in 2015

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS15.

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards and interpretations not yet adopted (continued)

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of IFRS 16.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

3.1 Summary of significant accounting policies

3.1.1 Accounting year

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

3.1.2 Functional and presentation currency

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

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

3.1 Summary of significant accounting policies (continued)

3.1.3 Consolidation

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

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

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

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

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.4 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.1.5 Associates

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

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

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

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.6 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries and consolidated structured entities are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The results of subsidiaries and consolidated structured entities are accounted for by the Company on the basis of dividend received and receivable.

The Company assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries or consolidated structured entities is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' or consolidated structured entities' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' or consolidated structured entities' fair value less costs to sell and value in use.

3.1.7 Foreign currency translation

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

3.1.8 Cash and cash equivalents

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments

(1) Recognition and de-recognition of financial instruments

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

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

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

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

(2) Classification and measurement

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement (continued)

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

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

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

(b) *Loans and receivables*

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) **Classification and measurement** (continued)

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

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

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

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

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement (continued)

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

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

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

(e) *Other financial liabilities*

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(3) Determination of fair value

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

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

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

(4) Derivative financial instruments

The Group's derivatives are stock index futures contracts.

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(5) Margin financing and securities lending services

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

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

(6) Resale and repurchase agreements

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

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

(7) Impairment of financial assets

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

(a) *Financial assets carried at amortised cost*

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

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

Individual assessment

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

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

Collective assessment

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

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

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

Impairment reversal

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

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

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

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

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(8) Offsetting financial instruments

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

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

3.1.10 Asset management business

The Group's asset management business comprises targeted asset management, specified asset management and collective asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.11 Property and equipment

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

Property and equipment shall be recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other subsequent expenditures are recognised in profit or loss during the period in which they are incurred.

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

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

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

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

Property and equipment are de-recognised on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognised in the statement of comprehensive income. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.16).

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

3.1 Summary of significant accounting policies (continued)

3.1.12 Investment properties

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

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

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

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

3.1.13 Goodwill

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

3.1.14 Intangible assets

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

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.16).

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

3.1 Summary of significant accounting policies (continued)

3.1.15 Long-term deferred expenses

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

3.1.16 Impairment of long-term non-financial assets

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

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

3.1.17 Disposal groups classified as held-for-sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal groups constituting the discontinued operation.

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

3.1 Summary of significant accounting policies (continued)

3.1.18 Employee benefits

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

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

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

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

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

3.1 Summary of significant accounting policies (continued)

3.1.19 Revenue recognition

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

(1) Commission and fee income

- (a) Revenue from the securities and futures brokerage services is recognised on the date of the transaction;
- (b) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (c) Consultancy and advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (d) Fee revenue from asset management services is recognised according to the provisions of the asset management contracts.

(2) Interest income is recognised by using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

3.1.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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

3.1 Summary of significant accounting policies (continued)

3.1.21 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets is charged or credited directly to equity and is subsequently transferred to profit or loss when the financial assets are de-recognised.

Deferred income tax assets and liabilities are offset when:

- (a) the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority;
- (b) there is a legally enforceable right to offset current tax assets against current tax liabilities.

3.1.22 Leases

Leases of assets where the Group has transferred substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are charged as an expense for the current period.

3.1.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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

3.1 Summary of significant accounting policies (continued)

3.1.24 Provisions

Provisions for matters such as legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.1.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.1.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision maker in resource allocation and performance assessment of each segment. The same accounting policies as adopted in preparation of the Group's consolidated financial statements are used for segment reporting.

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

3.2 Summary of significant accounting estimates

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.2.1 Impairment of loans and receivables

The Group reviews the portfolios of loans and advances to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and receivable. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan and receivable that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Entrusted loans are collectively assessed for impairment at the statement of financial position date. Margin financings are collectively assessed for impairment, which the estimate is based on the business type and clients' margin ratio. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

3.2.2 Impairment of available-for-sale financial assets

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

3.2.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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

3.2 Summary of significant accounting estimates (continued)

3.2.4 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques, which include discounted cash flow models, as well as other types of valuation model. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.2.5 Income taxes

The Group is mainly subject to income taxes in China. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

3.2.6 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management schemes shall be consolidated if the Group acts in the role of principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 TAXATION

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable business income	5%
City construction and maintenance tax	Business tax paid	7%
Educational surcharges	Business tax paid	3%

4.1 Corporate income tax

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Policies relating to the Income Tax Deduction of Contributions by Reserves of Securities Companies (《財政部、國家稅務總局關於證券行業準備金支出企業所得稅稅前扣除有關政策問題的通知》) (Caishui [2012] No. 11), the contributions made by securities companies to the securities investors protection fund are deductible from their taxable profit to the extent allowable as specified in the administrative rules depending on the balance of the fund.

4.2 Business tax

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax of the Securities Investor Protection Fund (《財政部、國家稅務總局關於證券投資者保護基金有關營業稅問題的通知》) (Caishui [2006] No.172), securities companies are allowed to deduct their investor protection fund contributions from their taxable business income.

5 COMMISSION AND FEE INCOME

	Year ended 31 December	
	2015	2014
Securities brokerage	2,568,707	949,894
Investment advisory	285,404	130,642
Underwriting and sponsorship	166,452	67,490
Financial advisory	61,860	47,155
Asset management and fund management	59,671	11,069
Futures brokerage	39,838	36,884
Listing service	20	—
Total	3,181,952	1,243,134

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(All amounts in RMB'000 unless otherwise stated)

6 INTEREST INCOME

	Year ended 31 December	
	2015	2014
Margin financing and securities lending	847,461	312,811
Bank deposits	381,977	172,681
Financial assets held under resale agreements	223,416	109,887
Entrusted loans	43,203	14,636
Others	1,662	823
Total	1,497,719	610,838

7 NET INVESTMENT GAINS

	Year ended 31 December	
	2015	2014
Realised gain from disposal of available-for-sale financial assets	28,146	22,817
Dividends and interest income from available-for-sale financial assets	74,850	51,031
Realised gain from disposal from financial assets held for trading	469,925	206,067
Dividends and interest income from financial assets held for trading	291,035	227,151
Net realised losses from derivative financial instruments	(48,374)	(59,489)
Investment income from associate	1,725	(315)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets held for trading	49,065	79,980
– Derivative financial instruments	6,625	(6,907)
– Financial liabilities designated at fair value through profit or loss	(217,917)	(70,594)
Total	655,080	449,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 OTHER INCOME AND GAINS

	Year ended 31 December	
	2015	2014
Government grants ⁽¹⁾	21,084	29,946
Rental income	3,248	2,775
Others	6,177	4,627
Total	30,509	37,348

(1) This item consists of tax incentive and other grants from local governments.

9 COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2015	2014
Securities brokerage	440,613	155,033
Underwriting and sponsorship	15,001	7,473
Asset management and fund management	6,037	1,954
Financial advisory	3,947	6,414
Total	465,598	170,874

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10 INTEREST EXPENSES

	Year ended 31 December	
	2015	2014
Corporate bonds	378,449	70,916
Financial assets sold under repurchase agreements	263,723	145,813
Short-term notes	124,422	46,247
Due to other financial institutions	105,491	51,732
Accounts payable to brokerage clients	63,166	23,253
Securities lending	842	282
Bank loans	51	–
Total	936,144	338,243

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December	
	2015	2014
Salaries and bonus	1,190,218	502,889
Pension	89,986	65,209
Other social security benefits	49,992	42,113
Labor union funds and employee education funds	53,218	22,576
Other welfare	11,977	15,178
Total	1,395,391	647,965

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(All amounts in RMB'000 unless otherwise stated)

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors

Emoluments of the directors and supervisors of the Company paid by the Group for the years ended 31 December 2015 and 2014 are set out below:

Name	Year ended 31 December 2015				Total
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus	
Executive Directors					
Jian Mingjun (Chairman)	-	587	63	4,291	4,941
Zhou Xiaoquan (President)	-	494	59	3,992	4,545
Non-executive Directors					
Yuan Zhiwei	223	-	-	-	223
Yuan Dejun	223	-	-	-	223
Ning Jincheng ⁽¹⁾	174	-	-	-	174
Zhu Shanli	171	-	-	-	171
Yu Zeyang	31	-	-	-	31
Wang Lixin	31	-	-	-	31
Zhang Qiang	31	-	-	-	31
Li Xingjia ⁽²⁾	29	-	-	-	29
Zhu Jie ⁽³⁾	21	-	-	-	21
Yu Xugang ⁽⁴⁾	18	-	-	-	18
Shi Dan ⁽⁵⁾	14	-	-	-	14
Zhang Xiaoqi ⁽⁶⁾	9	-	-	-	9
Supervisors					
Lu Zhili ⁽⁷⁾	-	367	39	2,850	3,256
Zhou Jianzhong	-	383	51	2,673	3,107
Zhu Qiben ⁽⁸⁾	-	276	25	1,829	2,130
Li Feng	-	247	25	1,806	2,078
Lai Bulian ⁽⁹⁾	-	855	26	1,035	1,916
Wang Jing ⁽¹⁰⁾	-	196	20	1,368	1,584
Han Junyang ⁽¹¹⁾	-	233	20	1,241	1,494
Xiang Siying ⁽¹²⁾	27	-	-	-	27
Li Jieying ⁽¹³⁾	27	-	-	-	27
Yan Changkuan	21	-	-	-	21
Ji Guangyuan	15	-	-	-	15
Wang Rui	15	-	-	-	15
Wang Jinchang ⁽¹⁴⁾	7	-	-	-	7
Cui Yuanfeng ⁽¹⁵⁾	7	-	-	-	7
Total	1,094	3,638	328	21,085	26,145

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors (continued)

Name	Year ended 31 December 2014					Total
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus		
Executive Directors						
Jian Mingjun (Chairman)	–	537	90	1,843		2,470
Zhou Xiaoquan (President)	–	463	85	2,239		2,787
Non-executive Directors						
Zhu Shanli ⁽¹⁶⁾	126	–	–	–		126
Yuan Dejun	126	–	–	–		126
Shi Dan	126	–	–	–		126
Yuan Zhiwei	74	–	–	–		74
Song Chang ⁽¹⁷⁾	53	–	–	–		53
Li Xingjia	31	–	–	–		31
Zhang Qiang	31	–	–	–		31
Wang Jinian ⁽¹⁸⁾	23	–	–	–		23
Zhu Jie	8	–	–	–		8
Wang Lixin	8	–	–	–		8
Yu Zeyang	3	–	–	–		3
Zhu Yijiang ⁽¹⁹⁾	3	–	–	–		3
Shi Lei ⁽²⁰⁾	3	–	–	–		3
Supervisors						
Zhou Jianzhong	–	348	73	1,417		1,838
Zhu Qiben	–	246	36	911		1,193
Li Feng	–	219	29	825		1,073
Yan Changkuan	21	–	–	–		21
Ji Guangyuan	21	–	–	–		21
Wang Rui	21	–	–	–		21
Total	678	1,813	313	7,235		10,039

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors (continued)

- (1) Ning Jincheng was elected to be independent non-executive director effective from March 2015.
- (2) Li Xingjia ceased to be non-executive director effective from September 2015 and was elected to be director effective from October 2015.
- (3) Zhu Jie ceased to be non-executive director effective from September 2015.
- (4) Yu Xugang was elected to independent be non-executive director effective from December 2015.
- (5) Shi Dan ceased to be independent non-executive director effective from January 2015.
- (6) Zhang Xiaoqi was elected to be non-executive director effective from September 2015.
- (7) Lu Zhili was elected to be supervisor board chairman effective from September 2015.
- (8) Zhu Qiben ceased to be supervisor effective from September 2015.
- (9) Lai Bulian was elected to be staff supervisor effective from September 2015.
- (10) Wang Jing was elected to be staff supervisor effective from September 2015.
- (11) Han Junyang was elected to be staff supervisor effective from September 2015.
- (12) Xiang Siying was elected to be independent supervisor effective from September 2015.
- (13) Li Jieying was elected to be independent supervisor effective from September 2015.
- (14) Wang Jinchang was elected to be supervisor effective from September 2015.
- (15) Cui Yuanfeng was elected to be supervisor effective from September 2015.
- (16) Zhu Shanli ceased to be independent non-executive director effective from September 2015.
- (17) Song Chang ceased to be non-executive director effective from May 2014.
- (18) Wang Jinian ceased to be non-executive director effective from September 2014.
- (19) Zhu Yijiang ceased to be non-executive director effective from January 2014.
- (20) Shi Lei ceased to be non-executive director effective from January 2014.

11.2 The five highest paid individuals

For the year ended 31 December 2015, the five highest paid individuals include two directors (for the year ended 31 December 2014: one director).

Details of the remuneration for the rest of the five highest paid individuals for the relevant years are as follows:

	Year ended 31 December	
	2015	2014
Salaries, allowances and other welfares	2,515	2,451
Pension plan contributions	227	293
Discretionary bonus	19,707	10,559
Total	22,449	13,303

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.2 The five highest paid individuals (continued)

The remuneration of the senior management and individuals by range:

	Year ended 31 December	
	2015	2014
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	3
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$6,500,001 to HK\$7,000,000	1	–
Total	3	4

The Group has not provided any compensation to any of these directors, supervisors and the five highest paid individuals as incentive for them to join the Group, reward for joining the Group or for leaving the Group.

12 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2015	2014
Depreciation of property and equipment	32,082	31,955
Depreciation of investment properties	873	875
Amortisation of intangible assets	18,978	15,612
Amortisation of leasehold improvement and long-term deferred expenses	13,781	16,579
Total	65,714	65,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
Business tax and surcharges	255,484	103,498
Rental expenses	47,942	39,743
Securities investors protection fund	39,817	14,240
Communication costs	18,052	14,652
Exchange annual fees	17,049	4,993
Consulting fees	15,861	9,365
Electronic device operating costs	13,740	10,848
Utilities	10,237	9,547
Business entertainment expenses	9,835	15,329
Advertising expenses	7,610	3,019
Auditors' remuneration		
– Audit services	3,802	3,090
– Non-audit services	130	50
Foreign exchange gains, net	(62,062)	(5,157)
Donation	6,502	6,614
Others	65,392	75,054
Total	449,391	304,885

14 IMPAIRMENT LOSS

	Year ended 31 December	
	2015	2014
Available-for-sale financial assets	126,450	8,129
Accounts receivable	3,333	(83)
Entrusted loans	(170)	2,803
Margin accounts receivable	(435)	10,518
Financial assets held under resale agreements	(1,547)	6,349
Total	127,631	27,716

15 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
Current		
– Mainland China	575,294	220,463
Deferred		
– Mainland China (Note 26)	(86,706)	(15,675)
Total	488,588	204,788

The mainland China income tax provision is based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	Year ended 31 December	
	2015	2014
Profit before income tax	1,925,391	786,357
Tax calculated at applicable statutory tax rate of 25%	481,348	196,580
Effects of different applicable rates of tax prevailing in various regions	(7)	–
Income not subject to tax ⁽¹⁾	(2,578)	(5,410)
Items not deductible for tax purposes ⁽²⁾	8,959	8,591
Past due income tax paid	–	2,124
Net tax losses for which no deferred income tax asset was recognised	866	2,903
Total	488,588	204,788

(1) The income not subject to tax mainly represents interest income arising from PRC treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(2) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible thresholds under the relevant PRC tax regulations.

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16 EARNINGS PER SHARE

16.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	2014
Profit attributable to shareholders of the Company	1,405,501	562,290
– Continuing operations	1,423,056	578,399
– Discontinued operations	(17,555)	(16,109)
Weighted average number of ordinary shares in issue	2,874,952	2,332,566
Basic earnings per share (in RMB)	0.49	0.24
– Continuing operations	0.50	0.25
– Discontinued operations	(0.01)	(0.01)

16.2 Diluted earnings per share

For the year ended 31 December 2015 and 2014, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

17 DIVIDENDS

Under the “Company Law” of the PRC and the Company’s Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) 10% and 5% of the Company’s profit is appropriated to the non-distributable statutory surplus reserve and discretionary surplus reserve;
- (iii) 11% of the Company’s profit is appropriated to the non-distributable general reserve;
- (iv) 10% of the Company’s profit is appropriated to the non-distributable transaction risk reserve;
- (v) Appropriations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders’ equity.

17 DIVIDENDS (CONTINUED)

The annual general meeting was held on 11 May 2015. The resolution on the profit distribution plan for the year 2014 was approved at the meeting. The dividends to be paid was RMB0.12 per share (tax inclusive) (totalling RMB315,793,884).

An extraordinary general meeting was held on 12 October 2015. Resolution for interim profit distribution plan for the year 2015 was approved at the meeting. The dividends to be paid was RMB0.21 per share (tax inclusive) (totalling RMB676,984,287).

The dividends were paid in 2015.

	Year ended 31 December	
	2015	2014
Final dividend of RMB0.12 per ordinary share in 2014	0.12	–
Interim dividend of RMB0.21 per ordinary share in 2015	0.21	–

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
Cost					
1 January 2015	179,041	26,481	262,065	100	467,687
Additions	-	3,028	48,365	443	51,836
Transfer from investment properties (Note 19)	1,114	-	-	-	1,114
Transfer to investment properties (Note 19)	-	-	-	-	-
Disposals	-	(1,317)	(5,787)	-	(7,104)
Transfer to disposal group held for sale	-	(696)	(7,723)	-	(8,419)
31 December 2015	180,155	27,496	296,920	543	505,114
Accumulated depreciation					
1 January 2015	(34,051)	(17,204)	(199,286)	-	(250,541)
Additions	(4,660)	(1,944)	(25,482)	-	(32,086)
Transfer from investment properties (Note 19)	(146)	-	-	-	(146)
Disposals	-	1,263	5,173	-	6,436
Transfer to disposal group held for sale	-	296	7,023	-	7,319
31 December 2015	(38,857)	(17,589)	(212,572)	-	(269,018)
Carrying amount					
31 December 2015	141,298	9,907	84,348	543	236,096

18 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
Cost					
1 January 2014	168,453	25,658	254,743	–	448,854
Additions	–	2,499	14,956	100	17,555
Transfer from investment properties (Note 19)	11,702	–	–	–	11,702
Transfer to investment properties (Note 19)	(1,114)	–	–	–	(1,114)
Disposals	–	(1,676)	(7,634)	–	(9,310)
31 December 2014	179,041	26,481	262,065	100	467,687
Accumulated depreciation					
1 January 2014	(25,681)	(16,985)	(180,380)	–	(223,046)
Additions	(4,660)	(1,830)	(25,963)	–	(32,453)
Transfer from investment properties (Note 19)	(3,856)	–	–	–	(3,856)
Transfer to investment properties (Note 19)	146	–	–	–	146
Disposals	–	1,611	7,057	–	8,668
31 December 2014	(34,051)	(17,204)	(199,286)	–	(250,541)
Carrying amount					
31 December 2014	144,990	9,277	62,779	100	217,146

For the year ended 31 December 2015 and 2014, gain or loss from disposal of property and equipment was not significant.

All buildings of the Group are located in mainland China.

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19 INVESTMENT PROPERTIES

	1 January 2015	Transfer in (Note 18)	Transfer out (Note 18)	Additions	31 December 2015
Buildings	37,337	-	(1,114)	-	36,223
Accumulated depreciation	(14,271)	-	146	(873)	(14,998)
Carrying amount	23,066				21,225

	1 January 2014	Transfer in (Note 18)	Transfer out (Note 18)	Additions	31 December 2014
Buildings	47,925	1,114	(11,702)	-	37,337
Accumulated depreciation	(17,106)	(146)	3,856	(875)	(14,271)
Carrying amount	30,819				23,066

20 GOODWILL

Goodwill of the Group arose from its acquisition of Yuliang Futures Brokerage Co., Ltd. (later renamed to Central China Futures Co., Ltd.) on 12 October 2007.

The recoverable amount is determined based on the value in use derived from the present value of expected future cash flows. No impairment provision is provided because the recoverable amount exceeds the carrying amount.

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21 INTANGIBLE ASSETS

	31 December 2015	31 December 2014
Net Book Value		
Land use rights	100,866	103,502
Computer software	53,946	48,727
Trading rights	818	467
Other intangible assets	306	1,047
Exchange difference	25	–
Total	155,961	153,743
	31 December 2015	31 December 2014
Cost		
Balance at beginning of year	250,333	125,558
Additions	27,648	124,775
Disposals	–	–
Transfer to held for sale	(12,777)	–
Balance at end of year	265,204	250,333
Accumulated amortisation		
Balance at beginning of year	(96,590)	(78,753)
Charges	(18,980)	(17,837)
Disposals	–	–
Transfer to held for sale	6,327	–
Balance at end of year	(109,243)	(96,590)
Carrying amount		
Balance at end of year	155,961	153,743

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22 INVESTMENTS IN ASSOCIATES

Details of investments in associates, unlisted, are as follow:

	31 December 2015	31 December 2014
Balance at beginning of year	49,685	–
Capital contribution to associates	39,930	50,000
Share of results	2,249	(315)
Balance at end of year	91,864	49,685

Name of associates	Place of registration	Registered share capital	Principal activities	Percentage of equity interest held by the Group
Henan Zhongping Finance & Guaranty Co., Ltd. ⁽¹⁾	Zhengzhou	200,000	Guarantee business	25.00%
Central China Blue Ocean Beisheng Investment Management Company ⁽²⁾	Qingdao	27,000	Fund management business	37.04%
Luoyang Desheng Bio-Tech Co.,Ltd. ⁽³⁾	Luoyang	15,158	Adenine production	20.00%
Henan Jianlong Chem-Tech Co.,Ltd ⁽³⁾	Luoyang	31,880	Adenine production	11.03%

(1) In June 2014, the Group's subsidiary ZDKY Venture Capital invested RMB50 million in Henan Zhongping Finance & Guaranty Co., Ltd.

(2) In September 2015, the Group's subsidiary CCBO invested RMB10 million in Central China Blue Ocean Beisheng Investment Management Company.

(3) In 2015, the Group's subsidiary Henan ZZKY Venture Capital invested RMB11.33 million in Luoyang Desheng Bio-Tech Co., Ltd. and RMB18.60 million in Henan Jianlong Chem-Tech Co.,Ltd.

23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

General information

The following were major subsidiaries and consolidated structured entities of the Group as at 31 December 2015. Unless specifically stated, the equity interests in these subsidiaries were all ordinary shares and directly or indirectly held by the Group, and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

(CONTINUED)

General information (continued)

Name of subsidiary and consolidated structured entities	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered and paid-in capital	Equity interest held by the Group		
				31 December 2015	31 December 2014	Directly held/indirectly held
Central China Future Co., Ltd. ⁽¹⁾	Zhengzhou, PRC, limited liability company	Futures brokerages in Mainland China	330,000	51.36%	92.55%	Direct
Zhongding Kaiyuan Entrepreneurial Investment Management Co., Ltd. ("ZDKY Venture Capital") ⁽²⁾	Beijing, PRC, limited liability company	Investment holding in Mainland China	1,000,000	62.29%	100.00%	Direct
Henan Zhongzheng Kaiyuan Venture Capital Fund Co., Ltd. ("ZZKY Venture Capital") ⁽³⁾	Luoyang, PRC, limited liability company	Investment management in Mainland China	20,000	37.37%	60.00%	Indirect
Ashmore-CCSC Fund Management Co., Ltd. ("Ashmore-CCSC")	Shanghai, PRC, limited liability company	Fund Management in Mainland China	200,000	51.00%	51.00%	Direct
Central China International Financial Holdings Co., Ltd. ("CCIFHC") ⁽⁴⁾	Hong Kong, PRC, limited liability company	Investment management, fund management in Hong Kong	300,000 (HKD)	100.00%	100.00%	Direct
Central China Blue Ocean Investment Management Co., Ltd. ("CCBO") ⁽⁵⁾	Qingdao, PRC, limited liability company	Fund management in Mainland China	300,000	100.00%	–	Direct
Central China Equity Exchange Co., Ltd. ("CCEEC") ⁽⁶⁾	Zhengzhou, PRC, limited liability company	Investment management in Mainland China	350,000	35.00%	–	Direct
Zhongzhou Jishi Investment Management Co., Ltd. ("ZZJSC")	Zhengzhou, PRC, limited liability company	Property investment management in Mainland China	50,000	62.29%	100%	Indirect
Zhongzhou Hefu (Beijing) Investment Management Co., Ltd. ("ZZHFC") ⁽⁷⁾	Beijing, PRC, limited liability company	Investment management in Mainland China	10,000	31.77%	–	Indirect
Yuxin Investment Management (Shanghai) Co., Ltd. ⁽⁸⁾	Shanghai, PRC, limited liability company	Investment management in Mainland China	50,000	51.36%	–	Indirect
Central China International Securities Co., Ltd. ("CCISC") ⁽⁹⁾	Hong Kong, limited liability company	Securities brokerages in Hong Kong	200,000 (HKD)	100.00%	–	Indirect

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23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

(CONTINUED)

General information (continued)

Name of subsidiary and consolidated structured entities	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered and paid-in capital	Equity interest held by the Group		
				31 December 2015	31 December 2014	Directly held/indirectly held
Central China International Investment Company Limited ("CCIC") ⁽¹⁰⁾	Hong Kong, limited liability company	Investment management in Hong Kong	10,000 (HKD)	100.00%	–	Indirect
Henan Zhongyuan Kechuang venture capital investment fund (limited partnership) ("ZYKC Venture Capital") ⁽¹¹⁾	Zhengzhou, PRC, limited partnership	Non-securities brokerage and consulting in Mainland China	50,000	31.15%	–	Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership) ("ZZKY Venture Capital Fund") ⁽¹²⁾	Luoyang, PRC, limited partnership	Investment holding in Mainland China	110,000	20.39%	32.72%	Indirect
"Yanhuang No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	85,492	70.15%	13.53%	Direct
"Yanhuang No.2"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	46,631	29.49%	62.66%	Direct
"Xincheng No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	30,010	100.00%	–	Indirect
"Panshi No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	100,000	12.50%	–	Direct
"Wenjian No.1", "Wenjian No.2", "Wenjian No.3" and "Wenjian No.4"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	1,050,000	19.05%	20.00%	Direct
"Alpha Phase I"	Shanghai, PRC, structured entity	Asset management in Mainland China	–	–	49.88%	Indirect
"Arbitrage Phase I"	Shanghai, PRC, structured entity	Asset management in Mainland China	–	–	24.51%	Indirect

23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

(CONTINUED)

General information (continued)

- (1) In 2015, the registered and paid-in capital of Central China Future Co., Ltd, increased from RMB110 million to RMB330 million. The Company made additional investment of RMB67.67 million.
- (2) In 2015, the registered and paid-in capital of ZDKY Venture Capital increased from RMB500 million to RMB1,000 million. The Company made additional investment of RMB122.91 million.
- (3) ZZKY Venture Capital is directly held by ZDKY Venture Capital. The registered and paid-in capital of ZZKY Venture Capital increased from RMB10 million to RMB20 million in June 2015.
- (4) In October 2014, CCIFHC is established in Hong Kong.
- (5) In March 2015, CCBO is established in Shandong.
- (6) In June 2015, CCEEC is established in Henan.
- (7) In September 2015, ZZHFC is established in Beijing.
- (8) Yuxin Investment Management (Shanghai) Co., Ltd. is directly held by Central China Future Co., Ltd.
- (9) CCISC is directly held by CCIFHC.
- (10) CCIC is directly held by CCIFHC.
- (11) ZYKC Venture Capital Fund is directly held by ZDKY Venture Capital and ZZJSC. ZZJSC is the only general partner and the Group holds most of the voting rights for the key operating activities of ZZKY Venture Capital Fund.
- (12) ZZKY Venture Capital Fund is directly held by ZDKY Venture Capital and ZZKY Venture Capital. ZZKY Venture Capital is the only general partner and the Group holds most of the voting rights for the key operating activities of ZZKY Venture Capital Fund.

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(All amounts in RMB'000 unless otherwise stated)

24 OTHER NON-CURRENT ASSETS

	31 December 2015	31 December 2014
Leasehold improvements	22,259	23,221
Long-term deferred expenses	2,193	2,409
Total	24,452	25,630

24.1 Leasehold improvements

Leasehold improvements of the Group is amortised over the expected beneficial period.

	31 December 2015	31 December 2014
Balance at beginning of year	23,221	34,818
Additions	11,756	3,214
Amortisation	(12,718)	(14,811)
Balance at end of year	22,259	23,221

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(All amounts in RMB'000 unless otherwise stated)

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets

	31 December 2015	31 December 2014
At fair value		
Specified asset management schemes ⁽¹⁾	317,799	449,723
Targeted asset management schemes	–	150,000
Investment funds	1,936	–
Collective asset management schemes	242,976	19,005
Investments in unlisted companies	12,000	29,643
Less: impairment allowance	(68,148)	–
Subtotal	506,563	648,371
At cost		
Investments in unlisted companies	64,855	4,094
Less: impairment allowance	(2,376)	(2,376)
Subtotal	62,479	1,718
Total	569,042	650,089
Analysed as		
Listed outside Hong Kong	–	449,723
Unlisted	569,042	200,366
Total	569,042	650,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets

	31 December 2015	31 December 2014
At fair value		
Investment funds	120,495	82,281
Equity securities	126,674	19,328
Collective asset management schemes	24,101	937
Specified asset management schemes ⁽¹⁾	69,971	–
Targeted asset management schemes	150,000	–
Wealth management products	70,550	–
Trust schemes	36,200	–
Others ⁽²⁾	1,336,310	–
Less: impairment allowance	(58,302)	–
Subtotal	1,875,999	102,546
At cost		
Equity securities	14,800	–
Total	1,890,799	102,546
Analysed as		
Listed outside Hong Kong	1,491,643	101,609
Listed in Hong Kong	93,887	–
Unlisted	363,571	937
Less: impairment allowance	(58,302)	–
Total	1,890,799	102,546

(1) In 2015, the Group set aside an impairment allowance of RMB126.45 million for the Da Cheng Xi Yellow River Bridge specified asset management scheme based on independent valuation.

(2) Others mainly include the investment made by the Company together with other China securities companies through specified investment account in China Securities Finance Corporation Limited (“CSF”). According to the agreements, the investment is operated by CSF and all investees share the income and loss based on investment proportion. On 1 September 2015, the Group made investment with total amount of RMB1,323 million. As at 31 December 2015, the fair value of the investment is RMB1,336 million according to the valuation report provided by CSF.

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets (continued)

As at 31 December 2015, available-for-sale financial assets of the Group included securities lent to clients of RMB12.77 million (31 December 2014: RMB70.53 million).

As at 31 December 2015, the Group did not place any securities as collateral (31 December 2014: securities with fair value of RMB4.74 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

26 DEFERRED INCOME TAX ASSETS AND LIABILITIES

26.1 Deferred income tax assets

The movements in deferred income tax assets during the years are as follows:

	Provision for asset impairment	Employee benefits payable	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Accrual and others	Total
As at 1 January 2015	14,981	82,555	-	-	1,474	5,459	104,469
Income statement charge	29,019	74,494	-	-	(1,474)	2,811	104,850
Tax charge relating to components of other comprehensive income	-	-	16	-	-	-	16
As at 31 December 2015	44,000	157,049	16	-	-	8,270	209,335
As at 1 January 2014	11,150	46,386	1,192	1,772	-	10,737	71,237
Income statement charge	3,831	36,169	-	(1,772)	1,474	(5,278)	34,424
Tax charge relating to components of other comprehensive income	-	-	(1,192)	-	-	-	(1,192)
As at 31 December 2014	14,981	82,555	-	-	1,474	5,459	104,469

26 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

26.2 Deferred income tax liabilities

The movements in deferred income tax liabilities during the years are as follows:

	Changes in fair value of available-for- sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Others	Total
As at 1 January 2015	(8,836)	(13,429)	-	(5,572)	(27,837)
Income statement charge	-	(8,261)	(182)	(9,701)	(18,144)
Tax charge relating to components of other comprehensive income	(3,176)	-	-	-	(3,176)
As at 31 December 2015	(12,012)	(21,690)	(182)	(15,273)	(49,157)
As at 1 January 2014	-	-	(252)	-	(252)
Income statement charge	-	(13,429)	252	(5,572)	(18,749)
Tax charge relating to components of other comprehensive income	(8,836)	-	-	-	(8,836)
As at 31 December 2014	(8,836)	(13,429)	-	(5,572)	(27,837)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net movements on the deferred income tax account are as follows:

	31 December 2015	31 December 2014
Balance at beginning of the year	76,632	70,985
Income statement charge (Note 15)	86,706	15,675
Tax charge relating to components of other comprehensive income (Note 39)	(3,160)	(10,028)
Balance at end of the year	160,178	76,632

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27 REFUNDABLE DEPOSITS

	31 December 2015	31 December 2014
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	58,155	14,811
– Shenzhen Stock Exchange	45,819	12,895
– National Equities Exchange and Quotations	550	–
Deposits to Futures and Commodities Exchanges		
– China Financial Futures Exchange	185,582	46,237
– Shanghai Futures Exchange	61,900	114,332
– Zhengzhou Commodities Exchange	46,800	48,477
– Dalian Commodities Exchange	24,101	25,964
Deposits to China Securities Finance Corporation Limited (“CSF”)	–	464,688
Total	422,907	727,404

28 OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
Interest receivable	257,758	173,998
Accounts receivable	30,594	24,705
Other receivables and prepayments	230,494	45,408
Others	39,350	89,120
Less: Impairment allowance	(29,652)	(26,319)
Total	528,544	306,912

28 OTHER CURRENT ASSETS (CONTINUED)

28.1 Interest receivable

	31 December 2015	31 December 2014
Bonds	85,701	89,812
Margin financing, securities lending and financial assets held under resale agreements	147,929	58,238
Asset management schemes	20,921	24,349
Entrusted loans	834	984
Deposits	1,834	615
Wealth management products	481	–
Trust schemes	58	–
Total	257,758	173,998

28.2 Accounts receivable

The aging analysis of accounts receivable is as follows:

	31 December 2015		31 December 2014	
	Amount	Impairment allowance	Amount	Impairment allowance
Up to 1 year	29,742	(2,594)	23,615	(118)
1 to 3 years	852	(413)	1,090	(460)
Total	30,594	(3,007)	24,705	(578)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

29 ENTRUSTED LOANS

	31 December 2015	31 December 2014
Entrusted Loans	263,261	280,290
Less: Impairment allowance	(2,633)	(2,803)
Total	260,628	277,487

Entrusted loans represent the Group's lending to third parties via domestic commercial banks, with interest rates ranging from 8.00% to 13.50% per annum.

30 MARGIN ACCOUNTS RECEIVABLES

As at 31 December 2015, margin accounts receivable overdue was insignificant (31 December 2014: insignificant).

31 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Non-current assets

	31 December 2015	31 December 2014
Analysed by asset type:		
Equity securities	532,500	–
Less: Impairment provision	(1,331)	–
Total	531,169	–
Analysed by market:		
Shenzhen Stock Exchange	532,500	–
Less: Impairment provision	(1,331)	–
Total	531,169	–

31 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(CONTINUED)

Current assets

	31 December 2015	31 December 2014
Analysed by asset type:		
Equity securities	1,421,756	1,810,803
Debt securities	4,877,236	1,085,261
Less: Impairment provision	(3,471)	(6,349)
Total	6,295,521	2,889,715
Analysed by market:		
Interbank market	4,877,236	1,064,862
Shenzhen Stock Exchange	752,239	1,472,373
Shanghai Stock Exchange	669,517	358,829
Less: Impairment provision	(3,471)	(6,349)
Total	6,295,521	2,889,715

Collateral held by the Group as part of its resale agreements may be placed again as collateral in the absence of default by any party involved, and the Group is obligated to return the assets to its counterparties upon maturity of the contracts. As at 31 December 2015, the fair value of securities of the Group which have been pledged as collateral were RMB1,892.59 million (31 December 2014: RMB994.44 million).

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32 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The derivative financial assets of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures (“SIF”) position on a daily basis, with the corresponding receipts and payments as at 31 December 2015 and 2014 included in “clearing settlement funds”.

	31 December 2015		31 December 2014	
	Contractual value	Positive fair value	Contractual value	Negative fair value
SIF	87,045	727	154,285	(5,939)
Less: Cash received/(paid) as settlement		(727)		5,939
Net position of SIF contracts		-		-

33 FINANCIAL ASSETS HELD FOR TRADING

	31 December 2015	31 December 2014
Debt securities	3,838,532	3,601,868
Equity securities	720,790	337,777
Investment funds	485,806	159,637
Total	5,045,128	4,099,282
Analysed as:		
Listed outside Hong Kong	4,964,105	3,999,695
Listed in Hong Kong	11,023	-
Unlisted	70,000	99,587
Total	5,045,128	4,099,282

As at 31 December 2015, the fair value of securities of the Group which have been pledged as collateral were RMB2,712.61 million (31 December 2014: RMB2,907.22 million).

Those “listed outside Hong Kong” include securities and investment funds traded in PRC’s interbank bond markets, Shanghai and Shenzhen Stock Exchanges, and National Equities Exchange and Quotations.

34 CLEARING SETTLEMENT FUNDS

	31 December 2015	31 December 2014
Clients' clearing settlement funds	4,295,291	2,481,320
Proprietary clearing settlement funds	160,325	139,547
Total	4,455,616	2,620,867

35 CASH HELD FOR BROKERAGE CLIENTS

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognise them as due to clients given that they are held liable for any loss or miss-appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

36 CASH AND BANK BALANCES

	31 December 2015	31 December 2014
Cash	623	578
Bank balances	1,967,482	1,455,929
Total	1,968,105	1,456,507

As at 31 December 2015 and 31 December 2014, the amounts of restricted cash and bank deposits were RMB46.74 million and none respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Ashmore-CCSC, a 51% owned subsidiary of the Company, had been presented as held for sale as at 31 December 2015. The Board of the Directors of the Company made a disposal decision of Ashmore-CCSC in 2015.

37.1 Assets of disposal group classified as held for sale

	31 December 2015	31 December 2014
Cash and bank balances	26,058	–
Financial assets at fair value through profit or loss	5,013	–
Refundable deposits	22	–
Clearing settlement funds	81	–
Other non-financial assets	8,255	–
Total	39,429	–

37.2 Liabilities of disposal group classified as held for sale

	31 December 2015	31 December 2014
Financial liabilities at fair value through profit or loss	6,012	–
Other liabilities	5,661	–
Tax payable	23	–
Total	11,696	–

As at 31 December 2015, the assets and liabilities held for sale were stated at carrying amount. Costs to sell were estimated as not significant. The carrying amounts of these assets and liabilities were equivalent to or very close to their respective fair value.

37 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

37.3 Analysis of the result of discontinued operations is as follows:

	31 December 2015	31 December 2014
Revenue	441	5,109
Expenses	(34,863)	(36,695)
Loss before tax of discontinued operations	(34,422)	(31,586)
Less: Tax	-	-
Loss after tax of discontinued operations	(34,422)	(31,586)
Pre-tax loss recognised on the re-measurement of assets of the disposal group	-	-
Less: Tax	-	-
After tax loss recognised on the re-measurement of assets of the disposal group	-	-
Loss for the year from discontinued operations	(34,422)	(31,586)
Loss for the year from discontinued operations attributable to:		
– Shareholders of the Company	(17,555)	(16,109)
– Non-controlling interests	(16,867)	(15,477)
Loss for the year from discontinued operations	(34,422)	(31,586)

37.4 Analysis of the result of discontinued cash flow is as follows:

	31 December 2015	31 December 2014
Operating cash flows	(40,576)	(32,400)
Investing cash flows	(824)	(1,623)
Financing cash flows	-	-
	(41,400)	(34,023)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	31 December 2015	31 December 2014
Issued and fully paid ordinary shares of RMB1 each		
– Domestic shares	1,973,706	1,973,706
– H shares	1,250,029	657,910
Total	3,223,735	2,631,616
Share Capital		
– Domestic shares	1,973,706	1,973,706
– H shares	1,250,029	657,910
Total	3,223,735	2,631,616

On 3 August 2015, an aggregate of 592,119,000 H Shares have been successfully issued through placements by the Company at a price of HK\$4.28 each.

39 RESERVES

39.1 Surplus reserve

Pursuant to the RPC Company Law, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

39 RESERVES (CONTINUED)

39.2 General reserve and transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 11% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering potential securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

39.3 Available-for-sale financial assets revaluation reserve

Fair value changes of available-for-sale financial assets for other comprehensive income are as below:

	Pre-tax amount	Income tax effect (Note 26)	After-tax net amount
As at 1 January 2015	35,581	(8,836)	26,745
Changes in fair value for available-for-sale financial assets	14,544	(4,585)	9,959
Reclassification adjustments for losses/(gains) included in profit or loss – Disposal	(5,705)	1,425	(4,280)
As at 31 December 2015	44,420	(11,996)	32,424
As at 1 January 2014	(4,773)	1,192	(3,581)
Changes in fair value for available-for-sale financial assets	27,440	(6,860)	20,580
Reclassification adjustments for gains/(losses) included in profit or loss – Impairment	8,089	(1,992)	6,097
– Disposal	4,825	(1,176)	3,649
As at 31 December 2014	35,581	(8,836)	26,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40 BONDS PAYABLE

On 12 February 2015, the Group issued RMB1.40 billion two-year subordinated bonds at par value, paying annual interest at 5.85%.

On 17 April 2015, the Group issued RMB2.00 billion three-year subordinated bonds at par value, paying annual interest at 6.00%. The Group has an option to redeem the bonds on 17 April 2017. If they are not redeemed, the Group has to increase the annual interest rate to 6.01% from 17 April 2017 onward.

On 27 May 2015, the Group issued RMB1.00 billion one-year subordinated bonds at par value, paying annual interest at 5.20%.

On 16 June 2015, the Group issued RMB1.65 billion 18-month subordinated bonds at par value, paying annual interest at 5.50%.

Non-current liabilities

	31 December 2015	31 December 2014
Corporate bonds	1,492,102	1,490,027
Subordinated bonds	3,398,976	—
Beneficiary certificates	400,000	—
Total	5,291,078	1,490,027

Current liabilities

	31 December 2015	31 December 2014
Subordinated bonds	2,650,000	—
Total	2,650,000	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41 BANK LOANS

	31 December 2015	31 December 2014
Secured bank loans	51,818	–
Total	51,818	–

The bank loan is a secured bank loan of US\$7,984,000, equivalent to RMB51.82 million. The bank loan is repayable on 18 December 2018 and pays interest rate at London Interbank Offered Rate (the “LIBOR”) plus 1.8% per annum.

42 OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Salaries, bonus, allowances and benefits	711,033	375,915
Interest payable	327,496	111,765
Accounts payable	152,467	93,541
Other payables	51,598	179,420
Others	29,951	41,850
Total	1,272,545	802,491

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(All amounts in RMB'000 unless otherwise stated)

42 OTHER CURRENT LIABILITIES (CONTINUED)

42.1 Salaries, bonus, allowances and benefits

	1 January 2015	Current year charge	Current year payment	31 December 2015
Salaries and bonus	310,374	1,190,218	(901,215)	599,377
Pension	28,070	89,986	(78,068)	39,988
Other social security contributions	2	49,992	(49,926)	68
Labour union funds and employee education funds	33,610	53,218	(18,393)	68,435
Other welfare	3,859	11,977	(12,671)	3,165
Total	375,915	1,395,391	(1,060,273)	711,033

	1 January 2014	Current year charge	Current year payment	31 December 2014
Salaries and bonus	175,986	521,729	(387,341)	310,374
Pension	20,736	66,485	(59,151)	28,070
Other social security contributions	2	43,744	(43,744)	2
Labour union funds and employee education funds	20,363	22,611	(9,364)	33,610
Other welfare	4,232	15,734	(16,107)	3,859
Total	221,319	670,303	(515,707)	375,915

43 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities (the "SEs") are designated at fair value through profit or loss by the Group because of the Group has the obligation to pay other investors upon maturity dates of the SEs based on net book value and the related terms of those schemes (Note 3.2.6).

	31 December 2015	31 December 2014
Asset management schemes	1,004,526	791,074
Limited partnership	139,644	–
Total	1,144,170	791,074

44 TAX PAYABLE

	31 December 2015	31 December 2014
Individual income tax withheld	17,540	129,882
Corporate income tax	218,945	88,273
Business tax and surcharges	29,440	20,374
Others	1,230	1,141
Total	267,155	239,670

45 SHORT-TERM NOTES PAYABLE

	31 December 2015	31 December 2014
Short-term notes payable	2,000,000	1,400,000
Beneficiary certificates	456,960	41,280
Total	2,456,960	1,441,280

As at 31 December 2015, the annual interest rates on the short-term notes payable were in the range of 3.12% to 3.14%.

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46 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2015	31 December 2014
Analysed by asset type:		
Debt securities	4,212,965	3,127,234
Margin accounts receivable	500,000	2,460,000
Total	4,712,965	5,587,234
Analysed by market:		
Interbank market	4,068,346	2,243,060
Shanghai Stock Exchange	144,619	884,174
Others	500,000	2,460,000
Total	4,712,965	5,587,234
Analysed by transaction type:		
Pledged	3,131,819	5,364,424
Sold	1,581,146	222,810
Total	4,712,965	5,587,234

The value of the financial assets held for trading and financial assets held under resale agreements that had been placed as financial assets sold under repurchase agreements of the Group was listed as below:

	31 December 2015	31 December 2014
Pledged		
Financial assets held for trading	2,247,870	1,920,379
Financial assets held under resale agreements	600,000	1,014,861
Securities lending	335,000	81,557
Subtotal	3,182,870	3,016,797
Sold		
Financial assets held for trading	400,000	113,658
Securities lending	1,080,000	81,499
Subtotal	1,480,000	195,157
Total	4,662,870	3,211,954

47 DUE TO OTHER FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Placements from China Securities Finance Corporation Limited ("CSF").	–	2,173,000
Placements from Industrial Bank Co., Ltd.	–	200,000
Total	–	2,373,000

48 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 31 December 2015, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB1,580.44 million (31 December 2014: RMB795.96 million), and are included in the Group's accounts payable to brokerage clients.

49 CASH AND CASH EQUIVALENTS

For the purpose of statements of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	31 December 2015	31 December 2014
Cash	623	578
Bank deposits	1,983,686	1,455,929
Proprietary clearing settlement funds	160,325	139,547
Total	2,144,554	1,596,054

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(All amounts in RMB'000 unless otherwise stated)

50 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 recognise these assets.

50.1 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 pledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities upon maturity of the contract. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the counterparties or have to return part of the collateral it holds to the counterparties. In these cases, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. In addition, it recognises a financial liability for the cash received.

50.2 Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to clients for them to sell, for which the clients are required to provide collateral that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the clients or have to return part of the collateral it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2015		31 December 2014	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase	1,480,000	1,581,146	195,157	222,810
Securities lending	12,769	–	70,532	–

51 COMMITMENTS AND CONTINGENT LIABILITIES

51.1 Capital commitments

	31 December 2015	31 December 2014
Contracted but not provided for	12,073	10,150

51.2 Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	31 December 2015	31 December 2014
Within 1 year	39,159	33,876
1 to 3 years	59,469	40,335
Over 3 years	27,792	17,961
Total	126,420	92,172

51.3 Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subject to investigations by regulatory authorities.

The Company is involved as defendants in three lawsuits arising from certain finance lease contracts entered into by a former employee falsified as representative of the Company in 2015. As at 31 December 2015, one lawsuit which claim in dispute is RMB130 million has been accepted by the court for withdrawal of civil action while the other two are in progress which claim in dispute is RMB30 million. The Directors of the Company, taking into consideration of external legal advice, concluded that these lawsuits will not have a material impact on the financial position or operations of the Group.

52 RELATED PARTY TRANSACTIONS

52.1 Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The following table lists the Group's significant related legal entities and the holdings of the Company's major shareholders as at 31 December 2015:

Significant related legal persons	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	27.02%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	18.86%
Anyang Iron & Steel Group Co., Ltd. (hereinafter "Angang Group")	Major shareholder holding over 5% shares of the Company	5.83%
Henan Shenhua Group Co., Ltd.	Other shareholder of the company	0.58%
Henan Venture Capital Co., Ltd.	Controlled by the controlling shareholder of the Company	—
Henan YuNeng Holdings Co., Ltd.	Controlled by the controlling shareholder of the Company	—
Henan Sky-Land Properties Co., Ltd.	Controlled by the controlling shareholder of the Company	—
Henan Sky-Land Hotel Co., Ltd.	Controlled by the controlling shareholder of the Company	—
Commercial Bank of Kaifeng Co., Ltd.	Controlled by the controlling shareholder of the Company	—
Central China Trust Co., Ltd.	Controlled by the controlling shareholder of the Company	—

52 RELATED PARTY TRANSACTIONS (CONTINUED)

52.2 Related party transactions and balances

52.2.1 The Company's controlling shareholder – Henan Investment Group

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Transactions during the year:

	Year ended 31 December	
	2015	2014
Income from providing securities brokerage services	83	134
Income from financial assets held for trading ⁽¹⁾	–	7

(1) From notes held by the Group issued by Henan Investment Group.

52.2.2 The company's non-controlling shareholders

		Year ended 31 December	
		2015	2014
Angang Group	Income from providing securities brokerage services	41	–
Henan Shenhua Group Co., Ltd.	Interest income from financial assets held for trading	33	–

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52 RELATED PARTY TRANSACTIONS (CONTINUED)

52.2 Related party transactions and balances (continued)

52.2.3 Enterprise controlled by the controlling shareholder of the Company

Transactions during the year:

		Year ended 31 December	
		2015	2014
Henan Sky-Land Hotel Co., Ltd.	Prepayments decrease due to holding a meeting	(5)	–
Henan Venture Capital Co., Ltd.	Income from providing securities brokerage services	13	–
Henan YuNeng Holdings Co., Ltd.	Income from underwriting services	–	10,000
Central China Trust Co., Ltd.	Income from distribution of financial products	–	1,309

Balances at the end of the year:

		31 December 2015	31 December 2014
Henan Sky-Land Hotel Co., Ltd.	Prepayments	845	900

52.2.4 Subsidiaries and consolidated structured entities

Transactions during the year:

		Year ended 31 December	
		2015	2014
	Income from providing services	8,817	13,636
	Expenses for receiving services	2,330	970
	Lease income received	1,046	499

52 RELATED PARTY TRANSACTIONS (CONTINUED)

52.2 Related party transactions and balances (continued)

52.2.4 Subsidiaries and consolidated structured entities (continued)

Balances at the end of the year

	31 December 2015	31 December 2014
Refundable deposits	22,918	15,321
Clearing settlement funds	63,641	53,142
Available-for-sale financial assets	374,746	74,252
Accounts payable to brokerage clients	–	149
Receivables	714	85,337

Commitments

On 26 December 2015, the Board of directors resolved to provide guarantee or counter guarantee for overseas banking facilities of a subsidiary, CCIFHC and its subsidiaries with a cap not exceeding 10% of the Company's latest audited net assets.

Significant balances and transactions between subsidiaries and consolidated structured entities set out above have been eliminated in the consolidated financial statements.

52.2.5 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

	Year ended 31 December	
	2015	2014
Key management compensation	51,981	23,201

52.2.6 Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of Reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

53 SEGMENT ANALYSIS

The Group manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: securities trading and brokering services;
- (b) Futures brokerage: futures trading and brokering and futures information advisory and training services;
- (c) Margin trading and securities lending: margin trading and securities lending services;
- (d) Investment banking: corporate finance and financial advisory services to institutional clients;
- (e) Proprietary trading: trading in financial products;
- (f) Investment and asset management: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (g) Overseas business: business operation of overseas subsidiaries of the Company, which mainly engages in broking, margin financing, trading and investment and financial planning and advisory services;
- (h) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

The Group mainly operates in Henan Province, the PRC.

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53 SEGMENT ANALYSIS (CONTINUED)

	Year ended 31 December 2015										Total (continued and discontinued)	
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued)		Discontinued operation
Total revenue and other income												
Commission and fee income	2,514,606	40,260	323,153	225,148	-	65,740	111	1,767	11,167	3,181,952	194	3,182,146
- external	2,514,606	40,260	323,153	225,148	-	65,740	111	1,767	-	3,170,785	194	3,170,979
- internal	-	-	-	-	-	-	-	-	11,167	11,167	-	11,167
Interest income	7,813	25,653	864,624	-	44,294	47,155	635	507,545	-	1,497,719	311	1,498,030
- external	7,813	25,653	864,624	-	44,294	47,155	635	507,545	-	1,497,719	311	1,498,030
- internal	-	-	-	-	-	-	-	-	-	-	-	-
Net investment gain/(loss)	-	(7,391)	-	-	478,857	102,503	360	80,723	28	655,080	(2,455)	652,625
- external	-	(7,391)	-	-	478,857	102,489	360	80,433	-	654,748	(2,455)	652,293
- internal	-	-	-	-	-	14	-	290	28	332	-	332
Other gains/(loss)	7,099	176	141	600	5,276	6,037	13,497	12,226	(14,543)	30,509	2,391	32,900
- external	7,099	176	141	600	5,276	6,037	13,497	12,226	-	45,052	2,391	47,443
- internal	-	-	-	-	-	-	-	-	(14,543)	(14,543)	-	(14,543)
Total expenses	(1,370,343)	(44,926)	(821,650)	(194,042)	(444,568)	(72,185)	(14,521)	(480,592)	2,958	(3,439,869)	(34,863)	(3,474,732)
Profit before income tax	1,159,175	13,772	366,268	31,706	83,859	149,250	82	121,669	(390)	1,925,391	(34,422)	1,890,969
Total assets	15,008,602	1,164,585	12,619	104,045	4,245,413	2,711,178	308,561	19,677,505	(1,620,688)	41,611,820	39,429	41,651,249
Total liabilities	14,683,513	768,891	30,648	106,230	4,172,140	1,321,963	60,945	11,705,543	(86,630)	32,763,243	11,552	32,774,795
Supplemental information												
Depreciation and amortisation	35,154	2,099	1,188	251	1,820	1,224	434	23,544	-	65,714	2,729	68,443
Capital expenditure	11,907	1,934	38	1,770	3,879	996	4,164	67,437	-	92,125	1,176	93,301

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(All amounts in RMB'000 unless otherwise stated)

53 SEGMENT ANALYSIS (CONTINUED)

Year ended 31 December 2014

	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Other	Elimination	Total (continued)	Discontinued operation	Total (continued and discontinued)
Total revenue and other income											
Commission and fee income	958,532	36,927	119,303	114,565	91	14,625	60	(970)	1,243,133	396	1,243,529
– external	957,607	36,882	119,303	114,565	91	14,625	60	–	1,243,133	396	1,243,529
– internal	925	45	–	–	–	–	–	(970)	–	–	–
Interest income	42	15,919	316,051	–	15,688	17,070	246,068	–	610,838	2,391	613,229
– external	42	15,919	316,051	–	15,688	17,070	246,068	–	610,838	2,391	613,229
– internal	–	–	–	–	–	–	–	–	–	–	–
Net investment gain/(loss)	–	37	–	–	346,098	99,534	26,473	(22,401)	449,741	(54)	449,687
– external	–	37	–	–	346,143	96,270	7,291	–	449,741	(54)	449,687
– internal	–	–	–	–	(45)	3,264	19,182	(22,401)	–	–	–
Other gains/(loss)	6,646	158	28	1,960	3,314	7	25,734	(499)	37,348	2,376	39,724
– external	6,147	158	28	1,960	3,314	7	25,734	–	37,348	2,376	39,724
– internal	499	–	–	–	–	–	–	(499)	–	–	–
Total expenses	(615,603)	(41,426)	(179,646)	(100,679)	(204,211)	(47,935)	(366,824)	1,621	(1,554,703)	(36,695)	(1,591,398)
Profit before income tax	349,617	11,615	255,736	15,846	160,980	83,301	(68,489)	(22,249)	786,357	(31,586)	754,771
Total assets	9,632,479	1,048,301	2,218,525	8,877	3,005,240	1,762,462	11,337,716	(744,358)	28,269,242	–	28,269,242
Total liabilities	9,400,871	928,146	2,211,498	14,364	2,982,118	1,234,438	5,772,776	(131,765)	22,412,446	–	22,412,446
Supplemental information											
Depreciation and amortisation	37,042	2,252	1,133	156	1,032	1,057	22,349	–	65,021	2,723	67,744
Capital expenditure	12,787	666	2,065	426	2,986	751	30,398	–	50,079	1,625	51,704

54 FINANCIAL RISK MANAGEMENT

54.1 Summary

The Group's risk management objective is to maintain an appropriate balance between risks and rewards, and reduce the negative impact on the operating results of the Group, so as to maximise the shareholders' value. The Group's risk management strategy is to identify and analyse a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliable manner so as to ensure that risks are controlled within acceptable limits.

Financial risks to which the Group is exposed to mainly include: credit risk, market risk and liquidity risk. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitor and manage risks through its IT systems.

The risk management framework is structured into four levels consisting of (i) Board and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Investment Decision Committee; (iii) Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department; and (iv) Business and management departments and branch outlets.

Level 1: Board and Supervisory Committee

The Board is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and setting objectives, limits and delegating authority to relevant administrative departments in the actual performance of risk control activities.

The Supervisory Committee focuses on mitigating the Company's exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.1 Summary (continued)

Level 2: Risk Control Committee, Audit Committee and Investment Decision Committee

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

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department

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

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

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.1 Summary (continued)

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department (continued)

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and leverages the results to improve the end-to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business lines, business departments, and branch outlets.

Internal Audit Department has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments and branch outlets

The fourth level of risk control is the front-line risk control systems by business and management departments and branch outlets, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management (Legal Affairs) Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.2 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 declining credit rating. The Group credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held for trading, financial assets held under resale agreements, available-for-sale financial assets, margin accounts receivable, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances from margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivables are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 31 December 2015 and 2014, the Group and the Company's collateral value is sufficient to mitigate the credit risk in margin financing.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before they settle on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the debt investments. Credit risk management approaches over those entrusted loans include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Entrusted loans are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks. In order to further constraints the borrowers through the credit rating system of the People's Bank of China, the Group enters into entrusted lending business via the banks with relatively better capability in risk management.

The Group invests in wealth management products with proper approval process.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.2 Credit risk (continued)

(1) Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	31 December 2015	31 December 2014
Refundable deposits	422,907	727,404
Other current assets	489,194	217,792
Entrusted loans	260,628	277,487
Margin accounts receivable	8,158,803	7,331,517
Available-for-sale financial assets		
– Securities lent to clients	12,769	70,532
– Targeted asset management schemes	150,000	150,000
– Specified asset management schemes	261,320	449,723
– Collective asset management schemes	267,077	19,005
– Trust schemes	36,200	–
Financial assets held under resale agreements	6,826,690	2,889,715
Financial assets held for trading – debt securities	3,838,532	3,601,868
Clearing settlement funds	4,455,616	2,620,867
Cash held for brokerage clients	10,739,356	7,225,908
Bank balances	1,967,482	1,455,929
Total	37,886,574	27,037,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.2 Credit risk (continued)

(2) Rating distribution of debt securities investments

The Group monitors the credit risk profile of the debt securities portfolio held based on credit ratings, which are obtained from major rating agencies in the country where debt issuers are located.

	31 December 2015	31 December 2014
Financial assets held for trading		
AAA	276,054	420,771
AA- to AA+	2,601,224	3,013,240
A- to A+	300,539	167,339
Unrated	660,715	518
Total	3,838,532	3,601,868

(3) Allowance analysis for financial assets in other current assets

	31 December 2015	31 December 2014
Individually assessed and impaired, gross amount	181,163	20,191
Impairment allowance	(21,491)	(20,191)
Subtotal	159,672	-
Collectively assessed and impaired, gross amount	79,925	49,922
Impairment allowance	(8,161)	(6,128)
Subtotal	71,764	43,794
Overdue but not impaired	-	-
Neither overdue nor impaired	257,758	173,998
Total	489,194	217,792

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.2 Credit risk (continued)

(4) Entrusted Loans analysed by economic sector concentrations

	31 December 2015		31 December 2014	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Manufacturing	115,211	43.76%	109,150	38.94%
– Agriculture, forestry, farming, fishing	65,700	24.96%	–	–
– Public management, social securities and social organisation	49,750	18.90%	29,850	10.65%
– Whole sale and retail trade	26,600	10.10%	41,790	14.91%
– Real estate	–	–	99,500	35.50%
– Others	6,000	2.28%	–	–
Total	263,261	100.00%	280,290	100.00%

(5) Entrusted Loans analysed by geographical sector concentrations

	31 December 2015		31 December 2014	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Central	188,611	71.64%	280,290	100.00%
– Pearl River Delta	39,800	15.12%	–	–
– Western	29,850	11.34%	–	–
– Bohai Rim	5,000	1.90%	–	–
Total	263,261	100.00%	280,290	100.00%

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(All amounts in RMB'000 unless otherwise stated)

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.2 Credit risk (continued)

(6) Entrusted Loans analysed by types of collateral

	31 December 2015		31 December 2014	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Loans secured by monetary assets	166,211	63.14%	59,700	21.30%
– Guaranteed loans	94,050	35.72%	210,640	75.15%
– Loans secured by tangible assets other than monetary assets	3,000	1.14%	9,950	3.55%
Total	263,261	100.00%	280,290	100.00%

54.3 Market risk

Summary

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

54.3.1 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. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage client in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

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(All amounts in RMB'000 unless otherwise stated)

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.3 Market risk (continued)

54.3.1 Interest rate risk (continued)

As at 31 December 2015	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Non-interest bearing	Total
Financial assets							
Cash and bank balances	1,722,482	85,000	160,000	-	-	623	1,968,105
Cash held for brokerage clients	10,739,356	-	-	-	-	-	10,739,356
Clearing settlement funds	4,455,616	-	-	-	-	-	4,455,616
Financial assets held for trading	495,960	401,855	1,556,435	719,007	1,021,125	850,746	5,045,128
Financial assets held under resale agreements	4,953,284	81,587	1,260,650	531,169	-	-	6,826,690
Refundable deposits	422,907	-	-	-	-	-	422,907
Entrusted loans	-	297	260,331	-	-	-	260,628
Other current assets	-	-	-	-	-	489,194	489,194
Available-for-sale financial assets	5,904	70,550	228,833	494,563	65,394	1,594,597	2,459,841
Margin accounts receivable	437,050	850,158	6,871,595	-	-	-	8,158,803
Sub-total	23,232,559	1,489,447	10,337,844	1,744,739	1,086,519	2,935,160	40,826,268
Financial liabilities							
Short-term notes payable	(11,960)	(2,000,000)	(445,000)	-	-	-	(2,456,960)
Bonds payable	-	-	(2,650,000)	(5,291,078)	-	-	(7,941,078)
Financial assets sold under repurchase agreements	(4,212,941)	(24)	(500,000)	-	-	-	(4,712,965)
Accounts payable to brokerage clients	(14,203,073)	-	-	-	-	(664,178)	(14,867,251)
Other current liabilities	-	-	-	-	-	(915,098)	(915,098)
Bank loans	-	-	(51,818)	-	-	-	(51,818)
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	(1,144,170)	(1,144,170)
Sub-total	(18,427,974)	(2,000,024)	(3,646,818)	(5,291,078)	-	(2,723,446)	(32,089,340)
Interest rate sensitivity gap	4,804,585	(510,577)	6,691,026	(3,546,339)	1,086,519	211,714	8,525,214

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(All amounts in RMB'000 unless otherwise stated)

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.3 Market risk (continued)

54.3.1 Interest rate risk (continued)

As at 31 December 2014	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Non-interest bearing	Total
Financial assets							
Cash and bank balances	1,375,929	80,000	-	-	-	578	1,456,507
Cash held for brokerage clients	7,225,908	-	-	-	-	-	7,225,908
Clearing settlement funds	2,620,867	-	-	-	-	-	2,620,867
Financial assets held for trading	148,654	51,500	444,743	1,314,250	1,652,413	487,722	4,099,282
Financial assets held under resale agreements	1,141,940	210,195	1,512,643	24,937	-	-	2,889,715
Refundable deposits	492,394	-	-	-	-	235,010	727,404
Entrusted loans	-	78,804	198,683	-	-	-	277,487
Other current assets	-	-	-	-	-	217,792	217,792
Available-for-sale financial assets	-	-	-	508,728	110,000	133,907	752,635
Margin accounts receivable	89,887	711,730	6,529,900	-	-	-	7,331,517
Sub-total	13,095,579	1,132,229	8,685,969	1,847,915	1,762,413	1,075,009	27,599,114
Financial liabilities							
Short-term notes payable	-	(1,402,670)	(38,610)	-	-	-	(1,441,280)
Bonds payable	-	-	-	(1,490,027)	-	-	(1,490,027)
Due to other financial institutions	(200,000)	(966,000)	(1,207,000)	-	-	-	(2,373,000)
Financial assets sold under repurchase agreements	(3,126,904)	(700,330)	(1,760,000)	-	-	-	(5,587,234)
Accounts payable to brokerage clients	(9,037,102)	-	-	-	-	(622,731)	(9,659,833)
Other current liabilities	-	-	-	-	-	(384,726)	(384,726)
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	(791,074)	(791,074)
Sub-total	(12,364,006)	(3,069,000)	(3,005,610)	(1,490,027)	-	(1,798,531)	(21,727,174)
Interest rate sensitivity gap	731,573	(1,936,771)	5,680,359	357,888	1,762,413	(723,522)	6,595,462

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.3 Market risk (continued)

54.3.1 Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and interest-bearing liabilities. A 25 basis points increase or decreases in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in net interest income, while a negative result indicates otherwise, and the impact attributable to other investors of the consolidated structured entities is eliminated.

	Year ended 31 December	
	2015	2014
Net interest income		
Increases by 25 bps	16,451	3,485
Decreases by 25 bps	(16,451)	(3,485)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are repriced in the middle of the relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- impact of interest rate changes on customer behaviours not considered;
- impact of interest rate changes on market prices not considered;
- interest rate of demand deposits moving in the same direction and extent;
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.3 Market risk (continued)

54.3.2 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 Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

As at 31 December 2015, the foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that its currency risk is not material.

54.3.3 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.3 Market risk (continued)

54.3.3 Price risk (continued)

Sensitivity analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, funds, convertible bonds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

	Year ended 31 December	
	2015	2014
Profit before income tax		
Increase by 10%	112,020	41,747
Decrease by 10%	(112,020)	(65,241)
Other comprehensive income before income tax		
Increase by 10%	161,786	10,255
Decrease by 10%	(161,786)	(10,255)

54.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, early redemptions of exchange-quoted bond, repurchase products by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.4 Liquidity risk (continued)

The Group manages and controls their funds in a centralised manner. Through early warnings and focusing on individually large amounts of funds, the Group achieves the objective of centralised control and management of liquidity risk. By finding an appropriate balance between safety, liquidity and profitability, the Group adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The Group prepares funding plans and report their implementation to the management to update the liquidity position periodically.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group. The Group invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As at 31 December 2015, the Group holds cash and cash equivalents of approximately RMB2,144 million that are expected to readily generate cash flows for managing liquidity risk (31 December 2014: RMB1,596 million). In addition, the Group holds financial assets held for trading of RMB5,045 million as at 31 December 2015, which could be readily realised to provide a further source of cash if the need arose (31 December 2014: RMB4,099 million). Further the Group holds cash held for brokerage clients of RMB10,739 million, client's clearing settlement funds of RMB4,295 million, which could be used to settle the Group's account payable to brokerage clients whenever needed (31 December 2014: RMB7,226 million and RMB2,481 million respectively).

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities as at 31 December 2015 and 31 December 2014. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the Reporting period.

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(All amounts in RMB'000 unless otherwise stated)

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.4 Liquidity risk (continued)

As at 31 December 2015	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Total
Non-derivative financial liabilities							
Short-term notes payable	-	12,296	2,012,888	468,715	-	-	2,493,899
Bonds payable	-	-	81,900	3,051,249	5,949,032	-	9,082,181
Financial assets sold under repurchase agreements	-	4,218,353	24	551,159	-	-	4,769,536
Accounts payable to brokerage clients	14,867,251	-	-	-	-	-	14,867,251
Bank loans	-	-	-	-	55,241	-	55,241
Financial liabilities designated at fair value through profit or loss	(3,544)	-	66,819	969,768	139,644	-	1,172,687
Other current liabilities	915,098	-	-	-	-	-	915,098
Total	15,778,805	4,230,649	2,161,631	5,040,891	6,143,917	-	33,355,893
As at 31 December 2014	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Total
Non-derivative financial liabilities							
Due to other financial institutions	-	200,133	994,664	1,242,392	-	-	2,437,189
Short-term notes payable	-	1,417,297	2,708	39,768	-	-	1,459,773
Bonds payable	-	-	-	93,000	1,872,000	-	1,965,000
Financial assets sold under repurchase agreements	-	3,134,527	743,968	1,811,175	-	-	5,689,670
Accounts payable to brokerage clients	9,659,833	-	-	-	-	-	9,659,833
Financial liabilities designated at fair value through profit or loss	(4,350)	-	462,039	-	427,928	-	885,617
Other current liabilities	384,726	-	-	-	-	-	384,726
Total	10,040,209	4,751,957	2,203,379	3,186,335	2,299,928	-	22,481,808

54 FINANCIAL RISK MANAGEMENT (CONTINUED)

54.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 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:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of net capital divided by net assets shall be no less than 40%;
- The ratio of net capital divided by liabilities shall be no less than 8%;
- The ratio of net assets divided by liabilities shall be no less than 20%;
- The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%; and
- The ratio of the value of fixed income securities held divided by net capital shall not exceed 500%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

55.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

The aggregate fair value of bond payable is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with stock exchanges, futures and commodities exchanges and China Securities Finance Corporation Limited ("CSF"). The Group assesses the fair value of refundable deposits approximates the carrying amount.

55.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of each Reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

- Level I – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level III – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

As at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Equity securities	387,360	333,430	–	720,790
– Debt securities	1,710,073	2,128,459	–	3,838,532
– Investment funds	485,806	–	–	485,806
Available-for-sale financial assets				
– Equity securities	93,887	32,787	–	126,674
– Investment funds	107,745	14,686	–	122,431
– Collective asset management schemes	–	5,084	261,993	267,077
– Targeted asset management schemes	–	–	150,000	150,000
– Specified asset management schemes	–	261,320	–	261,320
– Wealth management products	–	–	70,550	70,550
– Trust schemes	–	–	36,200	36,200
– Investments in unlisted companies	–	–	12,000	12,000
– Others	–	1,336,310	–	1,336,310
Total assets	2,784,871	4,112,076	530,743	7,427,690
Financial liabilities at fair value through profit or loss	–	–	(1,144,170)	(1,144,170)

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Equity securities	316,369	21,408	–	337,777
– Debt securities	1,793,885	1,807,983	–	3,601,868
– Investment funds	60,050	99,587	–	159,637
Available-for-sale financial assets				
– Equity securities	19,328	–	–	19,328
– Investment funds	82,281	–	–	82,281
– Collective asset management schemes	–	937	19,005	19,942
– Targeted asset management schemes	–	–	150,000	150,000
– Specified asset management schemes	–	449,723	–	449,723
– Investments in unlisted companies	–	–	29,643	29,643
Total assets	2,271,913	2,379,638	198,648	4,850,199
Financial liabilities at fair value through profit or loss	–	–	(791,074)	(791,074)

For the years ended 31 December 2015 and 2014, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange classified as trading securities or available-for-sale.

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

(b) Financial instruments in Level 2

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 2.

(c) Valuation methods for specific investments

As at 31 December 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 and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering or an additional offering, fair values are determined using valuation techniques.

For National Equities Exchange and Quotations listed equity securities, the fair value is determined based on the closing price as at the reporting date and adjusted by the valuation techniques due to the low transaction frequency. The adjustment is based on the potential maximum losses that could occur at a given level of confidence due to variation in interest rates, stock prices and exchange rates over a certain period, which are all observable.

- (2) For closed-end investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and collective asset management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges which include government bonds, corporate bonds, 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. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

(c) Valuation methods for specific investments (continued)

- (4) For debt securities traded through the inter-bank bond market and the over-the-counter (“OTC”) market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, and other fixed income debt securities, fair values are determined using valuation techniques.

(d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2015 and 31 December 2014.

	Available-for-sale financial assets
Balance at 1 January 2015	198,648
Increase	349,737
Decrease	(17,642)
Balance at 31 December 2015	530,743
Total gains or losses for the year included in profit or loss for assets held at the end of year, under “Net investment gains”	18,530
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	2,993

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55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Available-for-sale financial assets	
Balance at 1 January 2014	370,727	
Increase	227,388	
Decrease	(399,467)	
Balance at 31 December 2014	198,648	
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	–	
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	6	
		Financial liabilities designated at fair value through profit or loss
Balance at 1 January 2015		791,074
Consolidation of SEs		678,500
Losses recognised in profit or loss		(219,754)
Purchases		127,763
Settlements		(233,413)
Balance at 31 December 2015		1,144,170
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment losses"		(219,754)
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year		(219,754)

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Financial liabilities designated at fair value through profit or loss
Balance at 1 January 2014	707,437
Consolidation of SEs	476,808
Losses recognised in profit or loss	(70,594)
Purchases	3,045
Settlements	(325,622)
<hr/>	
Balance at 31 December 2014	<hr/> 791,074
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment losses"	<hr/> (70,594)
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	<hr/> (70,594)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 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 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

55 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

55.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

Financial assets/ financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Available-for-sale financial assets – Wealth management products	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Available-for-sale financial assets – Trust schemes	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Financial liabilities designated at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected payment date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the payment date, the higher the fair value The lower the discount rate, the higher the fair value

56 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	As at 31 December 2015				Net amount of financial assets presented in the statements of financial position
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets	Cash received/ (paid) as settlement	
Derivative financial instruments	727	-	727	(727)	-

	As at 31 December 2014				Net amount of financial assets presented in the statements of financial position
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets	Cash received/ (paid) as settlement	
Derivative financial instruments	-	(5,939)	(5,939)	5,939	-

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement and margin accounts receivable, are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

57 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds.

Except for the consolidated structured entities as detailed in Note 3.2.6, in the opinion of the directors of the Company, the variable returns of the other structured entities of the Group are not significant. The Group did not consider itself being the principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB4,341 million as at 31 December 2015 (31 December 2014: RMB2,204 million). For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no publicly available information on the size of those structured entities which are issued and managed by third parties.

The interests in unconsolidated structured entities held by the Group included fund investment classified as available-for-sale financial assets, and financial assets held for trading, and management fee, commission fee receivables recorded as other current assets. The related carrying amount and the maximum exposure were as follows:

	31 December 2015	31 December 2014
Available-for-sale financial assets	800,827	701,946
Financial assets held for trading	485,806	159,637
Other current assets	31,052	26,768
Total	1,317,685	888,351

For the year ended 31 December 2015 and 2014, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Year ended 31 December	
	2015	2014
Net investment gains	70,309	45,654
Fee and commission income	32,048	10,783
Total	102,357	56,437

As at 31 December 2015 and 2014, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

58 SUBSEQUENT EVENTS

58.1 Acquisition of Pan Asia

On 16 February 2016, CCISC, the Company's subsidiary in Hong Kong, acquired 100% equity interest of Pan Asia Corporate Finance Limited ("Pan Asia"), a licensed entity registered in Hong Kong, to provide Type 6 "Advising on corporate finance" regulated activities under the Hong Kong Securities and Futures Ordinance. The total consideration of the acquisition is HK\$24,416,272, paid in cash.

58.2 Capital commitments

On 9 February 2016, the Board of directors of the Company resolved to increase capital contribution to CCIFHC by HKD500 million in 2016.

58.3 Establishing an Internet Financial Subsidiary

The Group established a new subsidiary, Zhongzhou Huilian Internet Financial Service (Shenzhen) Co., Ltd. in Shenzhen. The registered capital is RMB50 million and the Group owns 60% equity interest. On 7 March 2016, the Group has contributed initial capital of RMB15 million.

58.4 Profit distribution for 2015

On 18 March 2016, the Board of Directors proposed 2015 final dividends of RMB2.10 per ten shares (inclusive of tax), amounting to RMB676,984,287 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

59 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December	
		2015	2014
Assets			
Non-current assets			
Property and equipment		217,282	206,289
Investment properties		32,121	30,506
Intangible assets		152,894	145,347
Investments in subsidiaries and consolidated structured entities	23	1,284,273	625,313
Other non-current assets		19,561	24,766
Available-for-sale financial assets		475,794	618,666
Deferred income tax assets		205,857	100,845
Refundable deposits		126,996	507,135
Financial assets held under resale agreements		531,169	–
Total non-current assets		3,045,947	2,258,867
Current assets			
Other current assets		318,459	303,400
Investments in subsidiaries and consolidated structured entities	23	259,972	159,972
Margin accounts receivable		8,095,545	7,331,517
Available-for-sale financial assets		1,730,203	102,486
Financial assets held under resale agreements		6,265,521	2,869,315
Derivative financial assets		–	–
Financial assets held for trading		3,408,279	2,841,019
Clearing settlement funds		4,229,638	2,354,883
Cash held for brokerage clients		10,427,088	7,006,584
Cash and bank balances		1,030,253	983,642
Assets of disposal group classified as held for sale	37	102,000	–
Total current assets		35,866,958	23,952,818
Total assets		38,912,905	26,211,685
Equity and liabilities			
Share capital		3,223,735	2,631,616
Reserves	59.1	3,575,790	1,673,497
Retained earnings	59.1	1,402,524	1,518,441
Total equity		8,202,049	5,823,554

59 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

	Notes	As at 31 December	
		2015	2014
Liabilities			
Non-current liabilities			
Bonds payable		5,291,078	1,490,027
Deferred income tax liabilities		46,765	22,155
Other non-current liabilities		–	–
Total non-current liabilities		5,337,843	1,512,182
Current liabilities			
Other current liabilities		1,238,385	599,410
Tax payable		261,981	235,723
Due to other financial institutions		–	2,373,000
Financial assets sold under repurchase agreements		4,568,565	5,189,434
Bond payable		2,650,001	–
Short-term notes payable		2,456,960	1,441,280
Derivative financial liabilities		–	–
Accounts payable to brokerage clients		14,197,121	9,037,102
Total current liabilities		25,373,013	18,875,949
Total liabilities		30,710,856	20,388,131
Total equity and liabilities		38,912,905	26,211,685

The statement of financial position of the Company was approved by the Board of Directors on 18 March 2016 and was signed on its behalf:

JIAN Mingjun
Chairman of the Board and Executive Director

ZHOU Xiaoquan
Executive Director and President

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

59 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

59.1 Reserve movement of the Company

	Retained earnings	Other reserves
At 1 January 2014	1,158,171	942,289
Profit for the year	360,270	204,149
Dividends paid	–	–
At 31 December 2014	1,518,441	1,146,438
At 1 January 2015	1,518,441	1,146,438
Profit for the year	876,861	492,732
Dividends paid	(992,778)	–
At 31 December 2015	1,402,524	1,639,170