



国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

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

Stock code: 1456

Annual Report
2015



Table of Contents

Important Notice	2
Chairman's Statement	3
Section 1 Definitions	5
Section 2 Major Risks Warning	10
Section 3 Company Profile	11
Section 4 Summary of Accounting and Business Data	22
Section 5 Report of the Directors	27
Section 6 Other Significant Events	85
Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders	97
Section 8 Information of Directors, Supervisors, Senior Management and Staff	101
Section 9 Corporate Governance Report	122
Independent Auditor's Report	149



Important Notice

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that there is no misrepresentation, misleading statement or material omission in this annual report and they are jointly and severally liable for the authenticity, accuracy and completeness for the information contained in this annual report.

This report has been approved at the 26th meeting of the 2nd session of the Board and the 8th meeting of the 2nd session of the Supervisory Committee. The number of Directors present at the board meeting should be eight, but only seven Directors were present. Mr. Jiang Zhijian, Non-executive Director, didn't attend such meeting due to his business commitment and had appointed Mr. Yao Zhiyong, Chairman of the Board, in writing to exercise the Voting right on his behalf. All Supervisors had present in all the meetings of the Supervisory Committee. No Directors, Supervisors or senior management had expressed that they were not able to guarantee the authenticity, accuracy or completeness of the content of this annual report nor had any objections thereof.

The 2015 financial report of the Company was prepared in accordance with IFRS and Accounting Standards for Business Enterprises of the PRC, and was audited by PricewaterhouseCoopers and Jiangsu Gongzheng Tianye Certified Public Accountants LLP respectively, and they have issued auditors' reports with unqualified opinions. Unless otherwise stated, the figures stated in this report are presented in RMB.

The chairman of the Board, namely Mr. Yao Zhiyong (performing the duties of the president) and the chief financial officer, namely Ms. Chen Zhiying, have declared that the financial report in this annual report is true, accurate and complete.

The forward-looking statements including future plans and development strategies contained in this annual report does not represent the actual undertaking of the Company to its investors. Therefore, investors are reminded to exercise caution in the investment risks.

Chairman's Statement



Dear shareholders:

In 2015, the PRC capital markets surged forward with great momentum, albeit with flowing rhythm. Faced with the complicated and volatile market environment, by abiding to its compliance and risk control standards, the Company actively grasped the policy and market opportunities and accelerated its business innovation and transformation implementation, thereby achieving favorable operating results. The market ranking of brokerage business continued to rise, the profit from investment banking business conducted by the joint venture achieved historical height, asset management business maintained its sound development, the size of credit transactions business was substantially expanded, proprietary trading business recorded continuous and stable profitability and various innovative measures represented by Internet finance were advancing rapidly.

2015 was also a milestone year by the development history of the Company. On 6 July 2015, the Company was successfully listed on the Main Board of the Stock Exchange, laying an important foundation for a new round of development. On one hand, through raising capital by listing, our capital bottleneck problem that restricted the Company's development for years was alleviated effectively. On the other hand, with the Company duly stepping its foothold into the international capital market, its own brand influence was significantly improved.

Chairman's Statement



Looking ahead to 2016, domestic macroeconomic downward pressure will remain relatively high, local financial risk exposures will accumulate hidden perils and turbulent Renminbi exchange rates fluctuation will impose challenges on capital market development. At the same time, in light of the fact that the active trading sentiment in the unusually explosive market in 2015 is unlikely to last, downturn risks exist in the traditional business of securities industry. However, to our advantage, with the continuous deepening of the all-round reform, the acceleration of the development of multilayered capital market, or the promotion of increase of the proportion of direct financing, the fastening of the mergers and acquisitions and reorganization of traditional industries supply quality reform will all bring historical opportunities for the development of securities industry.

Facing a market environment coexisting with opportunities and challenges, the Company will further intensify its strategy implementation in 2016 by focusing on establishing its branch offices, internet transformation and internationalized layout, intensifying the development in product and service innovation, constantly enhancing its ability in servicing the real economy and elevating the core competitiveness of the Company. At the same time, the Company will put emphasis on the stringent management and control over various risks, facilitate the sustainable and healthy development of the Company and strive to become a well-developed listing securities Company.

Yao Zhiyong
Chairman

29 March 2016

General Terms

Company, the Company or Guolian Securities	Guolian Securities Co., Ltd.
Group, the Group	Guolian Securities Co., Ltd. and its subsidiaries
CSRC	China Securities Regulatory Commission
Jiangsu Bureau	the CSRC Jiangsu Bureau
SFC	Securities and Futures Commission of Hong Kong
HK Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Director(s) and Board or Board of Directors	The Director(s) and the board of Directors of the Company
Supervisor(s) and Supervisory Committee	The Supervisor(s) and Supervisory Committee of the Company
General Meeting(s)	the general meetings of the Company
Guolian Group	Wuxi Guolian Development (Group) Co., Ltd.* (無錫市國聯發展(集團)有限公司), which directly or indirectly controls 68.484% of the equity interest of the Company, the Controlling Shareholder of the Company
Guolian Trust	Guolian Trust Co., Ltd.* (國聯信託股份有限公司), 83.74% of the equity interest of which is held by Guolian Group and holds 20.508% of the equity interest of the Company
Guolian Industrial	Wuxi Guolian Industrial Investment Group Co., Ltd.* (無錫國聯實業投資集團有限公司), a wholly-owned subsidiary of Guolian Group

Section 1 Definitions

Guolian Futures	Guolian Futures Co., Ltd.* (國聯期貨股份有限公司), 54.72% of the equity interest of which is held by Guolian Group
Guolian Textile	Wuxi Cotten Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), formerly known as Wuxi Guolian Textile Group Co., Ltd.* (無錫國聯紡織集團有限公司) before changing its name on 29 January 2016, a wholly-owned subsidiary of Guolian Group, which holds 3.826% of the equity interest of the Company
Guolian Environmental	Wuxi Guolian Environmental Energy Group Co., Ltd.* (無錫國聯環保能源集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 1.53% of the equity interest of the Company
Wuxi Electric	Wuxi Municipal Electric Power Company* (無錫市地方電力公司), a wholly-owned subsidiary of Guolian Group, which holds 14.03% of the equity interest of the Company
Guolian Property	Wuxi Guolian Property Management Co., Ltd.* (無錫國聯物業管理有限責任公司), a wholly-owned subsidiary of Guolian Group
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司), a wholly-owned subsidiary of the Company
Hua Ying Securities	Hua Ying Securities Co., Ltd.* (華英證券有限責任公司), 66.7% of the equity interest of which is held by the Company
Zhonghai Fund	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), 33.409% of the equity interest of which is held by the Company
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CG Code	the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules



Section 1 Definitions

Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix 10 of the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Articles of Association	the articles of association of the Company
Connected Transactions	has the meaning ascribed to it under the Listing Rules
Connected Persons	has the meaning ascribed to it under the Listing Rules
Associates	has the meaning ascribed to it under the Listing Rules
Substantial Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Controlling Shareholders	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
H Shares	the overseas listed foreign shares issued by the Company of RMB1.00 each, which are listed and traded on The Stock Exchange (stock code: 1456)
Domestic Shares	ordinary shares issued by the Company of RMB1.00 each, which are subscribed or credited in full in Renminbi
IFRS	include the standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and Interpretation issued by International Accounting Standards Committee
Wind Information	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company established in the PRC and a service provider of financial data, information and software
Reporting Period	the period from 1 January 2015 to 31 December 2015
SAT	State Administration of Taxation of the PRC
GDP	Gross Domestic Products

Section 1 Definitions

Technical Terms

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
NEEQ	National Equities Exchange and Quotations
Southbound Trading	a mechanism of trading and settlement under which the investors of Mainland China can buy or sell H shares directly through the securities companies (or brokers) in Mainland China
stock pledged repurchase transaction	a transaction in which eligible funds receivers obtain financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and discharge the pledge some day in the future
securities repurchase	a transaction pursuant to the securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on a future date
futures IB	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
Xiaorongbao (小融寶)	the small securities-backed financing service provided to the customers by the Company
Zhongxinbao (中新寶)	mainly use for the subscription of new shares through securities-backed financing services provided to customers by the Company
margin and securities refinancing	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



Section 1 Definitions

Direct Investment Business	a business in which the subsidiary for private equity business set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
collective asset management scheme	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients' assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds, and the securities firm provides asset management services to the clients through designated accounts
special asset management scheme	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
specialized asset management scheme	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client's name
IPO	the abbreviation for "Initial Public Offering"

This report is prepared both in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Section 2 Major Risks Warnings

In this annual report, the Company has described in details the risks that the Company may be exposed to in the ordinary course of its business activities, which primarily include credit risk, concentration risk, market risk, liquidity risk, operational risk, compliance risk and reputation risk, etc. The information is set out in “II. Discussion and Analysis of the Board on the Future Development of the Company” of Section 5.

I. Basic Information about the Company

1. Company Name

Registered Chinese Name: 國聯證券股份有限公司
Registered English Name: Guolian Securities Co., Ltd.
Short Name in Chinese: 國聯證券
Short Name in English: Guolian Sec

2. Stock Code

01456

3. Legal Representative

Mr. Yao Zhiyong (姚志勇)

4. Registered Capital and Net Capital

Registered Capital: RMB1,902,400,000

Net Capital: RMB7,393 million

5. Qualifications for Businesses in China

Qualification for securities business, qualification for securities business of branches, qualification for foreign stock business, qualification for online trading entrustment business, qualification for entrusted investment management business, member of national inter-bank lending market, qualification for open-end securities investment fund consignment business, qualification for SSE fund expert business, Class-A clearing participant of China Securities Depository and Clearing Corporation Limited, qualification for innovative securities company, book-building participant, qualification for targeted asset management business, qualification for collective asset management business, qualification for provision of intermediary introduction business for futures companies, qualification for investment through block trading system as a qualified investor, pilot qualification for direct investment business, qualification as chief agency broker for NEEQ agency share transfer system, qualification for third party fund escrow services for a single customer or multiple bank services, qualification for membership of the Shanghai Stock Exchange, qualification for membership of the Shenzhen Stock Exchange, qualification for margin financing and securities lending business, pilot qualification for margin and securities refinancing business, qualification for agency distribution of financial products, qualification for agreed repurchase securities trading, qualification as chief agency broker on the NEEQ, qualification for pledge-style share repurchase transaction business, pilot qualification for refinancing business, qualification for marketing making on the NEEQ, authorization for the Hong Kong Stock Connect business on the Shanghai Stock Exchange, qualification for stock options brokerage business on the Shanghai Stock Exchange and qualification for proprietary trading business, pilot qualification for Internet securities business, qualification for comprehensive custody business of private fund, qualification for investment manager entrusted insurance funds.

Section 3 Company Profile

6. Headquarters in China

Registered Address of the Company: No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Zip Code: 214000
Office Address of the Company: 9th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC Zip Code: 214000
Company Website: www.glsc.com.cn
E-mail: glsc-ir@glsc.com.cn

7. Principal Place of Business in Hong Kong

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

8. General Manager (the President)

Mr. Lei Jianhui (雷建輝) (resigned on 15 March 2016, with Mr. Yao Zhiyong, the chairman of the Board, temporarily performing the duties of general manager)

9. Secretary to the Board

Mr. Li Zhengquan (李正全)
Address: 9th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
Telephone: 86 (510) 82833209
Fax : 86 (510) 82833124
E-mail : glsc-ir@glsc.com.cn

10. Joint Company Secretaries

Ms. Lin Fanyu (林凡鈺), Ms. Leung Wing Han Sharon (梁穎嫻)

11. Authorized Representatives

Mr. Yao Zhiyong (姚志勇), Ms. Lin Fanyu (林凡鈺)

12. Compliance Advisor

BOCOM International (Asia) Limited

13. Auditors

Domestic: Jiangsu Gongzheng Tianye Certified Public Accountants LLP
(江蘇公證天業會計師事務所(特殊普通合夥))
International: PricewaterhouseCoopers

14. Legal Advisor (as to Hong Kong Laws)

Orrick, Herrington & Sutcliffe

15. Share Registrars

Share Registrar for Domestic Shares: China Securities Depository and Clearing Corporation Limited

Share Registrar for H Shares: Computershare Hong Kong Investor Services Limited

II. Development History

The history of the Company can be traced back to November 1992 when, upon the approval from the People's Bank of China, Wuxi Securities Company* (無錫市證券公司), the Company's predecessor, was established in the PRC as an enterprise owned by the whole people (全民所有制企業) with a registered capital of RMB32 million and contributed in cash by 16 shareholders, including certain government departments and state-owned enterprises in Wuxi.

On 8 January 1999, the Company was converted into a limited liability company, and was renamed as Wuxi Securities Co., Ltd.* (無錫證券有限責任公司). On 8 January 1999, upon the approval from the CSRC and upon registration with Jiangsu Wuxi Administration for Industry and Commerce (the "Wuxi AIC"), the registered capital of the Company was increased from RMB32 million to RMB50 million.

On 29 January 2002, upon the approval from the CSRC and upon registration with the Wuxi AIC, the Company was renamed as Guolian Securities Co., Ltd.* (國聯證券有限責任公司) and the registered capital of the Company was further increased from RMB50 million to RMB1 billion, of which RMB116.5 million was contributed by way of capitalizing our capital reserves, surplus reserves and undistributed profit, RMB251.36 million was contributed by way of audited assets in the form of securities investment and the rest was contributed in cash.

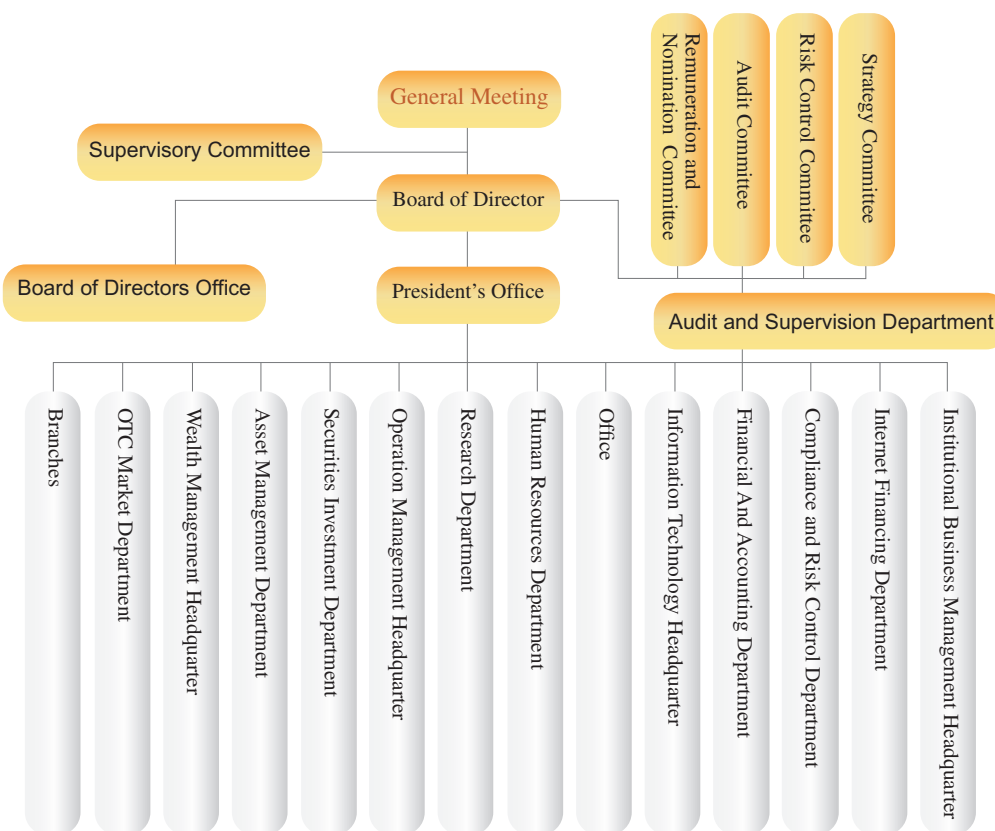
On 26 May 2008, upon the approval from the CSRC and upon registration with the Wuxi AIC, Guolian Securities Co., Ltd.* (國聯證券有限責任公司) was converted into a joint stock company with limited liability, and was renamed as Guolian Securities Co., Ltd. (國聯證券股份有限公司) with a total of 12 promoters, namely, Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental, and seven other shareholders. 1,500,000,000 Domestic Shares with nominal value of RMB1.00 each were issued based on the audited net asset value of RMB1,922,372,534.08 in Guolian Securities Co., Ltd.* (國聯證券有限責任公司) as of 30 September 2007 as the total share capital of the Company. The registered capital of the Company was accordingly increased from RMB1 billion to RMB1.5 billion.

Section 3 Company Profile

On 6 July 2015, the Company completed the initial public offering of its H Shares, which commenced trading on the Main Board of the Stock Exchange on the same date. The Company offered a total of 442,640,000 H Shares, which comprised of 402,400,000 new H Shares, and 40,240,000 H Shares that were converted from Domestic Shares and offered for the benefit of National Council for Social Security Fund by the state-owned shareholders of the Company. Upon the completion of the offering, the total share capital of the Company was increased from 1,500,000,000 Shares to 1,902,400,000 Shares, of which the proportion of H Shares is 23.267%. Accordingly, the registered capital of the Company was increased from RMB1.5 billion to RMB1.9024 billion.

III. Organizational Structure

The Company has established a sound corporate governance system and internal control system in accordance with the Company Law, the Securities Law, the Listing Rules, other laws and regulations and the Articles of Association of the Company, which consistently regulate the operation of General Meetings, Board of Directors, Supervisory Committee and management to meet the development needs of the Company through the gradual optimization of the organizational structure of the Company. The organizational structure of the Company is as follows:



During the Reporting Period, the audit department was renamed as audit and supervision department; the brokerage business management headquarter and credit transaction department was combined as wealth management headquarter and the operation management center and depository center was combined as operation management headquarter.

IV. Information of Subsidiaries

As at the end of the Reporting Period, the Company has 2 subsidiaries, namely Hua Ying Securities and Guolian Capital, respectively, the details of which are as follows:–

Name	Address	Principal activities	Time of establishment	Registered capital (RMB)	Legal representative	Shareholding proportion	Contact telephone number
Hua Ying Securities	Units 01-11, 15th Floor, No.19, Gaolang East Road New District, Wuxi	(I) Underwriting and sponsorship of shares (including RMB ordinary shares and foreign-invested shares) and bonds (including government bonds and corporate bonds); (II) other activities approved by CSRC	April 2011	800,000,000	Lei Jianhui (雷建輝)	66.7%	0510-85201212
Guolian Capital	700, 7th Floor, Guolian Finance Building, No. 8 Jinrong One Street Wuxi	Applying its own funds for equity investment in domestic enterprises.	January 2010	200,000,000	Li Zhengquan (李正全)	100%	0510-82725172

V. Information of branch offices

As at the end of the Reporting Period, the Company had seven branch offices in total, which are located in Beijing, Shanghai, Wuxi, Nanjing and Suzhou, respectively. The details of which are as follows:–

Item No.	Branch office name	Address	Time of setting up	Working capital (RMB)	Person in charge	Contact No.
1	Yixing branch office	No. 168, Renmin South Road, Yicheng Street, Yixing (宜興市 宜城街道人民南路168號)	May 2013	20 million	Wu Xinfeng (吳新風)	0510-87911776
2	Beijing branch office	1202, Building No. 4, Interwest International Center, No. 9, Shouti South Road, Beijing (北京首體南路9號主語國際 4號樓1202)	May 2014	20 million	Zheng Hong (鄭紅)	010-68798616

Section 3 Company Profile

Item No.	Branch office name	Address	Time of setting up	Working capital (RMB)	Person in charge	Contact No.
3	Shanghai branch office	22nd Floor, No. 1088, Yuanshen Road, Pudong New District, Shanghai (上海市浦東新區源深路1088號22層)	May 2014	20 million	Mao Jiangqiang (毛江強)	021-38991500
4	Jiangyin branch office	4th Floor, No. 105, Daqiao North Road, Jiangyin, Jiangsu Province (江蘇省江陰市大橋北路105號4樓)	May 2014	20 million	Chang Chengli (常呈黎)	0510-80626007
5	Wuxi branch office	No. 153, Zhongshan Road, Wuxi (無錫市中山路153號)	May 2015	20 million	Liang Yuelei (梁粵雷)	0510-80501580
6	Nanjing branch office	8th Floor, No. 342, Zhongshan South Road, Qinhuai District, Nanjing (南京市秦淮區中山南路342號第8層)	June 2015	20 million	Cheng Yue (程越)	025-52857988
7	Suzhou branch office	Rm. 1805, Building 1, Xingzuo Commercial Plaza, No. 269, Wangdun Road, Industrial Park District, Suzhou (蘇州市工業園區旺墩路269號星座商務廣場1幢1805室)	November 2015	20 million	Zhang Xin (張鑫)	0512-65031456

VI. Number and Distribution of Branches

As at the end of the Reporting Period, the Company owned a total of 59 securities branches located in 12 provinces, autonomous regions and municipalities nationwide, among which 26 are located in Wuxi, 14 in Jiangsu Province (other than Wuxi), 3 in Shanghai, 4 in Beijing, 1 in Zhejiang Province, 1 in Liaoning Province, 2 in Shandong Province, 1 in Jiangxi Province, 1 in Hunan Province, 2 in Guangdong Province, 2 in Guangxi Zhuangzu Nationality Autonomous Region, 1 in Chongqing and 1 in Sichuan Province, the details of which are as follows:-

Region	Branch name	Address	Person in charge
Wuxi (26)	Wuxi Zhongshan Road Securities Branch (無錫中山路證券營業部)	No. 153, Zhongshan Road, Wuxi (無錫市中山路153號)	Li Xin (李昕)
	Wuxi Xianqian East Street Securities Branch (無錫縣前東街證券營業部)	No. 168, Xianqian East Street, Wuxi (無錫市縣前東街168號)	Wang Xiaochun (王曉春)
	Wuxi Renmin East Road Securities Branch (無錫人民東路證券營業部)	No. 29, Renmin East Road, Wuxi (無錫市人民東路29號)	Gu Li (顧勵)
	Wuxi New District Changjiang North Road Branch (無錫新區長江北路營業部)	No. 97, Changjiang North Road, New District, Wuxi (無錫市新區長江北路97號)	Wang Longjin (王龍金)
	Wuxi Wuai North Road Securities Branch (無錫五愛北路證券營業部)	No. 60, Wuai North Road, Wuxi (無錫市五愛北路60號)	Meng Qingting (孟慶庭)
	Wuxi Liangxi Road Securities Branch (無錫梁溪路證券營業部)	No. 28, Liangxi Road, Wuxi (無錫市梁溪路28號)	Shan Tao (單濤)
	Wuxi Hubin Road Securities Branch (無錫湖濱路證券營業部)	No. 153, Hubin Road, Wuxi (無錫市湖濱路153號)	Zhang Jin (張進)
	Wuxi Mashan Meiliang Road Securities Branch (無錫馬山梅梁路證券營業部)	No. 212-1, Santa Barbara Street, Meiliang Road, Mashan Street, Binhu District, Wuxi (無錫市濱湖區馬山街道梅梁路聖芭芭拉 商業街212-1號)	Zhou Mengna (周夢娜)
	Wuxi Huaxia South Road Securities Branch (無錫華夏南路證券營業部)	2nd Floor, Unit 3, Fenghui Plaza, No. 11, Huaxia South Road, Wuxi (無錫市華夏南路11號豐匯廣場3號門2樓)	Xi Xiaojun (奚孝軍)
	Wuxi Anzhen Xidong Avenue Securities Branch (無錫安鎮錫東大道證券營業部)	No. 3054, Xidong Avenue, Xishan District, Wuxi (無錫錫山區錫東大道3054號)	Xi Tingting (席婷婷)
	Wuxi Meicun Town Xiyi Road Securities Branch (無錫梅村鎮錫義路證券營業部)	1st Floor, Civic Center Building, No. 388, Xiyi Road, Meicun Street, Wuxi (無錫市梅村街道錫義路388號 市民中心大樓一層)	Ji Xiaowen (基曉雯)
	Wuxi Shuofang Town Zhengtong Road Branch (無錫碩放鎮政通路營業部)	No. 5, Zhengtong Road, Shuofang Town, New District, Wuxi (無錫新區碩放鎮政通路5號)	Fei Xinlong (費新龍)
	Wuxi Qianqiao Jin'an Road Securities Branch (無錫錢橋金岸路證券營業部)	No. 108, Qianqiao Jin'an Road, Huishan District, Wuxi (無錫惠山區錢橋金岸路108號)	Ji Wei (季威)

Section 3 Company Profile

Region	Branch name	Address	Person in charge
	Wuxi Yuqi Town Huxi Road Securities Branch (無錫玉祁鎮湖西路證券營業部)	No. 170, Huxi Road Branch, Yuqi Town, Huishan District, Wuxi (無錫市惠山區玉祁鎮湖西路營業部170號)	Chen Hong (陳洪)
	Wuxi Luoshe Town Renmin South Road Securities Branch (無錫洛社鎮人民南路證券營業部)	3rd Floor, No. 47, Tianqicheng, Renmin South Road, Luoshe Town, Huishan District, Wuxi (無錫市惠山區洛社鎮人民南路天奇城47號三樓)	Huang Yuyang (黃宇陽)
	Wuxi Donggang Town Jiankang Road Securities Branch (無錫東港鎮健康路證券營業部)	No. 251, Jiankang Road, Donggang Town, Xishan District, Wuxi (無錫錫山區東港鎮健康路251號)	Zhang Yu (張瑜)
	Yixing Guangming West Road Securities Branch (宜興光明西路證券營業部)	No. 2, Guangming West Road, Yixing, Jiangsu Province (江蘇省宜興市光明西路2號)	Yi Bin (夷斌)
	Yixing Renmin South Road Securities Branch (宜興人民南路證券營業部)	No. 168, Renmin South Road, Yicheng Town, Yixing, Jiangsu Province (江蘇省宜興市宜城鎮人民南路168號)	Wu Xinfeng (吳新風)
	Yixing Yangxian East Road Securities Branch (宜興陽羨東路證券營業部)	No. 193, 195, Yangxian East Road, Yicheng Street, Yixing, Jiangsu Province (江蘇省宜興市宜城街道陽羨東路193·195號)	Jia Jianghui (賈江暉)
	Yixing Heqiao Town Xiheng Street Securities Branch (宜興和橋鎮西橫街證券營業部)	No. 259, Xiheng Street, Heqiao Town, Yixing, Jiangsu Province (江蘇省宜興市和橋鎮西橫街259號)	Shi Wenda (史文達)
	Yixing Dingshu Town Jiefang Road Securities Branch (宜興丁蜀鎮解放路證券營業部)	1-21, Yuehe Garden, Jiefang Road, Dingshu Town, Yixing, Jiangsu Province (江蘇省宜興市丁蜀鎮解放路悅和花園1-21)	Su Jinghui (蘇靜暉)
	Yixing Zhangzhu Town Taoxi Road Securities Branch (宜興張渚鎮桃溪路證券營業部)	No. 35-37, Taoxi Road, Zhangzhu Town, Yixing, Jiangsu Province (江蘇省宜興市張渚鎮桃溪路35-37號)	Jiang Zheng (蔣政)
	Yixing Guanlin Town Guanxin Street Branch (宜興官林鎮官新街營業部)	101-102, Guanxin Street West, Guanlin Town, Yixing, Jiangsu Province (江蘇省宜興市官林鎮官新街西 101-102)	Li Guojun (李國君)
	Jiangyin Huashi Town Xinsheng Road Securities Branch (江陰華士鎮新生路證券營業部)	No. 168, Xinsheng Road, Huashi Town, Jiangyin, Jiangsu Province (江蘇省江陰市華士鎮新生路168號)	Yang Jun (楊軍)
	Jiangyin Daqiao North Road Securities Branch (江陰大橋北路證券營業部)	(4th Floor) No. 105, Daqiao North Road, Jiangyin, Jiangsu Province (江蘇省江陰市大橋北路105號(四樓))	Zhang Dongmei (張冬梅)
	Jiangyin Shengang Road Securities Branch (江陰申港路證券營業部)	No. 349, Shengang Road, Lingang Street, Jiangyin, Jiangsu Province (江蘇省江陰市臨港街道申港路349號)	Ren Li (任立)

Section 3 Company Profile

Region	Branch name	Address	Person in charge
Jiangsu Province (other than Wuxi, 14)	Suzhou Jiefang West Road Securities Branch (蘇州解放西路證券營業部)	No. 114, 116, Jiefang West Road, Suzhou, Jiangsu Province (江蘇省蘇州市解放西路114·116號)	Zheng Minzhong (鄭民中)
	Xuzhou Zhongshan North Road Securities Branch (徐州市中山北路證券營業部)	Rm. 601, 6th Floor, Block B, Gold Land International, No. 8, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu Province (江蘇省徐州市鼓樓區中山北路8號金地國際B座6樓601室)	Fan Jiongwei (范炯璋)
	Lianyungang Tongguan North Road Securities Branch (連雲港通灌北路證券營業部)	No. 79, Tongguan North Road, Xinpu District, Lianyungang, Jiangsu Province (江蘇省連雲港市新浦區通灌北路79號)	Ou Xiaoping (歐小平)
	Huai'an Beijing North Road Securities Branch (淮安北京北路證券營業部)	11th Floor, Heyun Building, No. 100, Beijing North Road, Huai'an, Jiangsu Province (江蘇省淮安市北京北路100號河韻大廈11樓)	Xu Wei (徐巍)
	Yancheng Jiefang South Road Securities Branch (鹽城解放南路證券營業部)	1st to 3rd Floor, Yongji Plaza, No. 80, Jiefang South Road, Yancheng, Jiangsu Province (江蘇省鹽城市解放南路80號永基廣場1-3樓)	Lu Guoping (陸國平)
	Yangzhou Wenhui West Road Securities Branch (揚州文匯西路證券營業部)	No. 183, Wenhui West Road, Hanjiang District, Yangzhou, Jiangsu Province (江蘇省揚州市邗江區文匯西路183號)	Chen Jie (陳傑)
	Taizhou Jichuan East Road Securities Branch (泰州濟川東路證券營業部)	No. 99-106, Jichuan East Road, Taizhou, Jiangsu Province (江蘇省泰州市濟川東路99-106號)	Ni Gongyi (倪公一)
	Nantong Gongnong Road Securities Branch (南通工農路證券營業部)	No. 486, Gongnong Road, Chongchuan District, Nantong, Jiangsu Province (江蘇省南通市崇川區工農路486號)	Xu Yongping (徐永平)
	Haimen Changjiang South Road Securities Branch (海門長江南路證券營業部)	No. 32, Yunjie Longxin Homeland Shop, Changjiang South Road, Haimen, Jiangsu Province (江蘇省海門市長江南路連傑龍馨家園商鋪32號)	Wang Xiaolei (王曉磊)
	Nanjing Taiping South Road Securities Branch (南京太平南路證券營業部)	Jinling Yujingyuan, No. 333, Taiping South Road, Nanjing, Jiangsu Province (江蘇省南京市太平南路333號金陵御景園)	Wu Xiaofeng (吳曉鋒)
	Nanjing Zhanjiang Road Branch (南京湛江路營業部)	No. 59-12, Zhanjiang Road, Gulou District, Nanjing, Jiangsu Province (江蘇省南京市鼓樓區湛江路59-12號)	Geng Chao (耿超)
	Zhenjiang Tanshan Road Securities Branch (鎮江檀山路證券營業部)	Building 60, Crown Castle International, No. 8, Tanshan Road, Zhenjiang, Jiangsu Province (江蘇省鎮江市檀山路8號申華國際冠城60幢)	Zhu Xiangming (朱向明)
	Danyang Jinling West Road Securities Branch (丹陽金陵西路證券營業部)	No. 188, Jinling West Road, Development District, Danyang, Jiangsu Province (江蘇省丹陽市開發區金陵西路188號)	Zhang Jianhua (張建華)

Section 3 Company Profile

Region	Branch name	Address	Person in charge
	Changzhou Tongjiang Avenue securities branch	Zhontian Phoenix Building, No. 555, Tongjiang Avenue, Xinbei District, Changzhou, Jiangsu Province (江蘇省常州市新北區通江大道555號中天鳳凰大廈)	Li Yingjie (李穎傑)
Shanghai (3)	Shanghai Caobao Road Securities Branch (上海漕寶路證券營業部)	6th Floor, No. 38, Caobao Road, Shanghai (上海市漕寶路38號6樓)	Wang Jun (王珺)
	Shanghai Handan Road Securities Branch (上海邯鄲路證券營業部)	No. 98A, Handan Road, Shanghai (上海市邯鄲路98號甲)	Jin Xiaoqiong (金小瓊)
	Shanghai Gangyu Road Securities Branch (上海港俞路證券營業部)	No. 865, Gangyu Road, Qingpu District, Shanghai (上海市青浦區港俞路865號)	Lu Junwei (陸軍巍)
Zhejiang Province (1)	Hangzhou Zhongshan North Road Securities Branch (杭州中山北路證券營業部)	5th Floor, Civil Aviation Building, No. 290, Zhongshan North Road, Hangzhou, Zhejiang Province (浙江省杭州市中山北路290號民航大廈5樓)	Ye Ruqi (葉汝琪)
Beijing (4)	Beijing Chaoyangmen South Street Securities Branch (北京朝陽門南大街證券營業部)	50105, 1st Floor, Galaxy SOHO Centre, No. 2, Nanzhugan Alley, Dongcheng District, Beijing (北京市東城區南竹竿胡同2號銀河搜侯中心1層50105)	Ma Yunxia (馬雲霞)
	Beijing Shijingshan Road Securities Branch (北京石景山路證券營業部)	12th Floor, Block B, Wanda Plaza, Shijingshan District, Beijing (北京市石景山區萬達廣場B座12層)	Wang Chao (王超)
	Beijing Shouti South Road Securities Branch (北京首體南路證券營業部)	1202, Building 4, Interwest International Center, No. 9, Shouti South Road, Beijing (北京市首體南路9號主語國際4號樓1202)	Jia Li (賈莉)
	Beijing Jiancaicheng West Road Securities Branch (北京建材城西路證券營業部)	21st Floor, Block A, Shang'ao Century Mansion, No. 87, Jiancaicheng West Road, Changping District, Beijing (北京市昌平區建材城西路87號上奧世紀大廈A座21層)	Zhang Xiaoming (張曉明)
Liaoning Province (1)	Dalian Renmin Road Securities Branch (大連人民路證券營業部)	E2, 8th Floor, International Finance Tower, No. 15, Renmin Road, Zhongshan District, Dalian, Liaoning Province (遼寧省大連市中山區人民路15號國際金融大廈8層E2)	Song Hongtao (宋洪濤)
Shandong Province (2)	Zibo Zicheng Road Securities Branch (淄博淄城路證券營業部)	1st and 2nd Floor, Zhengcheng Building, No. 573, Zichuan District, Zibo, Shandong Province (山東省淄博市淄川區573號正承大廈一二樓)	Wu Junhe (吳俊河)
	Yantai Yingchun Street Securities Branch (煙台迎春大街證券營業部)	3rd Floor, Tian He Building, No. 163, Yingchun Street, Laishan District, Yantai, Shandong Province (山東省煙台市萊山區迎春大街163號天和大廈三樓)	Li Chao (李超)

Section 3 Company Profile

Region	Branch name	Address	Person in charge
Jiangxi Province (1)	Nanchang Beijing East Road Securities Branch (南昌北京東路營業部)	No. 98, Beijing East Road, Qingshanhu District, Nanchang, Jiangxi Province (江西省南昌市青山湖區北京東路98號)	Liu Wei (劉維)
Hunan Province (1)	Changsha Furong Mid Road Securities Branch (長沙芙蓉中路證券營業部)	4th Floor, Zhongcai Building, No. 426, Furong Mid Road, Tianxin District, Changsha, Hunan Province (湖南省長沙市天心區芙蓉中路426號 中財大廈四樓)	Ren Fan (任鈞)
Guangdong Province(2)	Guangzhou Binjiang East Road Securities Branch (廣州濱江東路證券營業部)	3rd Floor, No. 211, Binjiang East Road, Haizhu District, Guangzhou, Guangdong Province (廣東省廣州市海珠區濱江東路211號3樓)	Zeng Hanping (曾漢平)
	Shenzhen Haixiu Road Securities Branch (深圳海秀路證券營業部)	17th Floor, International Business Tower, No.19, Haixiu Road, Baoan Central District, Shenzhen (深圳市寶 安中心區海秀路19號國際西岸商務大廈17樓)	Li Chenjie (李辰傑)
Guangxi Zhuangzu Nationality Autonomous Region (2)	Nanning Minzu Avenue Securities Branch (南寧民族大道證券營業部)	4th Floor, Derui Building, No. 143, Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Nationality Autonomous Region (廣西壯族自治區南 寧市青秀區民族大道143號德瑞大廈4層)	Wang Jian (王劍)
	Guilin Binjiang Road branch (桂林濱江路證券營業部)	3rd Floor, Business Office Building 1, Kengo Lijiang 21st Mansion, No. 16, Binjiang Road, Xiufeng District, Guilin, Guangxi Zhuang Nationality Autonomous Region (廣西壯族自治區桂林市秀峰區 濱江路16號可高·漓江21號商務辦公樓1#3樓)	Jiang Daihua (蔣代華)
Chongqing (1)	Chongqing Wuhong Road Securities Branch (重慶五紅路證券營業部)	3-1, Building 7, Chang'an Huadu, No. 60-3, Wuhong Road, Longta Street, Yubei District, Chongqing (重慶市渝北區龍塔街道五紅路60號 附3長安華都7幢3-1)	Li Jing (李京)
Sichuan Province (1)	Chengdu Jincheng Avenue Branch (成都錦城大道營業部)	Rm. 1407, Block B, AUX Plaza, No. 666, Jincheng Avenue, Hi-Tech District, Chengdu (成都高新區 錦城大道666號奧克斯廣場B座1407室)	Zhao Shougang (趙守剛)

Section 4 Summary of Accounting and Business Data

I. Principal Accounting Data and Financial Indexes

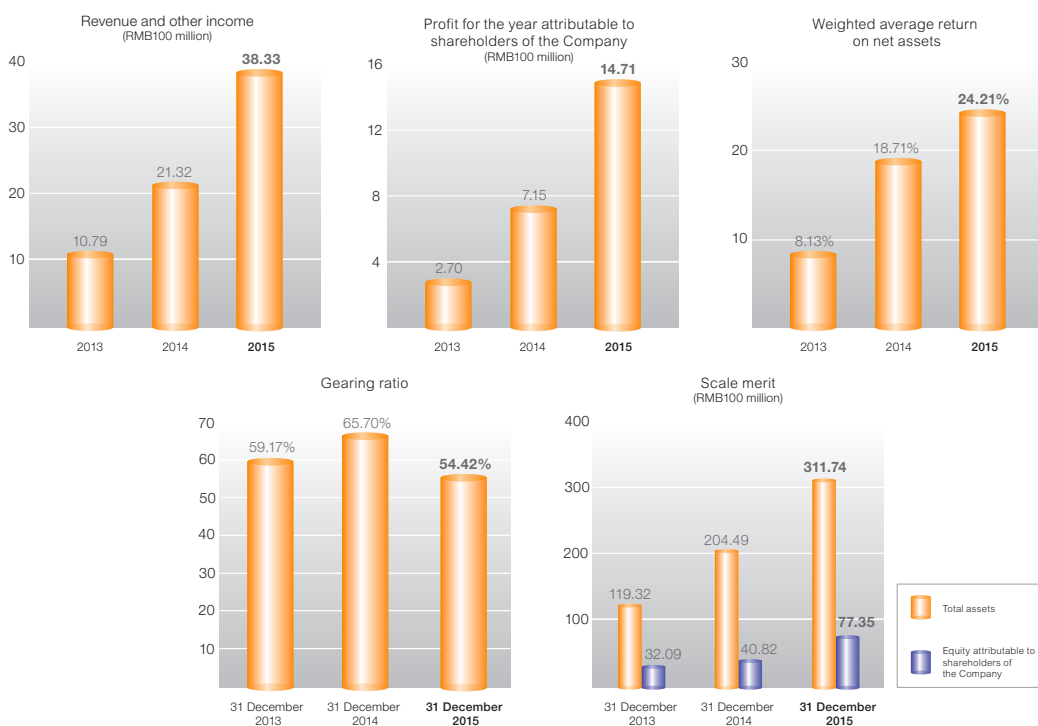
(I) Principal accounting data and financial indexes for the recent three years

Item	2015	2014	Year-on-Year Growth last period	2013
Operating results (RMB'000)				
Revenue and other income	3,833,186	2,131,656	79.82%	1,079,418
Profit before income tax	1,990,334	963,125	106.65%	350,710
Profit for the year attributable to shareholders of the Company	1,471,438	714,955	105.81%	269,763
Net cash inflow/outflow from operating activities	-1,361,726	-841,291	61.86%	-1,377,262
Earnings per share (RMB/share)				
Basic earnings per share	0.88	0.48	83.33%	0.18
Diluted earnings per share	0.88	0.48	83.33%	0.18
Profitability index				
Weighted average returns on net assets (%)	24.21%	18.71%	Increased by 5.50 percentage points	8.13%

Section 4 Summary of Accounting and Business Data

Item	31 December 2015	31 December 2014	Year-on-Year Growth	31 December 2013
Scale merit (RMB'000)				
Total assets	31,173,636	20,448,835	52.45%	11,932,291
Total liabilities	23,144,867	16,100,188	43.76%	8,471,772
Accounts payable to brokerage clients	13,557,301	7,768,782	74.51%	3,455,869
Equity attributable to shareholders of the Company	7,735,283	4,082,010	89.50%	3,209,305
Total share capital ('000 shares)	1,902,400	1,500,000	26.83%	1,500,000
Net asset value per share attributable to shareholders of the Company (RMB/share)				
	4.07	2.72	49.63%	2.14
Gearing ratio (%)¹	54.42%	65.70%	Decrease by 11.28 percentage points	59.17%

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

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

Earnings (RMB'000)

Item	2015	2014	2013	2012
Revenue and other income	3,833,186	2,131,656	1,079,418	772,439
Total expenses	1,991,276	1,184,789	739,874	717,938
Profit before income tax	1,990,334	963,125	350,710	65,958
Profit for the year attributable to shareholders of the Company	1,471,438	714,955	269,763	93,920

Assets (RMB'000)

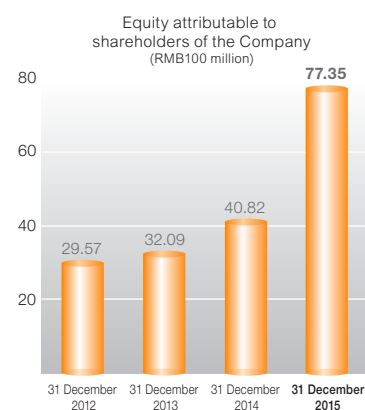
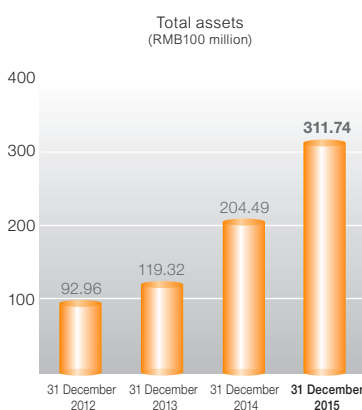
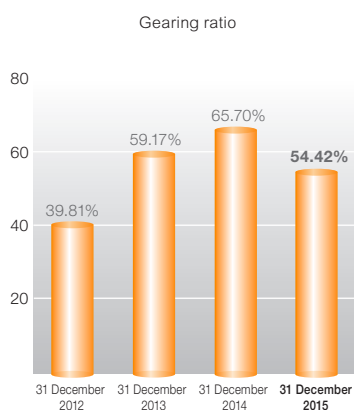
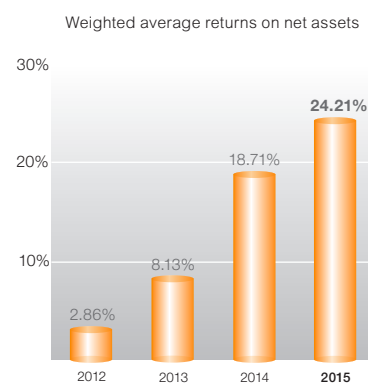
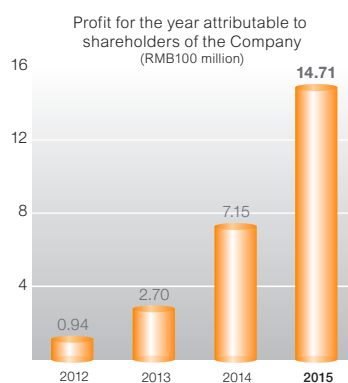
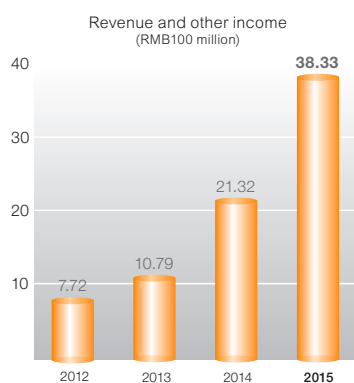
Item	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Total assets	31,173,636	20,448,835	11,932,291	9,295,943
Total liabilities	23,144,867	16,100,188	8,471,772	6,043,499
Accounts payable to brokerage clients	13,557,301	7,768,782	3,455,869	3,892,646
Equity attributable to shareholders of the Company	7,735,283	4,082,010	3,209,305	2,957,477
Total share capital ('000 shares)	1,902,400	1,500,000	1,500,000	1,500,000

Section 4 Summary of Accounting and Business Data

Key financial indexes

Item	2015	2014	2013	2012
Basic earnings per share	0.88	0.48	0.18	0.07
Diluted earnings per share	0.88	0.48	0.18	0.07
Weighted average returns on net assets (%)	24.21%	18.71%	8.13%	2.86%

	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Gearing ratio (%)	54.42%	65.70%	59.17%	39.81%
Net asset value per share attributable to shareholders of the Company (RMB/share)	4.07	2.72	2.14	1.97



Section 4 Summary of Accounting and Business Data

II. Differences of Accounting Data under Domestic and Overseas Accounting Standards

The consolidated financial statement prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2015 and 2014 and the net assets 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 RMB7,393 million, representing an increase of 61.43% as compared to the net capital of RMB4,580 million as at the end of 2014. During the Reporting Period, the related risk control indexes of the Company's net capital had complied with the regulatory requirements.

Unit: in RMB'000

Item	31 December 2015	31 December 2014	Regulatory standard
Net capital	7,392,928	4,579,786	–
Net assets	8,017,857	4,340,600	–
Net capital/sum of different risk provisions (%)	857.86	688.41	>100%
Net capital/net assets (%)	92.21	105.51	>40%
Net capital/liabilities (%)	116.20	89.24	>8%
Net assets/liabilities (%)	126.02	84.58	>20%
Proprietary equity securities and securities derivatives/net capital (%)	24.17	32.49	<100%
Proprietary fixed income securities/net capital (%)	4.89	28.98	<500%

Section 5 Report of the Directors

I. Board's Discussion and Analysis on Operation of the Company During the Reporting Period

(I) Economic environment and market conditions during the Reporting Period

In 2015, the global economic recovery remained slow with divergence and fluctuation. The US economy witnessed a stable recovery and restarted the interest rate raise process and the U.S. Dollars rebound aggressively with its index increased by 9.34% for the year, thereby hitting the currencies of the emerging markets. Despite a drop in unemployment rate, the overall unemployment rate in Europe remained over 10%, making it still unable to get rid of its dependence on monetary easing measures. Japan has always been pursuing an inflationary rebound to return to 2%, but still failed to do so at the moment due to the relatively weak economic performance. For emerging countries, dragged by the sluggish global economy and trade growth, the energy and bulk commodity market experienced “continuous”, which posed tremendous challenges on the economic growth of export-oriented economies and energy export countries. The slowdown in economic growth, depreciation in exchange rates and high inflation had become the common problems for emerging countries. The PRC economy entered into a new normal, shifting from high-speed growth to middle to high-speed growth and changing from factor-driven growth to innovation-driven growth, whereby leading to continuous optimization and upgrading in its economic structure. The GDP of the PRC increased by 6.9% for the year as compared to last year, and still topped the world in terms of economic growth despite the slowdown.



Section 5 Report of the Directors

During the Reporting Period, the PRC stock market experienced high volatility, showing an “N” trend during the year. Before mid June 2015, as driven by the comprehensive deepening reform and policies on economic transformation, the stock market experienced a robust market sentiment, with SSE Composite Index reaching its height of 5,178 points. However, as affected by the factors, including cleaning financing (清理配资) and high leveraging, the market encountered a rapid adjustment. By the end of August 2015, the market hit a new low of 2,850 points within only 2 months with a drop of more than 40% from the height. Thereafter, it regained its momentum with SSE Composite Index finally closed at 3,539 points, a growth of 9.41% as compared to the same period last year. When compared to the main board market, the Growth Enterprises Market Board of the Shenzhen Stock Exchange was more actively sought after by investors with an increase of 84.41% for the year as compared to the last year.

During the Reporting Period, the balance for margin financing and securities lending in Shanghai and Shenzhen stock markets exceeded RMB2 trillion, with a balance of RMB1.17 trillion as at the end of the Reporting Period. A total of 224 companies were initially listed and issued their A shares and the actual proceeds raised amounted to RMB147 billion. A total of 826 companies conducted private placements and the actual proceeds raised amounted to RMB1,283.86 billion. Due to the rapid development of the NEEQ, the number of companies listed on the NEEQ was 5,129 as at the end of the year, representing a year-on-year growth of 2.26 times. The construction of multi-level capital market marched one step forward. Driven by monetary easing policies, the bond market came with a wave of bull market sentiment. The yield of 10-year treasury bonds declined by approximately 80bp from 3.62% at the end of 2014 to 2.82% at the end of the Reporting Period. The primary bond market continued its rapid growth. During the Reporting Period, the bonds issued by securities brokers had exceeded RMB3 trillion, representing a year-on-year increase of 52.61%.

(II) Overall operation of the Company

During the Reporting Period, the Group actively grasped the favourable policy and market opportunities, achieving a significant growth in its operating results. In the full year of 2015, the Group achieved a total of revenue and other income amounting to RMB3,833 million, representing a year-on-year increase of 79.82%; a total of net profit attributable to shareholders of the Company of RMB1,471 million, representing a year-on-year increase of 105.81%. As at 31 December 2015, total assets of the Group was RMB31.174 billion; and net assets attributable to shareholders of the Company was RMB7.735 billion with weighted average return on net assets of 24.21%.

(III) Analysis of principal business

The businesses of the Group can be categorized into five segments, including brokerage business, investment banking business, asset management and investment business, credit transactions business and proprietary trading business.

(I) Brokerage Business

During the Reporting Period, revenue and other income generated from brokerage business amounted to RMB2,143 million, representing an increase of 150.23% as compared to 2014.

1. *Securities brokerage*

During the Reporting Period, with a bull market sentiment, the trading of domestic stock market was very robust. Despite a significant concussion of the market after mid June 2015 and an obvious shrinkage in trading volume, the annual trading volume still hit historic height. According to the statistics of Wind Information, total trading volume of shares and funds in the Shanghai Stock Exchange and the Shenzhen Stock Exchange reached RMB270 trillion in 2015, with the average daily trading volume in shares and funds of RMB1,107.9 billion, representing an increase of 244% as compared to 2014. Despite of the fact that brokerage commission rate was further reduced due to the continuous marketing of internet securities and the opening of the “one person with many stock accounts”, the brokerage business of securities brokers gained absolutely favorable market opportunities due to the significant growth in market trading volume.

During the Reporting Period, whilst seizing market opportunities, the Company accelerated the pace of promoting internet transformation, continued to explore internet marketing channels, and strengthened internet client referral. By proactively boosting the development of online business, the Company achieved the online handling of offline business through online offices, bringing the business handling experience for users staying at home. Through enhancing service contents and improving service methods, the Company maintained its leading position and competitive advantages of its traditional brokerage business in Wuxi region and improved its industry competitiveness.

Section 5 Report of the Directors

During the Reporting Period, the trading volume of shares and funds of the Company amounted to RMB3,047.07 billion and attained a market share of 0.56%, representing an increase of 5.66% as compared to 2014. As at the end of the Reporting Period, the total number of our customers was 785,000, representing an increase of 34% as compared to 2014. The market value of entrusted securities (excluding restricted shares) was RMB112.5 billion.

Item	2015/ 31 December 2015	2014/ 31 December 2014	Year-on-year increase/decrease
Trading volume of shares and funds (in RMB100 million)	30,470.7	8,303.2	267%
Number of securities brokerage clients ('0,000)	78.5	58.6	34%

2. Other Services

During the Reporting Period, the Company vigorously promoted the transition of brokerage business to wealth management, constantly provided customers with financial products that met with the market changes, actively promoted the research style sales and services for financial products, enhanced customer experience and increased customer loyalty. For the Reporting Period, sales volume of financial products amounted to RMB46.082 billion, representing a year-on-year growth of 81.18%, among which, sales volume of self-developed asset management products amounted to RMB40.292 billion, representing a year-on-year growth of 81.95%; sales volume of third-party fund products amounted to RMB5.016 billion, representing a year-on-year growth of 112.03%; and sales volume of third-party trust products amounted to RMB687 million, representing a year-on-year decrease of 14.38%. The Company achieved an accumulated net distribution income of approximately RMB20.60 million, representing a year-on-year growth of 24.19%.

In order to satisfy the diversified wealth management needs of its customers, the Company continued to provide futures IB business. As at the end of the Reporting Period, the Company had 34 securities branches in total with futures IB business qualifications to conduct futures IB business, and had 998 existing customers of futures IB business. During the Reporting Period, there were 239 newly-opened accounts of commodity futures and 66 newly-opened accounts of financial futures. The IB business generated an income of RMB1.90 million.

The Company obtained Southbound Trading Business Qualification in September 2014. As at the end of the Reporting Period, there were 6,125 customers of Southbound Trading Business of the Company. During the Reporting Period, the trading volume of Southbound Trading Business was RMB1.477 billion, generating a commission income of RMB1.02 million.

(II) Investment Banking Business

The investment banking business of the Group is conducted by its subsidiary, Hua Ying Securities. Meanwhile, the Company provides listing, referral and market-making services as chief agency broker to help companies entering into the NEEQ. During the Reporting Period, revenue and other income generated from our investment banking business was RMB412 million, representing a growth of 13.33% as compared with 2014.

1. *Equity Financing*

During the Reporting Period, Hua Ying Securities completed one initial public offering project and six lead-underwriting projects of new shares issuance, underwriting an amount of RMB5.492 billion in total. As at the end of Reporting Period, Hua Ying Securities had two initial public offering projects and eight shares refinancing projects under review by regulatory authorities.

2. *Debt Financing*

During the Reporting Period, Hua Ying Securities completed 11 bonds lead-underwriting projects, underwriting an amount of RMB9.511 billion in total. As at the end of the Reporting Period, Hua Ying Securities had in total 17 enterprise bonds and corporate bonds projects under review by regulatory authorities.

During the Reporting Period, Hua Ying Securities generated net underwriting and sponsorship income of RMB233 million in total from the share and bonds issuance, representing a growth of 65.58% as compared to 2014.

3. *Financial Advisory*

During the Reporting Period, Hua Ying Securities completed 25 financial advisory projects, among which, 2 were merger and acquisition and reorganization projects for listed companies and 23 were other financial advisory projects, generating a net financial advisory income of RMB30.76 million.

Section 5 Report of the Directors

4. *NEEQ Listing and Referral and Market-marking*

During the Reporting Period, the Company completed 30 NEEQ listing and referral projects and assisted listed enterprises to complete the financing of nearly RMB100 million, generating an income from listing and referral business of RMB28.02 million.

For market-making business, as at the end of Reporting Period, the Company provided market-making services for a total of 25 NEEQ-listed companies. During the Reporting Period, the Company invested RMB31.10 million in market-making services and achieved a revenue of RMB15.37 million, with a book profit of RMB13.88 million as at the end of Reporting Period.

(III) **Asset Management and Investment Business**

During the Reporting Period, revenue and other income generated from our asset management and investment business was RMB168 million.

1. *Asset Management*

The domestic monetary policy was moderately easing in 2015, which resulted in the return of social capital flowing into the securities market in large scale. With further relaxation of regulatory policies for the asset management industry, the innovation of such industry was encouraged and the efficiency in product launch was increased. Hence, better development opportunities were witnessed in the asset management industry. However, as the threshold of entering the asset management industry continued to lower, the competition in the industry became intensified. Combined with extreme market sentiments of drastic fluctuations in capital market in 2015, securities brokers still faced the challenges of having insufficient ability to proactively manage and change market environments in their asset management business.

During the Reporting Period, while developing the non-active management business in a prudent manner, the Company voluntarily enhanced its active management capability. Through numerous measures including team building, improvement of mechanism and procedures and strengthening of product design capability, the Company enhanced its competitiveness significantly. The Company has set up a more well-established product system for fixed income products which can satisfy the investment requirements of clients in all aspects. The return of various traditional net value type active management products was over 20%, which provided a higher return of investment for clients.

Section 5 Report of the Directors

As at the end of Reporting Period, the total size of entrusted asset management business of the Company amounted to RMB20.736 billion, representing a year-on-year growth of 25.78%, among which, total size of collective asset management scheme amounted to RMB7.524 billion, representing a year-on-year growth of 44.36%; the total size of targeted asset management scheme amounted to RMB12.012 billion, representing a year-on-year growth of 19.24%; and the total size of specialized asset management scheme amounted to RMB1.2 billion. The Company managed a total of 101 asset management products, among which, 46 are collective asset management schemes, 54 are targeted asset management schemes and one is specialized asset management scheme.

Project Name	As at the end of 2015			As at the end of 2014		
	Portion (In 100 million shares)	Net Value (In RMB100 million)	Quantity	Portion (In 100 million shares)	Net Value (In RMB100 million)	Quantity
Collective Asset Management Scheme	66.14	75.24	46	50.40	52.12	38
Targeted Asset Management Scheme	-	120.12	54	-	100.75	36
Specialized Asset Management Scheme	12	12	1	12	12	1

2. Direct Investment

The direct investment business of the Group is conducted by our wholly-owned subsidiary, Guolian Capital. During the Reporting Period, in terms of the equity investment business, Guolian Capital inspected over 50 new enterprises and completed 12 investigations. Of all the investigated projects, it successfully invested in 4 enterprises and completed a project investment amounting to RMB34.84 million, representing an increase of 1.16 times as compared to 2014.

During the Reporting Period, Guolian Capital participated in the establishment of Wuxi Guolian Capital Creative Growth No.1 Investment Fund (limited partnership) (無錫國聯通寶創新成長壹號投資中心(有限合伙)) with a subscribed capital contribution of RMB30.00 million, all of which had been settled during the Reporting Period.

Section 5 Report of the Directors

As at the end of the Reporting Period, of the projects invested by Guolian Capital, the profit of two of them had been realized and exited the investments, and another two projects were successfully listed on the NEEQ.

(IV) Credit Transactions Business

During the Reporting Period, revenue and other income from credit transactions business was RMB534 million, representing an increase of 161.50% over 2014.

1. *Margin Financing and Securities Lending*

During the Reporting Period, the Company actively explored the VIP service function of the two financial businesses for the purpose of meeting the diversified needs of clients as much as possible. With the significant market plunge since the end of June 2015, the Company implemented inverse cycle management for the two financial businesses to improve the risk control standard and avoided the occurrence of large-scale close position. No doubtful debt risk or a litigation issue occurred during the Reporting Period.

As at the end of the Reporting Period, the total number of credit accounts of clients was 15,111, representing an increase of 61.49% as compared to the 9,357 in the end of 2014. The total credit amount of margin financing and securities lending was RMB37.278 billion, representing an increase of 152.37% as compared to the RMB14.771 billion in the end of 2014. The balance of margin financing and securities lending was RMB6.153 billion, representing an increase of 62.01% as compared to the RMB3.798 billion in the end of 2014. As at the end of the Reporting Period, the market share of our margin financing and securities lending business was 0.52%, representing a huge increase as compared to 0.37% in the end of 2014.

2. *Securities Repurchase and Securities-backed Lending*

During the Reporting Period, securities repurchase business showed a trend of industry contraction. In order to concentrate on the development of securities-backed lending business, the Company discontinued the project acceptance and examination of this business after its last settlement of securities repurchases business in October 2015. As at the end of the Reporting Period, our initial transaction amount to be repurchased was nil.

During the Reporting Period, the Company thoroughly explored the financial service demand of listed companies and strengthened the communication. At the same time, we established and improved the standards of securities-backed lending business, further optimized the reporting processes of the projects, and promoted the rapid development of securities-backed lending business. As at the end of the Reporting Period, the total credit amount of securities-backed lending business was RMB8.912 billion, representing an increase of 243.82% as compared to the RMB2.592 billion at the end of 2014. The initial transaction amount to be repurchased on the exchanges at the end of Reporting Period was RMB4.370 billion, representing an increase of 194.47% as compared to the RMB1.484 billion at the end of 2014. Apart from the bulk securities-backed lending business, the Company targeted to develop two innovative securities-backed lending business, namely “Zhongxinbao (中新寶)” and “Xiaorongbao (小融寶)”, in responding actively to the needs of retail customers. As at the end of the Reporting Period, the numbers of “Zhongxinbao (中新寶)” accounts and “Xiaorongbao (小融寶)” accounts opened were 5,575 and 1,694, respectively. The size of the financing balance of “Xiaorongbao (小融寶)” exceeded RMB33.15 million.

3. Options Business

In early 2015, the Company successfully passed the direct cross-regional examination for financing business of securities companies from local supervision bureau organized by CSRC and obtained the qualification for conducting options business on the Shanghai Stock Exchange. As at the end of the Reporting Period, the number of customers’ contracted options accounts opened on the Shanghai Stock Exchange was 424. During the Reporting Period, in terms of the number of options accounts opened on the Shanghai Stock Exchange, we ranked 34th in the industry. The Company’s cumulative turnover share of options brokerage business on the Shanghai Stock Exchange ranked 40th in the industry.

(V) Proprietary Trading Business

During the Reporting Period, revenue and other income generated from the proprietary trading business of the Company was RMB517 million, representing an increase of 11.69% as compared to 2014.

During the Reporting Period, our equity proprietary trading business aimed at controlling risk and obtaining stable revenue to balance assets allocation and conduct positive business innovations. We emphasized on the fundamental research and investigation in terms of investment strategies, prudently selected securities featuring low valuation, high growth and took positive and innovative attempts at the business, such as quantization and derivatives. Under the tremendous fluctuating market environment in 2015, the equity type investments recorded favourable investment returns.

Section 5 Report of the Directors

During the Reporting Period, our fixed-income proprietary trading business put emphasis on the tracking of macro-economic and market conditions changes and pursued flexible operation in investment strategy. The investments mainly focused on bonds with mid-high credit rating for the purpose of avoiding credit risk.

(IV) Financial Statements Analysis

(I) Analysis on the Profitability of the Company during the Reporting Period

During the Reporting Period, the Company captured the policy and market development opportunities to actively push forward its innovation and transformation subject to the stringent risk control, and increased its overall strength. The Company attained significant growth in the number of accounts opened of new customers in brokerage business and the scale of assets and securities trading volume; sustained the growth in capital based intermediary businesses, generated good investment return from the proprietary trading business with proper risk control; retained good growth momentum in investment banking and NEEQ businesses, and thus maintained rapid development in overall operation and recorded significant growth in profitability.

During the Reporting Period, the Group generated revenue and other income of RMB3,833.2 million in total, representing a year-on-year growth of 79.82%. Net profit attributable to shareholders of the Company amounted to RMB1,471.4 million, representing a year-on-year growth of 105.81%. Earnings per share amounted to RMB0.88, representing a year-on-year growth of 83.33%. The weighted average return on net assets amounted to 24.21%, representing a year-on-year growth of 5.5 percentage points.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,173.6 million, representing an increase of 52.45% as compared to RMB20,448.8 million as at the end of 2014. Total liabilities amounted to RMB23,144.9 million, representing an increase of 43.76% as compared to RMB16,100.2 million as at the end of 2014. Equity attributable to shareholders of the Company amounted to RMB7,735.3 million, representing an increase of 89.50% as compared to RMB4,082.0 million as at the end of 2014. Net proceeds arising from the listing of the Company's H shares had resulted in increase in equity of RMB2,445.2 million.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB18,781.4 million representing 60.25% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB7,631.6 million, representing 24.48% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB4,370.0 million, representing 14.02% of the total assets, and primarily included investment in associates and investment in financial assets; and operating assets (such as other property, equipment) amounted to RMB390.6 million, representing 1.25% of the total assets, and primarily included property and equipment, intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, available-for-sale financial assets, entrusted loans and accounts receivable and other receivables. There was no evidence showing that other assets may be subject to significant impairment.

The liability-asset ratio and operating leverage ratio decreased slightly. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB9,587.6 million, representing a year-on-year growth of RMB1,256.2 million or 15.08%. The growth was primarily attributable to the greater efforts on the development of capital intermediary business as well as active expansion in financing channels. The liability-asset ratio of the Group was 54.42%, representing a decrease of 11.28 percentage points from 65.70% as at the end of 2014 (Note: Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.28 times, representing a decrease of 26.69% from 3.11 times as at the end of 2014 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

(III) Financing Channels and Financing Capability

The Company has met its operating capital requirements through equity financing and debt financing. On 6 July 2015, the Company successfully listed on the Stock Exchange, raising net proceeds of approximately HK\$3,097.3 million with the initial public offering price fixed at HK\$8 per share. Debt financing of the Company included the issuance of short-term financing bonds, subordinated bonds, income certificates and refinancing, interbank borrowings as well as transfer of equity rights in margin financing and securities lending.

Section 5 Report of the Directors

In 2015, the newly added accumulated debt financing of the Company amounted to RMB16.12 billion, among which accumulated proceeds raised from the private placement of bonds amounted to RMB1.5 billion, accumulated proceeds raised from the issuance of short-term financing bonds amounted to RMB500 million, accumulated capital inflow from refinancing amounted to RMB600 million, accumulated capital inflow from issuance of income certificates amounted to RMB3.31 billion; accumulated capital inflow from transferring of income rights in margin financing and securities lending amounted to RMB2.15 billion and accumulated capital inflow from short-term interbank borrowings amounted to RMB8.06 billion. The balance of debt financing not due as of the end of 2015 amounted to RMB5.65 billion. Meanwhile, the Company received comprehensive credit line with relatively higher limit granted by several banks. The existing financing channels of the Company have been operated effectively, strengthening our ability in maintaining sufficient capital for our business development.

(IV) Liquidity Management Information of the Company

The Company paid great attention on liquidity management by adhering to the principles of “comprehensiveness, prudence and foreseeability” and focusing on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk since March 2014. The Company will prepare monthly liquidity monitoring statement. The liquidity monitoring index of the Company in each month throughout 2015 had complied with the regulatory requirements.

(V) Cash Flows

As the Group's cash inflow generated from the financing activities in the current year is more than the cash outflow from operating activities and investing activities, the net increase in cash and cash equivalents was RMB3,282.6 million. Net cash flows from operating activities in 2015 was RMB-1,361.7 million, a year-on-year increase of RMB520.4 million as compared with RMB-841.3 million for the corresponding period in 2014. Net cash flows from investing activities in 2015 was RMB-632.2 million, a year-on-year decrease of RMB426.7 million as compared with RMB-205.5 million for the corresponding period in 2014. Net cash flows from financing activities in 2015 was RMB5,276.5 million, a year-on-year increase of RMB3,601.3 million as compared with RMB1,675.2 million for the corresponding period in 2014. Net increase in cash and cash equivalents in 2015 was RMB3,282.6 million, a year-on-year increase of RMB2,654.2 million as compared with RMB628.4 million for the corresponding period of 2014.

(VI) Analysis of Operating Income and Profit

1. Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB1,990.3 million, representing a year-on-year increase of 106.65%. The key financial results are as follows:

Unit: in RMB million

Items	2015	2014	Increase/ decrease	Growth rate year-on-year
Revenue				
Commission and fee income	2,235.5	1,079.8	1,155.7	107.03%
Interest income	925.1	374.8	550.3	146.82%
Net investment gains	666.0	665.9	0.1	0.02%
Other income	6.6	11.1	-4.5	-40.54%
Total revenue and other income	3,833.2	2,131.6	1,701.6	79.82%
Total expenses	1,991.3	1,184.8	806.5	68.07%
Profit before income tax	1,990.3	963.1	1,027.2	106.65%
Income tax expense	492.0	232.7	259.3	111.43%
Profit for the year	1,498.3	730.4	767.9	105.13%
Net profit attributable to shareholders of the Company	1,471.4	715.0	756.4	105.81%

Section 5 Report of the Directors

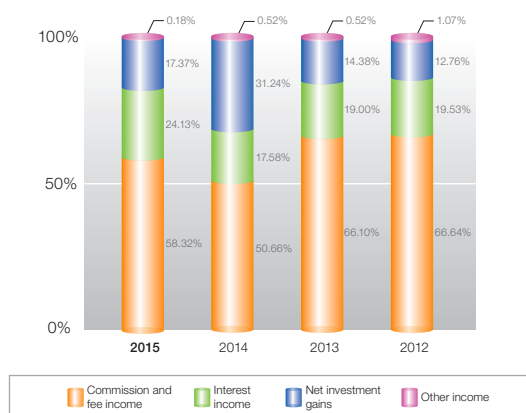
Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB3,833.2 million, representing a year-on-year increase of 79.82%, among which, 58.32% was generated from commission and fee income, representing a year-on-year increase of 7.66%, 24.13% was generated from interest income, representing a year-on-year increase of 6.55% and 17.37% was generated from net investment gains, representing a year-on-year decrease of 13.87%. The revenue structure of the Group in the past four years were as follows:–

Unit: in RMB million

Items	2015	2014	2013	2012
Commission and fee income	58.32%	50.66%	66.10%	66.64%
Interest income	24.13%	17.58%	19.00%	19.53%
Net investment gains	17.37%	31.24%	14.38%	12.76%
Other income	0.18%	0.52%	0.52%	1.07%
Total	100.00%	100.00%	100.00%	100.00%

The bar chart below shows the structure comparison:



Section 5 Report of the Directors

From the changes in revenue structure, 2015 was benefited from the significant increase in transactions, The commission and fee income of the Group mainly from its brokerage business contributed a proportion of 58.32%; the proportion of interest income mainly from capital intermediary business went up year on year as result of its steady rise in size. By adhering to the principles of value investment, net investment income mainly from the investment business remained stable. The Group speeded up the pace of internet transformation, continued to enhance its profitability, improve revenue structure and profit potential, vigorously promoting the comprehensive business transformation and innovative development.

Commission and fee income

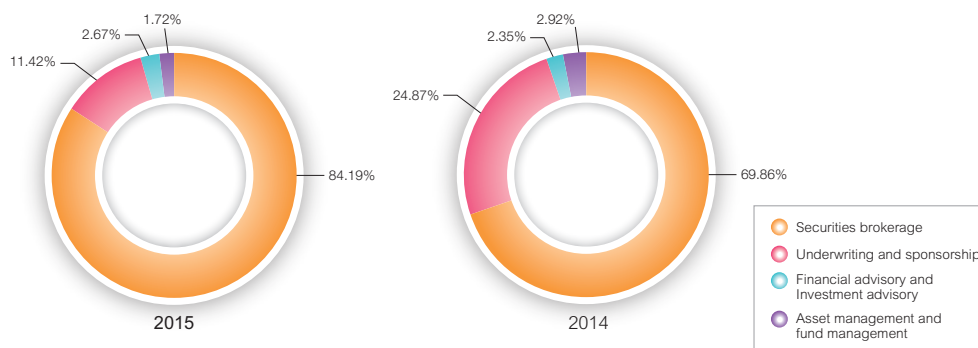
During the Reporting Period, the Group's commission and fee income consists of the followings:-

Unit: in RMB million

Items	2015	2014	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	1,882.0	754.3	1,127.7	149.50%
Underwriting and sponsorship	255.3	268.6	-13.3	-4.95%
Financial advisory and investment advisory	59.8	25.4	34.4	135.43%
Asset management and fund management	38.4	31.5	6.9	21.90%
Total commission and fee income	2,235.5	1,079.8	1,155.7	107.03%
Commission and fee expenses	436.7	269.1	167.6	62.28%
Net commission and fee income	1,798.8	810.7	988.1	121.88%

Section 5 Report of the Directors

The Group's commission and fee income consists of:



During the Reporting Period, net commission and fee income of the Group amounted to RMB1,798.8 million, representing a year-on-year increase of 121.88%. The increase was primarily attributable to the increase in commission and fee income and financial advisory generated from securities brokerage business.

Commission and fee income generated from securities brokerage business increased RMB1,127.7 million, representing a year-on-year increase of 149.5%, primarily attributable to the significant increase in daily transaction volume of securities and funds in the active stock market in China during 2015. Although the average commission rate of the Company has declined, the fee and commission income generated from securities brokerage business still recorded significant growth.

Underwriting and sponsorship income generated from investment banking business decreased by RMB13.3 million, representing a year-on-year decrease of 4.95%, primarily attributable to the fluctuactive revenue resulting from various factors such as project cycle and industry competition.

Financial advisory and Investment advisory income generated from investment banking business increased by RMB34.4 million, representing a year-on-year increase of 135.43%, primarily attributable to the excellent results achieved in effective breakthrough of business performance as a result of exploring the Company's potential on capital operation, merger and acquisition, equity financing by grasping the opportunities arising from the development of the NEEQ.

Asset management and fund management income increased by RMB6.9 million, representing a year-on-year increase of 21.90%, primarily attributable to the Company's active response to the changes of market conditions by creating the asset management integrated platform to meet customers' diversified needs of investment and financing, as a result of which, total entrusted assets under management amounted to RMB20.736 billion, representing a year-on-year increase of 25.78%.

Section 5 Report of the Directors

Interest income

During the Reporting Period, interest income of the Group amounted to RMB925.1 million, representing a year-on-year increase of 146.82%. The Group's interest income for 2015 consists of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate year-on-year
Interest income				
Bank deposits	377.3	166.7	210.6	126.33%
Financial assets held under resale agreements	82.6	36.7	45.9	125.07%
Margin financing and securities lending	465.2	171.4	293.8	171.41%
Total interest income	925.1	374.8	550.3	146.82%
Interest expenses	460.1	203.0	257.1	126.65%
Net interest income	465.0	171.8	293.2	170.66%

Interest income from bank deposits increased RMB210.6 million, representing a year-on-year increase of 126.33%, primarily attributable to the effect of new share and the increase in interest income as a result of the expansion interests of the size of client margin deposit.

Interest income from financial assets held under resale agreements increased by RMB45.9 million, representing a year-on-year increase of 125.07%, primarily attributable to the increase in size of securities-backed lending business.

Interest income from margin financing and securities lending increased by RMB293.8 million, representing a year-on-year increase of 171.41%, primarily attributable to the significant increase in size of margin financing and securities lending business.

Interest expenses increased by RMB257.1 million, representing a year-on-year increase of 126.65%, primarily attributable to the increase in the interest expenses on customer's deposit funds and bonds payable.

Section 5 Report of the Directors

Net investment gains

During the Reporting Period, the Group adhered to principles of value investment, effective risk control and stable investment. The net investment gains of the Group amounted to RMB666.0 million, representing a year-on-year increase of 0.02%. The Group's net investment gains for 2015 consist of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate year-on-year
Realized gain from disposal of available-for-sale financial assets	265.3	99.9	165.4	165.57%
Dividends and interest income from available-for-sale financial assets	40.3	7.6	32.7	430.26%
Realized gain from disposal of financial assets at fair value through profit or loss	568.5	250.0	318.5	127.40%
Dividends distributed to interests holders of the consolidated structured entities	-252.6	-107.6	-145.0	134.76%
Dividends and interest income from designed financial assets at fair value through profit or loss	182.7	294.4	-111.7	-37.94%
Realized gain from disposal of held-to-maturity financial assets	0.2	-	0.2	-
Interest income from held-to-maturity financial assets	0.2	0.3	-0.1	-33.33%
Net realized losses from derivative financial instruments	23.9	-3.5	27.4	782.86%
Unrealized fair value change of financial instruments at fair value through profit or loss				
- Financial assets held for trading	-105.3	163.2	-268.5	-164.52%
- Derivative financial instruments	2.2	-2.1	4.3	204.76%
- Financial liabilities designated at fair value through profit or loss	-59.4	-36.3	-23.1	63.64%
Total	666.0	665.9	0.1	0.02%

Section 5 Report of the Directors

Operating Expenses

During the Reporting Period, operating expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB1,094.5 million, representing a year-on-year increase of 53.59%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate year-on-year
Operating expenses				
Staff costs	563.1	375.1	188.0	50.12%
Depreciation and amortization	44.0	43.1	0.9	2.09%
Other operating expenses	432.2	294.1	138.1	46.96%
Impairment losses	55.2	0.3	54.9	18300.00%
Total	1,094.5	712.6	381.9	53.59%

Staff costs increased by RMB188.0 million, representing a year-on-year increase of 50.12%, primarily attributable to the increased bonus, as a result of the business development and improved results and performance during 2015.

Depreciation and amortization increased by RMB0.9 million, representing a year-on-year increase of 2.09%, primarily attributable to the provision or amortisation for the additional property and equipment and intangible assets.

Other operating expenses increased by RMB138.1 million, representing a year-on-year increase of 46.96%, primarily attributable to significant increase in investors protection fund, business taxes and surcharges, expenses for listing of new H Shares for the period not capitalised yet, and promotional fees.

Section 5 Report of the Directors

Impairment losses amounted to RMB55.2 million, representing a year-on-year increase of RMB54.9 million, details of which are as follows:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate year-on-year
Impairment losses				
Margin accounts receivable	18.3	–	18.3	–
Available-for-sale financial assets	31.0	–0.2	31.2	15,600.00%
Financial assets held under resale agreements	2.7	–	2.7	–
Accounts receivables	3.2	0.5	2.7	540.00%
Total	55.2	0.3	54.9	18,300.00%

Impairment losses on assets primarily included provision for margin financing business and provision for impairment of available-for-sale financial assets, among which, impairment losses on available-for-sale financial assets incurred during the Reporting Period was RMB31.0 million. Impairment losses on margin financing business of RMB21.0 million was the impairment provision for asset classification of margin financing business and combination of collateral ratio information.

Section 5 Report of the Directors

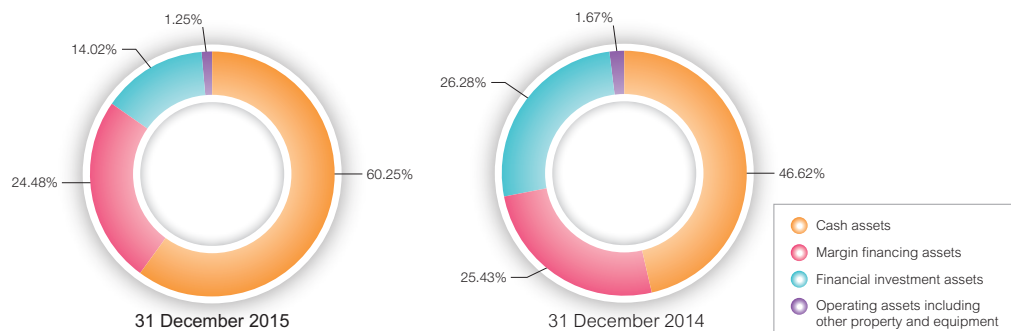
2. Assets Information

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,173.6 million, representing a year-on-year increase of 52.45%, among which, cash assets amounted to RMB18,781.4 million, representing a year-on-year increase of 97.02%, margin financing assets amounted to RMB7,631.6 million, representing a year-on-year increase of 46.78%, financial investment assets amounted to RMB4,370.0 million, representing a year-on-year decrease of 18.69%, and operating assets (including other property and equipment) amounted to RMB390.6 million, representing a year-on-year increase of 14.08%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Total assets				
Cash assets	18,781.4	9,532.8	9,248.6	97.02%
Margin financing assets	7,631.6	5,199.2	2,432.4	46.78%
Financial investment assets	4,370.0	5,374.4	-1,004.4	-18.69%
Operating assets including other property and equipment	390.6	342.4	48.2	14.08%
Total	31,173.6	20,448.8	10,724.8	52.45%

Total assets of the Group consist of:



Section 5 Report of the Directors

Cash assets

As at the end of Reporting Period, cash assets of the Group was RMB18,781.4 million, increased by RMB9,248.6 million or 97.02%, representing 60.25% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	14,293.5	6,669.2	7,624.3	114.32%
Clearing settlement funds	4,359.7	2,775.5	1,584.2	57.08%
Deposits with exchanges and a non-bank financial institution	128.2	88.1	40.1	45.52%
Total	18,781.4	9,532.8	9,248.6	97.02%

Changes in cash assets primarily reflected in cash and bank balances (including cash held for brokerage clients). Bank balances (including cash held for brokerage clients) amounted to RMB14,293.5 million, representing a year-on-year increase of 114.32%. The increase was primarily attributable to the increase in client deposits for active market during the Reporting Period, as well as the increase in the Company's own funds at the end of the year as a result of the listing in Hong Kong.

Section 5 Report of the Directors

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group was RMB7,631.6 million increased by RMB2,432.4 million or 46.78%, representing 24.48% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Margin financing assets				
Margin accounts receivable	6,085.4	3,738.3	2,347.1	62.79%
Financial assets held under resale agreements	1,546.2	1,460.9	85.3	5.84%
Total	7,631.6	5,199.2	2,432.4	46.78%

Margin accounts receivable amounted to RMB6,085.4 million, representing a year-on-year increase of 62.79%. The increase was primarily attributable to the increasing scale of margin financing and securities lending business of the Company.

Financial assets held under resale agreements amounted to RMB1,546.2 million, representing a year on-year increase of 5.84%. The increase was primarily attributable to the increasing scale of securities-backed lending business of the Company.

Section 5 Report of the Directors

Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group was RMB4,370.0 million, decreased by RMB1,004.4 million or 18.69%, representing 14.02% of the Group's total assets. The following table set forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Financial investment assets				
Investment in associates	203.5	195.4	8.1	4.15%
Available-for-sale financial assets	1,572.4	889.1	683.3	76.85%
Financial assets held for trading	2,594.1	4,279.9	-1,685.8	-39.39%
Held-to-maturity investment	-	10.0	-10.0	-100.00%
Total	4,370.0	5,374.4	-1,004.4	-18.69%

Available-for-sale financial assets: As at the end of the Reporting Period, the available-for-sale financial assets of the Group was RMB1,572.4 million, increased by RMB683.3 million or 76.85%, representing 5.04% of the Group's total assets. The Group's available-for-sale financial assets consist of the following:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Available-for-sale financial assets				
Debt securities	-	-	-	-
Equity securities	590.8	630.1	-39.3	-6.24%
Collective asset management schemes	58.3	52.8	5.5	10.42%
Investment funds	80.6	154.3	-73.7	-47.76%
Trust schemes	72.3	13.0	59.3	456.15%
Other investments	770.4	38.9	731.5	1880.46%
Total	1,572.4	889.1	683.3	76.85%

Section 5 Report of the Directors

Financial assets held for trading: as at the end of the Reporting Period, the financial assets held for trading of the Group was RMB2,594.1 million, decreased by RMB1,685.8 million or 39.39%, representing 8.32% of the Group's total assets. The Group's financial assets held for trading consist of the following:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Financial assets held for trading				
Debt securities	1,987.5	3,824.8	-1,837.3	-48.04%
Equity securities	328.8	361.6	-32.8	-9.07%
Investment funds	257.8	93.5	164.3	175.72%
Asset-backed securities	20.0	-	20.0	-
Total	2,594.1	4,279.9	-1,685.8	-39.39%

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 RMB390.6 million, increased by RMB48.2 million or 14.08%, representing 1.25% 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	103.6	104.6	-1.0	-0.96%
Goodwill	-	-	-	-
Intangible assets	28.6	24.1	4.5	18.67%
Deferred tax assets	0.1	-	0.1	-
Other current assets and other non-current assets	258.3	213.7	44.6	20.87%
Total	390.6	342.4	48.2	14.08%

Section 5 Report of the Directors

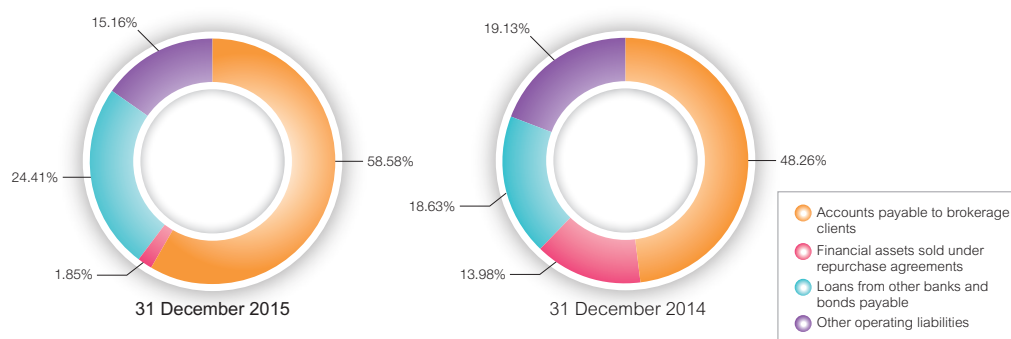
3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB23,144.9 million, representing a year-on-year increase of RMB7,044.7 million or 43.76%, of which accounts payable to brokerage clients amounted to RMB13,557.3 million, representing a year-on-year increase of 74.51%, which is mainly due to an increase of deposit from the active trading customers; financial assets sold under repurchase agreements amounted to RMB428.0 million, representing a year-on-year decrease of 80.99%. The decrease was primarily attributable to the further expansion in financing channels by the Company. Loans from other banks and bonds payable amounted to RMB5,650.0 million, representing a year-on-year increase of 88.33%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Liabilities				
Accounts payable to brokerage clients	13,557.3	7,768.8	5,788.5	74.51%
Financial assets sold under repurchase agreements	428.0	2,251.1	-1,823.1	-80.99%
Loans from other banks and bonds payable	5,650.0	3,000.0	2,650.0	88.33%
Other operating liabilities	3,509.6	3,080.3	429.3	13.94%
Total	23,144.9	16,100.2	7,044.7	43.76%

The Group's total liabilities consist of:



Section 5 Report of the Directors

Loans from other banks and bonds payable

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate year-on-year
Loans from other banks and bonds payable				
Due to other financial institutions	–	550.0	–550.0	–100.00%
Bonds payable and short term financing bonds	5,650.0	2,450.0	3,200.0	130.61%
Total	5,650.0	3,000.0	2,650.0	88.33%

Bonds payable and short-term financing bonds, which included undue subordinated bond and beneficiary certification issued by the Company, increased by RMB3,200.0 million as compared to 2014.

Other operating liabilities

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Other operating liabilities				
Accrued employee costs	227.3	110.2	117.1	106.26%
Other current liabilities	458.0	359.6	98.4	27.36%
Deferred income tax liabilities	30.2	115.0	–84.8	–73.74%
Financial liabilities designated at fair value through profit or loss	2,794.1	2,495.5	298.6	11.97%
Total	3,509.6	3,080.3	429.3	13.94%

Section 5 Report of the Directors

Accrued employee costs increased by RMB117.1 million or 106.26%, primary attributable to corresponding performance increase as a result of the business development and performance enhancement in 2015.

Other current liabilities increased by RMB98.4 million or 27.36%, primarily attributable to an increase in interest payable as a result of the increase in bonds payable and short-term financing bond.

Deferred income tax liabilities decreased by RMB84.8 million or 73.74%, primarily attributable to the decrease in float profit of available-for-sale financial assets.

4. Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB8,028.7 million, representing a year-on-year increase of 84.63%. The increase was primarily attributable to the increase in equity of RMB2,445.2 million arising from net proceeds raised in the listing of Company's H Shares and the sharp increase in the Company's profits. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2015	31 December 2014	Changes	Growth rate
Share capital	1,902.4	1,500.0	402.4	26.83%
Capital premium	2,178.4	135.6	2,042.8	1,506.49%
Reserves	1,522.6	1,264.4	258.2	20.42%
Retained earnings	2,131.8	1,182.0	949.8	80.36%
Non-controlling interests	293.5	266.6	26.9	10.09%
Total	8,028.7	4,348.6	3,680.1	84.63%

Section 5 Report of the Directors

5. Segment results

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

We have five principal business lines: (i) brokerage, (ii) investment banking, (iii) assets management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) securities brokerage, (ii) credit transaction, (iii) investment banking, (iv) proprietary trading, (v) assets management and investment; and (vi) others. We report financial results in terms of these six business segments.

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

	2015 (in RMB million)	%	2014 (in RMB million)	%
Securities brokerage	2,143.0	53.82	856.4	39.87
Credit transaction	534.5	13.42	204.4	9.52
Investment banking	412.2	10.35	363.7	16.93
Proprietary trading	517.0	12.98	462.9	21.55
Asset management and investment	167.6	4.21	222.2	10.35
Others	213.8	5.37	42.4	1.97
Inter-segment eliminations	-6.5	-0.15	-4.1	-0.19
Total	3,981.6	100.00	2,147.9	100.00

Section 5 Report of the Directors

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

	2015		2014	
	(in RMB million)	%	(in RMB million)	%
Securities brokerage	-883.9	44.39	-393.6	33.22
Credit transactions	-268.8	13.50	-43.8	3.70
Investment banking	-271.1	13.61	-303.1	25.58
Proprietary trading	-77.3	3.88	-65.4	5.52
Asset management and investment	-43.2	2.17	-46.7	3.94
Others	-452.4	22.72	-336.3	28.38
Inter-segment eliminations	5.4	-0.27	4.1	-0.34
Total	-1,991.3	100.00	-1,184.8	100.00

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

	2015		2014	
	(in RMB million)	%	(in RMB million)	%
Securities brokerage	1,259.1	63.26	462.8	48.05
Credit transactions	265.7	13.35	160.6	16.67
Investment banking	141.1	7.09	60.6	6.29
Proprietary trading	439.7	22.09	397.5	41.27
Asset management and investment	124.4	6.25	175.5	18.22
Others	-238.6	-11.99	-293.9	-30.50
Inter-segment eliminations	-1.1	-0.05	-	-
Total	1,990.3	100.00	963.1	100.00

(VII) Contingent Liabilities, Capital Commitments and Pledge of Capital

There were no contingent liabilities, capital commitments or pledge of capital during the Reporting Period.

(V) Changes in branches and subsidiaries of the company and their effects on results

1. Branches

1. *Establishment and changes of branches*

(1) Newly established securities branches

During the Reporting Period, the Company set up four new securities branches pursuant to the Reply Concerning Approval of Opening of Seven Branches by Guolian Securities Co., Ltd. (Su Zheng Jian Ji Gou Zi [2015] No. 128) (《關於核准國聯證券股份有限公司設立7家分支機構的批復》(蘇證監機構字[2015年]128號文)) from Jiangsu Securities Regulatory Bureau. The details are set out as follows:-

Item		
No.	Name of Branch	Region
1	Guolian Securities Co., Ltd., Beijing Chaoyangmen South Avenue Branch	Dongcheng District, Beijing
2	Guolian Securities Co., Ltd., Shanghai Gangyu Road Branch	Qingpu District, Shanghai
3	Guolian Securities Co., Ltd., Danyang Jinling West Road Branch	Danyang, Jiangsu Province
4	Guolian Securities Co., Ltd., Nanjing Zhanjiang Road Branch	Nanjing, Jiangsu Province

Section 5 Report of the Directors

(2) Relocation of branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocation of securities branches within the same city in Tanshan Road, Zhenjiang and Wuhong Road, Chongqing were completed.

2. *Establishment of branch offices*

During the Reporting Period, the Company set up three new branch offices pursuant to the Reply Concerning Approval of Opening of Seven Branches by Guolian Securities Co., Ltd. (Su Zheng Jian Ji Gou Zi [2015] No. 128) (《關於核准國聯證券股份有限公司設立7家分支機構的批復》(蘇證監機構字[2015年]128號文)) from Jiangsu Securities Regulatory Bureau, which included the branch offices in Nanjing, Wuxi and Suzhou. For details, please see the section headed “V. Branch offices” in Section III.

2. **Subsidiaries**

During the Reporting Period, there was no material change on Hua Ying Securities and Guolian Capital, the subsidiaries of the Company.

3. **Impact on Results**

In 2015, the Company set up three new branch offices and four securities branches. The three new branch offices had limited impact on the current results as they were deeply involved in exploring the regional resources and strengths and took up the customers, assets, personnel and business from the operation centers in such regions. Revenue and other income of the four securities branches, total expenses and total loss for the year amounted to RMB110,000, RMB2.06 million and RMB1.95 million, respectively, which had limited impact on the results of operation of the Group during the Reporting Period.

(VI) Major investment and financing activities

(I) Equity Financing

H Shares of the Company were successfully listed on the Stock Exchange on 6 July 2015, with a total of 402,400,000 new H Shares issued and 40,240,000 Domestic H Shares converted from the Domestic Shares and offered by the state-owned shareholders for the benefit of the National Council for Social Security Fund of the PRC. Through the listing in Hong Kong, the Company raised a net proceed of HK\$3.097 billion.

(II) Debt Financing

The newly increased debt financing of the Company amounted up to RMB16.120 billion for the year of 2015, and the outstanding debt financing as at the end of the period was RMB5.650 billion. The debt financing information of the Company in 2015 was as follows:-

1. Accumulated proceeds of RMB500 million were raised from the issue of short-term financing bonds, the principal and interest of which have been redeemed;
2. Accumulated capital inflow from refinancing amounted to RMB600 million, the principal and interest of which have been repaid without any balance;
3. Accumulated proceeds of RMB2,150 million were raised from the transfer of income rights in margin financing and securities lending, the principal and interest of which have been repaid without any balance;
4. Accumulated proceeds of RMB8,060 million were raised from short term inter-bank borrowings, the principal and interest of which have been repaid without any balance.

Section 5 Report of the Directors

5. Accumulated proceeds of RMB1,500 million were raised from the private issuance of bonds, with the principal and interests of RMB950 million being repaid. The outstanding subordinated bonds by the end of the period were as follows:

Item No.	Name	Date of value	Maturity Date	Term (month)	Issue amount (RMB In hundred millions)	Coupon rate
1	14 Guolian Bonds	31 October 2014	31 October 2017	36	15	6.20%
2	15 Guolian 01	20 January 2015	20 January 2016	12	15	6.00%
Total private offer of subordinated bonds					30	

6. An aggregate of RMB3.310 billion were raised from beneficiary certificates, with the principal and interest of RMB660 million being repaid. The outstanding beneficiary certificates by the end of the period were as follows:-

Item No.	Name	Date of value	Maturity Date	Term (month)	Issue amount (RMB In hundred millions)	Coupon rate
1	Chengxin No.3	31 March 2015	11 October 2016	18	3	6.50%
2	Chengxin No.6	17 April 2015	20 October 2016	18	2	6.40%
3	Chengxin No.7	24 April 2015	20 April 2017	24	2	6.40%
4	Chengxin No.8	30 April 2015	26 April 2017	24	1	6.36%
5	Chengxin No.9	13 May 2015	3 November 2016	18	2	6.40%
6	Chengxin No.10	26 May 2015	16 November 2016	18	3	6.30%
7	Chengxin No.11	19 June 2015	15 December 2016	18	3	5.90%
8	Chengxin No.12	26 June 2015	15 December 2016	18	0.50	5.90%
9	Chengxin No.13	17 December 2015	14 June 2016	6	4	4.15%
10	Chengxin No.15	22 December 2015	19 September 2016	9	4	4.30%
11	Chengxin No.14	24 December 2015	23 March 2016	3	2	4.10%
Total beneficiary certificates					26.50	

(III) Equity Investment

During the Reporting Period, the Company did not have any major equity investment.

(VII) Disposal, acquisition and replacement of material assets, spin-off and reorganization

During the Reporting Period, the Company did not have any disposal, acquisition and replacement of material assets, and spin-off or reorganization of other companies.

(VIII) Others

1. Impact of business innovation on results and relevant risk control

(1) *Business Innovation and Its Impact*

During the Reporting Period, the securities industry underwent constant breakthrough and innovation in the development of private placement business, counter market business, cross boundary business, financial derivatives business and internet securities business based on the development trend of “Characterization, Differentiation and Professionalization”. Since 2015, securities brokers obviously accelerated its internetization development. As at 31 December 2015, there were 55 security companies which had obtained the pilot qualifications of internet securities business approved by the Securities Association of China (the “SAC”). The NEEQ market-making business developed rapidly and there were 82 securities brokers taking part in this business with 1,115 NEEQ market-making share stocks. On 9 February 2015, SSE 50ETF Option was formally launched, signifying that A Share market has formally entered the “Options Era”. As at the end of the Reporting Period, the number of investor accounts increased to 81,557 and the average contract trading nominal value and trading volume per day reached RMB4.769 billion and 198,100 contracts, respectively.

Section 5 Report of the Directors

During the Reporting Period, by closely following the industry innovation and development pace, the Company vigorously developed the innovative businesses such as internet securities business, SSE stock option business, insurance funds entrusted management business, private fund comprehensive custody business and Southbound Trading business.

1. Internet finance: the Company obtained the pilot qualification of internet securities business approved by the SAC on 2 March 2015, and conducted its flow of cooperation with 17 channels such as Wind Info, Snowball (xueqiu.com), Great Wisdom and (www.gw.com.cn) RoyalFlush Financial (www.0033.com). As at the end of the Reporting Period the number of accumulated newly-increased clients of Internet accounts was 158,000, representing 77% of the total number of accounts. During the Reporting Period, the Company successfully launched “Guolian Investment Advisory” internet platform targeting at investment advisory business, and commenced the information management, portfolio management and market and price computation functions, which achieved the mobilization and instrumentalization of investment advisory business.
2. Stock options: the Company formally obtained the qualification of stock options brokerage business, stock options proprietary trading business and options settlement business from the Shanghai Stock Exchange on 16 January 2015 and formally started its stock options business on 9 February 2015. As at the end of the Reporting Period, customers’ actual number of options accounts opened on the Shanghai Stock Exchange was 424, and the accumulated total number of contracts and trading volume were 10,551 and RMB69.22 million respectively.
3. Income certificates: the Company actively prepared the connection of counter market with private placement quotation system and smoothly initiated the issuance of income certificates of the Company to expand the financing channels of the Company. As at 31 December 2015, the Company issued 15 phases of income certificates cumulatively in an aggregate amount of RMB3.31 billion with the issuing size ranked 31st among the 96 securities brokers participating in the income certificates business.
4. Comprehensive custody business of private funds: the Company duly obtained the qualification of comprehensive custody business of private funds from China Securities Investor Protection Funds Company on 11 May 2015 and successfully launched the Nanjing Benzheng Investment Private Placement Custody Business (南京本正投資私募託管業務). As at 31 December 2015, the asset size under the custody reached RMB36.45 million.

5. Entrusted management of insurance funds business: the Company duly obtained the qualification of entrusted management of insurance funds from China Insurance Regulatory Commission on 25 May 2015, which expanded the low cost fund channels of the asset management business of the Company and was beneficial to the expansion of asset management scale. During the Reporting Period, the Company contacted Guolian Insurance Company Limited (國聯人壽保險股份有限公司) regarding the insurance fund business, and expected to conduct in-depth cooperation with that company in future.
6. Southbound Trading business: since the qualification of Southbound Trading business was approved in September 2014, the Company actively expanded the Southbound Trading business based on adhering to the principles of investor eligibility management and investor education strengthening. As at the end of the Reporting Period, the number of customers that opened the trading licenses of the Company of Southbound Trading was 6,125 and the cumulative trading size was RMB1.477 billion. The Company launched the Southbound Trading products of “Guolian Southbound Trading Collective Asset Management Plan”, achieving a sales volume of RMB320 million.

(2) Business Innovation Risk Control

The Company has all along been adhering to the important rule of dynamic balance of innovative development and risk control consistently and is constantly improving its comprehensive risk management system, including management system, organizational structure, information technology system, risk indexing system, talents team, risk counter-acting mechanism and risk control culture. During the Reporting Period, the Company implemented the comprehensive risk management system, and achieved the main functions of liquidity risk and market risk modules. The Company constructed the comprehensive risk identification and assessment mechanism, which enforces comprehensive risk identification and assessment work and achieves full coverage of the risk management.

The Company sets up stringent risk control system for its different innovation business lines, strictly complies with various regulatory indexes set up by regulatory departments, adopts measures of prior review, supervision during business transactions and risk handling measures and regulates various systems and procedures to ensure the healthy and orderly development of various innovative businesses and avoid the occurrence of significant risk events. During the period of robust stock market and intensive fluctuation of stock indices, the Company continues to conduct the management and control on credit risk, market risk, investment risk and operational risk. The Company alerts the risk points that are highlighted in inspecting our business development and adheres to the highly prudent rules for the loan, equity and leverage businesses, so as to ensure compliance operation and controllable risks.

Section 5 Report of the Directors

2. Special explanation on accounts standardization and customers information management

The Company establishes the account management system in accordance with the relevant requirements and strengthens the implementation efforts.

Firstly, for customer on-site account opening, the information of identity card is being read and retrieved through identity card reader, while for off-site account opening, the authentication of an identity is verified by police department and through video testimony to have a comprehensive understanding of customer information. The basic information about customer's identity is registered and duplicated or photocopies of customer's identity certification documents are kept. Additional identity certification documents are required to be provided by customers once there are doubts about their identities.

Secondly, no account shall be opened as required if the authentication of customer's identity is unable to be verified.

Thirdly, no occurrence of activity of restricting clients, terminating trading agency relationship and transferring of assets; for customers applying for transfer to entrustment, revoking designated transaction and cancelling an account, the procedures will be completed within two trading days after the acceptance of the application and completion of account transaction settlement.

Fourthly, treatment procedures concerning the activation and standardization of special accounts such as small dormant accounts and unqualified accounts are specified.

Fifthly, the Company has established and improved the relevant systems concerning off-site account opening, the business functions and operating procedures of relevant technology systems. The opening of capital accounts and securities accounts for customers can be achieved through the off-site account opening approved by regulatory authorities.

Sixthly, the opening of capital accounts and securities accounts for customers, information modification, cancellation, creation and change of business relationship of customer's capital depository and the business of transferring customer's securities account to entrustment and revoking designated transaction and other businesses which are directly associated with customer's interests are operated by one person and reviewed by another person. The records of business handling process are maintained.

Seventhly, the business of restricting customer's asset transfer, the business of changing the corresponding relationship between customer's securities accounts and capital accounts, error confirmation on asset change record of customer's accounts and other non-conventional business operations have all undergone prior approval and post-review and records thereof are maintained.

As of 31 December 2015, the Company had 663,850 and 1,292,144 qualified capital accounts and qualified securities accounts, respectively; both of unqualified capital accounts and unqualified securities accounts left were 2; dormant capital accounts and dormant securities accounts were 123,876 and 95,170 respectively; and 16 capital accounts for customers under 18 years old were frozen. Standardized management for the above accounts are conducted in accordance with the requirements of China Securities Depository and Clearing Corporation Limited.

It is required that in the aspect of customer's data preservation, the securities branches should separately set up hardcopy and electronic archives for every customer, and the hardcopy archives should contain the name, address, contact information of customers and agents, photocopy of identity certification document of customers and agents, securities account card photocopy, entrusted agency agreement for securities transactions, customer's fund depository agreement, authorized power of attorney, risk disclosure letter and other information required by regulatory authorities. The above will be placed in designated storeroom of the operation branches for custody. The electronic archives should contain, but are not limited to, customer head portrait, scanned files of customer identity certification documents, securities account card and various business information which will be uploaded to the server of the Company and back up in disaster recovery server. The Company will conduct random inspections on operation branches periodically. At the same time, the Company has established an archives management system, pursuant to which, archives and information of customers are kept strictly confidential.

3. **Mangement of Risk Control Index of the Company and Establishment of Net Capital Replenishment Mechanism**

(1) *Dynamic monitoring of risk control index*

According to the latest requirements under the Measures for the Risk Control Indexes of Securities Companies (Order No. 55 of CSRC), the Provisions for the Adjustments of the Standards for the Calculation of Net Capital of Securities Companies (revised in 2012) and the Decision Regarding the Amendments to the Provisions of the Standards for the Calculation of Risk Capital Reserve of Securities Companies, the Company has established the relevant system, organizational structure and corresponding systems. It had organized the Compliance and Risk Control Department, Financial and Accounting Department, Information Technology Headquarters, Hundson Technologies maintenance specialists to exercise monitoring control, tracking and maintaining, if necessary, regarding the dynamic monitoring platform for risk control index by a dedicated person. It will submit an evaluation report regarding the effectiveness of dynamic control system of the Company and the satisfaction of data of risk control index on a quarterly basis. When the changes of risk control index reach a certain extent, the person shall report promptly to the local securities regulatory bureau to ensure that all risk control indexes, including net capital, have met the regulatory conditions and comply with the regulatory requirements.

Section 5 Report of the Directors

(2) *Sensibility analysis of risk control index and stress test*

In 2015, the Company conducted 4 assessments regarding the effectiveness of dynamic control system for net capital and implemented 2 sensibility analyses. They were mainly involved the new sub-branches and branch offices. According to the results of the sensibility analysis, the above plans will not have any significant impact on the principal businesses operated by the Company, and the current operating financial conditions of the Company can support the implementation of the above plans. The Company conducted a total of 15 stress tests, which mainly include the annual comprehensive stress test, liquidity stress test, corporate quarterly stress test, comprehensive stress test for business scale adjustment and expansion, comprehensive stress test for increasing financial credit limit, and comprehensive stress test for credit limit application of proprietary share options. The operation and various risk control indexes conditions of the Company will be evaluated under a stress scenario according to the risk factors provided by the business departments, so as to provide the basis of data for the scientific decision-making of the Board and the management.

(3) *Establishment of net capital replenishment mechanism*

The Company was successfully listed in Hong Kong in 2015. With the capital being raised, it has effectively solved the situation of tight net capital and liquidity of the Company. The Company will continue to enhance the monitoring of proprietary investment products or scale to support the vigorous facilitation of the Company's innovative businesses.

II. Discussion and Analysis of the Board on the Future Development of the Company

(I) **The industry development trend**

With the stable growth of China's economy, the continuous transformation and upgrading of industrial structure and the continued improvement of multi-level capital market construction, the securities industry will actively adapt to customers' needs and change of competitive environment, constantly get involved in new business and service sectors, expand business and services in a deeper and broader manner, conduct integration in businesses, products, channels, supporting service systems and other aspects and transform itself into an all-round comprehensive financial service provider. While optimizing its own business model, profit model and income structure, the securities industry will assist customers in achieving wealth appreciation by relying on its professional solutions to financial issues, support enterprise development and serve the real economy.

In the progress of continuous industry innovation and transformation, the construction of risk control system is also strengthened, and the importance of the balanced development between business innovation and risk control has increasingly become prominent. During the Reporting Period, a series of issues such as illegal account opening for securities margin trading, illegal injection of over-the-counter leveraged funds into the market and asset management business suspected of capital pool emerged one after another in the industry, imposing negative impact on the healthy development of industry. In this regard, the supervisory management has already adjusted its regulation chain of thoughts to adjust the original “loosening control and encouraging innovation” to “attaching equal importance to business innovation and risk control”. Also, the effort of regulatory enforcement continues to intensify.

(II) Market competition

At present, the securities industry still depends on the traditional profit model, being the three major businesses of securities brokerage, proprietary and investment banking, where there is obvious homogenization in operation. During the Reporting Period, with the opening up of “one person multiple accounts” policy, the industry commission rate is further declining, the competition in securities brokerage sector is intensifying, with securities brokers shifting from “commission rate competition” to the competitive model of attracting and retaining clients through providing high-quality “value-added” services. Under the trend of mobile internet accelerating its penetration into various industries, those securities brokers with leading internet financing strategies will be able to obtain more clientele and new investors by taking advantage of the convenient and low commission rates from online account opening.

Changes in external environment of the securities industry also generate new competitive layout. Under the “Financial Sector Mix-industry Operation” era, the channel advantage in banks, insurance companies, funds, trust companies and internet financial enterprises is forcing securities brokers to move forward cross services and product integration in brokerage business, assets management business, investment banking business, and research business to improve comprehensive service capabilities and professional standards.

(III) Market position of the Company

The Company is the only legal person securities firm registered in Wuxi. After over 2 decades of development, it has formed a relatively comprehensive business mechanism including brokerage business, asset management, securities investment, margin financing and securities lending business, and is a medium-sized comprehensive securities firm. The Company has had controlling stake in Hua Ying Securities, invested in Zhonghai Fund and established Guolian Capital, forming an operating layout integrating securities, fund, direct investment businesses.

Section 5 Report of the Directors

According to the statistics of the SAC, as at the end of the Reporting Period, among the 124 securities brokers, the Company ranked 58th, 49th and 51st of the list in terms of total assets, net assets and net capital respectively. The ranking of its net assets and net capital moved up by 7 and 3 in the industry, respectively, as compared to 2014. The operating revenue and net profit of the Company during the Reporting Period ranked 54th and 42nd in the industry respectively.

The Company is having a paramount position in Wuxi region. During the Reporting Period, under the background of having absolute leading advantage in consolidating the traditional brokerage business in Wuxi, the Company achieved an important breakthrough in the NEEQ business sector. In 2015, the Company completed the listing of 13 Wuxi referral companies on the NEEQ, representing 20% of the total new companies entering the NEEQ in Wuxi; and completed the online transaction work of 10 companies market-making on the NEEQ in Wuxi, representing 56% of the total number of companies with market-making in Wuxi.

During the Reporting Period, the Company was awarded the “Market Contribution Award for Selected Listed Companies Most Respected by Investors in China”(中國最受投資者尊重的上市公司評選市場貢獻獎). The research department of the Company was the second runner-up of “2015 Most Potential Research Institutions by New Fortune”(2015年新財富最具潛力研究機構). Among the results of selected outstanding members in China’s government bond market in 2015 published by China Government Securities Depository Trust & Clearing Co., Ltd., the Company was recognized as the “Outstanding Issuer” in securities firm’s short-term margin financing bond in 2015.

(IV) Analysis of core competitiveness

1. Unique regional advantages

Jiangsu Province is one of the most economically developed provinces in China, and Wuxi is a strong economically developed city in Jiangsu Province. According to the statistics of Wind Information, during the Reporting Period, the GDP of Jiangsu Province was over RMB7,000 billion, ranking the second in China. The GDP and GDP per capita of Wuxi ranked the third and the second in Jiangsu Province, respectively. The Company adheres to its core objective of servicing local economy, further intensifying its business expansion in Wuxi and the surrounding regional markets, and cultivating a high-quality, loyal and increasing stable customer base as the solid backing of the Company to maintaining its leading position in the local market. After its listing in Hong Kong, the brand influence of the Company is increasing continuously nationwide, the increased capital strength created a huge potential for the Company in its business transformation and innovation development. With the business expansion of the Company’s branch offices in Beijing, Shanghai and Shenzhen, with its leading position in Wuxi, the Company will open up a bigger region for its business development to achieve a great-leap-forward development of the Company overall.

2. Strong product research and development capabilities with diversified business structure

The Company seizes the new opportunities brought by financial reform, pays attention to product research and development capability improvement, and gradually adjusts its business structure to provide diversified wealth management services to clients. The Company caters for the development trend of internet financing, establishes actively a comprehensive internet transaction service platform, and integrates product research and development power to launch continuously new products and new services to clients. At the same time, the Company carries out active strategic cooperation with internet companies, and establishes strategic cooperation relationships with internet companies like Wind Information and Tencent gradually to conduct in-depth actively cooperation in constructing internet platform, customer attraction and product research and development.

Furthermore, to meet the diversified wealth management service demand from clients, the Company carries out margin financing and securities lending, stock pledged type repurchase transactions and asset management businesses, expands strongly its investment banking business, and provides institutional clients the NEEQ listing referral and market-making services, equity and debt financing services.

3. Sound operation and management vision and prudent risk control approach

For many years, the Company has been adhering to the risk management vision of “controlling risk and creating value”. It achieved profits consecutively in years, and is one of few securities brokers among securities companies in China that recorded profits consecutively since 2002. At the same time, in two consecutive years, the Company was awarded the qualification of Category A in Grade A Securities Firm in 2014 and 2015.

4. Experienced senior management team and high-quality talents

The senior management team of the Company has extensive experience and outstanding management abilities in securities and financial services industry, and over half of the management hold master’s degrees or doctorate degrees with an average of approximately 19 years’ management experience in securities and financial services industry. They are able to understand profoundly the development trend of the industry, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently.

The middle management team of the Company has an average of 14 years’ experience in the securities industry in China, and possesses very strong execution ability. The Company establishes a comprehensive remuneration review incentive mechanism, and sets up a comprehensive three-dimensional human resources model including high-end talents recruitment, middle-level management training, and back-up management capability training to escalate new staff professional barrier. This will facilitate the recruitment and cultivation of a larger number of high-quality professional talents for the Company and provide strong talent support for the transformation development of the Company.

Section 5 Report of the Directors

5. Strong controlling shareholder support and brand influence

Guolian Group, the controlling shareholder of the Company, is the largest wholly state-owned company in Wuxi, having relatively strong influence in Wuxi. Guolian Group has established a complete range of local comprehensive financial services platform, and own various financial institutions including securities companies, trust companies, banks, futures companies, security companies, finance companies, asset management companies, investment companies, life insurance companies and fund companies. By leveraging on its many years of experience, Guolian Group has established strong brand recognition and enhanced client's confidence to the Company, helping the Company to strengthen and expand its customer base continuously. At the same time, the Company also leverages on the comprehensive financial services platform of Guolian to further develop its investment banking, asset management, financial products consignment, direct investment and other businesses, providing a strong support for the development of the Company.

(V) Future development prospects

Looking forward, by listing in Hong Kong, the Company will fully improve its governance standard and capital strengths, aiming to becoming a large investment bank and providing vast financial services as the main directions for its business development. The Company will undertake to continuously improve its management system, risk control system and operation process and spare no efforts in establishing a more complete and more high-quality comprehensive service platform.

In 2016, the Company will keep up with the development changes in capital market, seize actively the new round of strategic development opportunities after its listing in Hong Kong, further expand and improve its financing channels, strengthen its capital strength, and at the same time by constructing its branch offices and internet transformation and, focusing on constructing investment pricing ability, deeply carry out product and service innovation, to fully promote the escalation of its various businesses in industry ranking. Strategically, the Company will proactively implement focus strategy, strive to develop its advantageous businesses, enhance its core competitiveness, establish its brand influence and endeavor to become a premier listed securities firm.

(VI) Risk Factors Exposed and Counter Measures

The Company's business operation is exposed to risks in which they mainly include: credit risk, concentration risk, market risk, liquidity risk, operational risk, compliance risk and reputation risk. Specifically speaking, they are represented in the following aspects:

(I) Credit Risk and Counter Measures

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of transaction counterparty in performing the obligations as agreed in the deeds for various reasons. It mainly includes credit risks, collateral risk and concentration risk of transaction counterparty.

Transaction counterparty credit risks refer to the risk that may cause economic losses to the Company due to the failure of transaction counterparty to perform the obligations as agreed in the deeds. The Company has established internal credit rating model to control such risk. The Company judges the economic strength of the transaction counterparty through analyzing a number of financial indicators of the transaction counterparty, which includes liquidity, level of indebtedness, stable source of income, as well as stock market value, and issues a due diligence report.

Collateral risk refers to whether the payment capability of the collateral relevant to the pledged security is able to cover the losses, when at default, that is required to be assumed for such project. The credit transactions businesses like securities lending and securities-backed developed by the Company may expose to such risk. Accordingly, the Company will make periodic adjustment on the value of the collaterals according to the market situation and the risk of individual stock.

(II) Concentration Risk and Counter Measures

Concentration risk refers to the risk resulting from the excessive risks exposure from the same source. Specifically speaking, excessive funds occupying on the same project, excessive bonds held for the same object and excessive transactions with the same client may result in concentration risk. The Company sets threshold values on various levels for effective limit management, so as to control concentration risk and will conduct stress test periodically regarding the effectiveness of the risk control index.

Section 5 Report of the Directors

(III) Market Risk and Counter Measures

Market risk refers to the risk of unexpected losses resulting from the uncertainty of future market price (interest rates, exchange rates, stock prices and product commodity prices). The current market risk of the Company mainly comes from the securities investment and assets management businesses, which are specifically reflected in the fluctuation risk of stock prices, interest rates risks and exchange rates risks.

The fluctuations risk in stock prices refers to the risk caused by the adverse changes of stock prices, which refers to the risk that may cause economic losses to the Company due to the significant fluctuation of stock price in stock market as a result of macroeconomic factors in politics, economic, technology and human factors that, individually or jointly, have impact on stock market.

Interest rates risk refers to the possible losses to the Company due to the uncertainty of changes in market rates. It refers to the risk that may result in a decrease in price of the financial instrument that is invested at fixed rate originally when there is a rise in market rates.

Exchange rate risk refers to the risk that leads to the losses due to the changes in exchange rates relating to the economic activities conducted by economic agents or utilization of foreign exchange.

To control market risk, the Company mainly adopted the following measures: 1) implement stringent method for risk limit management, formulate indexes like exposure size, concentration and loss limit, and make timely adjustments according to the changes of the development conditions of the market and business and the risk that the Company can take up; 2) establish a quantifying index system to measure and evaluate by quantifying tools like stock beta value, duration and convexity of bonds, price value of bond basis point and investment portfolio VaR value; 3) periodically conduct and conduct ad hoc testing the ability of undertaking risk of the Company by sensitivity analysis, concentration control and stress test, improves and achieves the system of authorization management and take profit and stop loss; 4) gives close attention in relation to the reporting of exchange rates risk due to fluctuation, make rational decision, and controls the size of foreign exchange appropriately.

(IV) Liquidity Risk and Counter Measures

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performance of other payment obligations and meet the funding needs of normal business operation. The rapid development of the businesses, such as securities investment, assets management and credit transaction exerts higher requirements on liquidity.

To cope with and manage the liquidity risk effectively, the Company enforces stringently the threshold value control of every risk, enhances monitoring principle businesses, increases the measuring frequency and exercises stringent control over leverage operation through measures like special liquidity stress tests, whereby to conduct the frontend control against the liquidity risk of the principle businesses of the Company.

(V) Operational Risk and Counter Measures

Operational risk refers to the risk of loss resulting from the improper or invalid internal processes, personnel and system or external events during the operation process of the Company.

As for operational risk, the Company has established a sound internal control mechanism, regularly carries out effective assessment of internal control throughout the Company; arranges special staff of operational risk management to standardize and optimize related business processes; reorganizes the statistics of the operational risk event occurrence frequency and corresponding losses for the purpose of establishing loss database, and evaluates the expected losses caused by operational risk according to risk rating matrix. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, annual assessment; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby in preventing the outbreak of large-scale operational risk caused by information system failure.

(VI) Compliance Risk and Counter Measures

Compliance risk refers to the risks that the Company may be exposed to legal sanction or regulatory penalties, property damages or reputation losses as a result of violating the laws and regulations, regulatory requirements, rules, the relevant criterions set up by self-disciplined organizations, and the code of conduct applicable for the operation activities of the Company.

The Company establishes an impeccable compliance risks management system and compliance risks controlling system, and firmly adheres to the basic principles of creating value with compliance. Everyone is responsible and proactive in compliance, including senior management. The Company conducts effective control over compliance risk by leveraging on the measures of compliance consulting, compliance investigation, compliance inspection, compliance monitoring, compliance training, compliance reporting, regulatory communication and coordination. Meanwhile, the Company enhances effective implementation of employees' professional code of conduct, and puts emphasize on the timely guidance on the innovative risks arising from margin financing and securities lending business, assets management business and proprietary trading business with risk management to prevent systemic and regional compliance risks.

Section 5 Report of the Directors

(VII) Reputational Risk and Counter Measures

Reputation risk refers to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events. Currently, the Company assigned an office that is responsible for monitoring and managing the overall company reputation risks, appoints dedicated staff to be in charge of supervising public opinions and conduct corresponding analysis, and develops corresponding management measures in relation to information disclosure.

(VII) Systematic Construction of Company Risk Management

1. The Company is determined to implement various measures on risk management to continuously improve risk management framework. The management models of the Company consist of stratified management, centralized and decentralized model. We also set up a comprehensive risk management organization structure which includes four levels, being the Board of Directors, senior management, risks management functional departments, job positions for internal or frontline risk management departments. The Company further establishes and improves the substantial risk management policies based on risk categories, such as credit risks, market risks, operational risks, liquidity risk, concentration risk, reputation risks and strategy risks.
2. To build an effective risk management information system, the Company has launched a comprehensive risk management system to consummate risk management information, establish a unified risk management framework, support risk management team to conduct risk measurement, analyze and monitors works from an overall perspective, help the Company to timely master the risk conditions of the Company, and provide important reference for the Company for risk management decisions.
3. Establish stringent risk quota system in each business. With the existing capital-oriented risk control indicator system to conduct qualitative and quantitative analysis of risks, the Company sets up an index system of risk control, such as investment amounts, indicator of stop-profit and stop-loss, asset-equity ratio, concentration ratio, value at risk, duration of bond and capital adequacy ratio according to the overall risk preference.
4. Improve the risk management mechanism of innovative businesses. Under the precautionary principle and within the approved scope, the Company conducts a brand new controllable business. The Board of Directors, senior management, relevant operation departments, branches and risk management departments should fully understand the operation mode of the new business, the basic assumptions of the valuation models, risk management, major risks and potential losses under pressure conditions. The risk management department of the Company participates in risk assessment, design of risk control procedure, design of risk control indicators, establishment of the indicator value, design of risk management ancillary system, building of the corresponding risk monitoring information system of each kind of innovative businesses, setting up of the system, procedures, personnel, system and response mechanism for innovative businesses, and implement the risk management throughout each kind of innovative business by means of pre-assessing and evaluating, allocating risk limits, risk measurement during the process and conducting of independent monitoring and risk reporting, etc.

III. Profit Distribution and Profit Distribution Plan

According to the enterprise accounting standards in the PRC, the audited net profit of the Company in 2015 was RMB1,388,567,248.14. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after 10% was appropriated to each of the statutory provident fund, general risk reserve and transaction risk reserve respectively, totaling RMB416,570,174.43, the profit available for distribution for the year amounted to RMB971,997,073.71.

By adding the balance of the undistributed profit of RMB1,105,906,732.91 in previous years, after deducting the dividend payment of RMB105,000,000.00 as implemented in 2015 under the 2014 profit appropriation plan, the accumulated distributable profit for the year was RMB1,972,903,806.62

According to the relevant requirements, the part of the gain on change in fair value of distributable profit cannot be used for cash distribution. In 2015, the part of the profit and loss on change in fair value of distributable profit of the Company was RMB3,887,223.74. Hence, the profit of the Company available for cash distribution to investors was RMB1,969,016,582.88.

In considering the development of the Company and the interests of the Shareholders, the Company proposed the 2015 profit distribution plan as follows: by using the total number of shares of 1,902,400,000 as at 31 December 2015 as a base factor, a cash dividend of RMB4 (including tax) for every 10 shares held is proposed to be distributed to all Shareholders. The total amount of cash dividend is RMB760,960,000, and the undistributed profit of RMB1,208,056,582.88 will be carried forward to next year.

The cash dividend will be denominated, declared and payable in RMB to domestic shareholders and in Hong Kong dollars to the shareholders of H Shares. The actual distributable amount in Hong Kong dollars will be converted based on the average benchmark exchange rate of RMB to Hong Kong dollars as announced by the PBOC five business day before the date of the 2015 annual general meeting of the Company.

After the consideration and approval of the 2015 profit distribution plan of the Company at the annual general meeting, the cash dividends will be paid within two months from the date of that meeting. The Company will announce in due course the date of convening the 2015 annual general meeting, and the time that the registration of share transfer will be closed for determining the list of Shareholders who have the right to attend and vote at the annual general meeting. The Company will announce in due course the date of distributing the H share dividends and the date that the registration of share transfer will be closed.

Section 5 Report of the Directors

IV. Issue of Shares and Use of Proceeds

(I) Use of Proceeds

As approved by Zheng Jian Xu Ke [2015] No. 1024 Document of CSRC, the Company completed the initial public offering of 402,400,000 new H Shares on Hong Kong Stock Exchange in July 2015 at a price of HK\$8 per Share, raising a net capital fund of HK\$3,097 million after deducting relevant costs incurred in the offering of the Shares.

According to the use of net proceeds raised from the global offering as specified in the prospectus, the Company intended to use the net proceeds raised in the following aspects:–

1. Approximately 45% of the funds will be used to further develop margin financing and securities lending business by leveraging our competitive strengths in the securities brokerage business, increasing the penetration rate among existing clients who are qualified for margin financing and securities lending, and utilizing various financial instruments, such as stock index futures and ETFs, as well as the availability of refinancing to further improve the market position of our margin financing and securities lending business;
2. Approximately 20% of the funds will be used to develop other capital-based intermediary services to meet our client needs in investment, financing and liquidity, mainly including: (i) expanding our securities-backed lending business, (ii) expanding our services relating to OTC-based products and market-making; and (iii) actively developing other capital-based intermediary business to be approved by the CSRC in the future;
3. Approximately 15% of the funds will be used to expand proprietary trading business by increasing our investments in stocks, funds, bonds and derivative products, based on neutral investment, quantitative trading and arbitrage strategies, and subject to effective risk control;
4. Approximately 10% of the funds will be used to develop Internet trading business, invest in Internet trading systems and establish Internet trading platform to attract more customers and create corporate value. In addition, the Company plans to leverage such Internet trading platform to further develop new businesses, improve marketing ability based on the content of our own services and brand recognition, and achieve successful transition of our business from a traditional business model;
5. Approximately 10% of the funds will be used for working capital and other general corporate purposes.

During the Reporting Period, the Company applied an amount of RMB1,550 million of the proceeds in total. As of 31 December 2015, the balance of the overseas special account for the Company's funds raised was HK\$1,211 million.

Section 5 Report of the Directors

(II) Use of Proceeds for the Committed Projects

Unit: RMB in hundred million

Name of committed projects	Any change in project	Invested amount of proceeds raised during the reporting period	Actual total invested amount of proceeds	Percentage of actual total amount used	Progress of project used
Margin financing and securities lending	None	9.40	9.40	38%	85%
Other capital-based intermediary services	None	2.40	2.40	10%	49%
Investment business	None	3.70	3.70	15%	100%
Internet trading	None	-	-		
Working capital and others	None	-	-		
Total		15.50	15.50		

Note: The exchange rate used for the capital raised from H shares is based on actual settlement exchange rates.

(III) Change of Use of Proceeds

There was no change of use of proceeds during the Reporting Period.

V. Directors

Information about the Directors and Supervisors of the Company during the Reporting Period and as at the date of this report is set out in Section 8 "Directors, Supervisors, Senior management and Staff" in this report.

VI. Directors and Supervisors' Service Contracts

No Directors and Supervisors of the Company have entered into any service contract with the Company or its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensations).

Section 5 Report of the Directors

VII. Interests of Directors and Supervisors in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements or contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company or an entity connected with a Director or Supervisors has a material interest, whether directly or indirectly, has been entered into or subsisted at the end of the financial year under review or at any time during the financial year.

VIII. Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest on, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under "Connected persons and connected transactions" in Section 6 and notes to the financial statements.

IX. Directors' interests in the business competing with the Company Year under view or at any time during the financial year

During the Reporting Period, Mr. Hua Weirong, a non-executive Director, also serves as a director of Wuxi Gulian Venture Capital Co., Ltd.* (無錫國聯創業投資有限公司) ("Guolian Venture Capital"). Guolian Venture Capital is principally engaged in the industrial investment business which competes with the direct investment business of the Group, therefore, he is deemed to be interested in the business which competes with with the Company under the Listing Rules. However, Mr. Hua Weirong is not involved in the daily management of the Company and Guolian Venture Capital. Therefore, the possibility of conflict of interest due to Mr. Hua Weirong's role as a director of the Company and a director of Guolian Venture Capital is quite remote.

Except for the above, the Directors of the Company have no interest in the business that is competing with the Company.

X. Directors' Right to Purchase Shares or Debentures

As at the end of the Reporting Period, no rights were granted to any Director, Supervisor or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors,, Supervisor or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

XI. Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares or Debentures of the Company and any of its Associated Corporations

As at the end of the Reporting Period, based on the information available to the Company and to the knowledge of the Directors, no Directors, Supervisors or senior executive of the Company have any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its any associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

XII. Compliance with the Non-competition Agreement

As disclosed in the Prospectus, on 15 June 2015, the Controlling Shareholders of the Company entered into a Non-competition Agreement in favour of the Group, pursuant to which, the Controlling Shareholders have irrevocably undertaken to the Company that, save for the exceptional circumstances, the Controlling Shareholder and the controlled entities (as defined in the Prospectus) will not, directly or indirectly, invest in, participate in, be engaged in or operate or be interested in any business in any way inside or outside the PRC separately or with any other parties, whereby it will compete or is likely to compete with the main business of the Company, and have undertaken not to engage in any competitive activities by taking advantages as the Controlling Shareholders of the Company which would be prejudicial to the benefits of the Company or its subsidiaries. For the direct investment business, the Controlling Shareholders and the controlled entities have also undertaken to provide the Company the options and pre-emptive rights regarding new direct investment business opportunities. The Investment Decision Committee of Guolian Capital is responsible for reviewing and deciding whether the Group should take up the related new direct investment opportunities. The independent non-executive directors of the Company supervise and review the composition of the Committee and the decisions it made.

The Independent Non-executive Directors had reviewed members of the Investment Decision-making Committee of Guolian Capital for two times during the Reporting Period, and considered that the members involved in the decision-making of new business investment opportunities had business experience and professional capacity which are necessary for performance of their duties, and had no conflict of interest with the Group.

Section 5 Report of the Directors

During the Reporting Period, the Controlling Shareholders and the controlled entities provided one new business investment opportunity to Guolian Capital. The investment decision-making committee of Guolian Capital had reviewed such new business investment opportunity, and considered that such business investment opportunity did not meet the investment project review standards of Guolian Capital, and decided to waive such new business investment opportunity. The Independent non-executive Directors had made an annual review on such decision, and was of the view that the decision made by the investment decision-making committee of Guolian Capital was based on its professional judgement to the new business investment opportunities, reflecting the interest of the Group

The Controlling Shareholders have confirmed to the Company that, during the Reporting Period, they have complied with all terms of the non-competition agreement. The Independent non-executive Directors have conducted an annual review regarding the compliance of non-competition agreement and have not found any non-compliance issues on the non-competition agreement by Controlling Shareholders.

XIII. Other Disclosures

(1) Share Capital

The information is set out in the “Consolidated Statement of Financial Position” and Notes 37 to the consolidated financial statements of this report.

(2) Pre-emptive Rights

There is no pre-emptive rights arrangement of the Company pursuant to the laws of the PRC and the requirements of the Articles of Association.

(3) Sufficiency of Public Float

During the Reporting Period and up to the date of this report, the public float of H Shares of the Company is 23.267%, which remains in compliance with the waiver from strict compliance with the public float requirements granted by the Hong Kong Stock Exchange pursuant to Rule 8.08(1) (d) of the Listing Rules.

(4) Management Contracts

During the Reporting Period, the Company did not enter into any contracts nor had any existing contracts in respect of all or any significant parts of management and administration of business of the Company.

(5) Information on tax reduction and exemption for the holders of H Shares

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China which was issued by the Fifth Session of the Standing Committee of the National People's Congress on 10 September 1980, further 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" which was 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%. Non-Chinese resident foreign individuals shall be imposed 20% 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 issuing securities 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 issued securities in Hong Kong to non-Chinese citizen H share individual holders shall be imposed personal income tax at the rate of 10%, without having to make applications to the Chinese tax authorities. If the tax rate of 10% 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% with China, non-foreign-invested enterprises which have issued securities 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% but less than 20% with China, non-foreign-invested enterprises which have issued securities 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 issued securities in Hong Kong shall pay withholding tax at the rate of 20%.

Section 5 Report of the Directors

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 on 21 August 2006 in relation to income tax, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable; if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% 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% of its income from the Chinese territory. The withholding tax may be relief under an applicable double taxation treaty.

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10%. The withholding tax may be relief under an applicable double taxation treaty.

(6) Reserves and reserves of profits available for distribution

Please refer to the "Consolidated Statement of Changes in Equity" and Note 38 to the consolidated financial statements of this report regarding the changes in the Group's reserves and reserves of profits available for distribution during the Reporting Period.

(7) Major customers and suppliers

The Company provides services for various individual and institutional customer groups. The Company's major customers include non-enterprise institutions, large, medium and small enterprises, institutional investors and retail customers. During the Reporting Period, revenue generated from the top five customers accounted for 4.33% of the total revenue and other income of the Group. None of the Directors, Supervisors or any of their respective close associates or any shareholders holding more than 5% of the issued share capital of the Company has any interests in the Company's top five customers.

Due to the nature of the business, the Company has no major supplier.

(8) Property and Equipment

Please refer to the Note 20 to the consolidated financial statements of this report for the Group's property and equipment during the Reporting Period.

(9) Fulfillment of Social Responsibilities

The Company pays great attention to the social responsibilities as a listed company, and is therefore earnest to social charitable and public interest activities and had actively participated in various public welfare businesses. During the Reporting Period, the Company donated RMB130,000, of which, RMB90,000 was to the "Red Cross Humanity Donation by Ten Thousand People" activity organized by Wuxi Municipal Propaganda Department, Municipal Civilization Office, Municipal Labor Committee and Municipal Red Cross. The Company donated an amount of RMB40,000 to the "Warming Heart and Offering Love" charitable and donating activity organized by Wuxi Bureau of Civil Affairs and Wuxi General Labor Union. In addition, the Company organized our staff to participate in the 2015 Voluntary Blood Donation Activity with 45 staff donating blood, passing true love and promoting dedication spirit through practical actions. In response to the call from the industry association, the Labor Union of the Company organized our staff to participate in the "Warm Winter" Program to donate clothes and goods for left-behind children in Bijie, Sichuan Province. We donated 511 pieces of all kinds of clothes and goods, 10 pairs of shoes and 287 books to the left-behind children in Bijie. The Company called upon our staff to participate in the "Purchasing of Goods from Lvliang Mountain and Fulfilling the Warm Dream of the Children from the Mountainous Regions" public interest activity and advocated the whole society to join the activity through relevant channels such as the official WeChat of the Company and obtained active and good social responses.

(10) Corporate Environment Policy and Performance

The Company has always continued to protect resources consciously and endeavored to resources recycling and reuse, so as to reduce the impact on environment arising from operation. The Company mainly adopts the following measures to reduce resources wastage: duplex printing of documents, waste paper recycling, uses less polluted decoration materials, garbage classification (mainly for heavy metal waste classification), reduces the use of disposal cups, advocates green travel and implements energy conservation measures and so on.

Section 5 Report of the Directors

(11) Relationship between the Company and its staff, customers and suppliers

1. Staff

For details, please refer to Section 8 “VI. Information About Staff and Remuneration of the Company and Major Subsidiaries” in this report.

2. Customers

For details, please refer to “XIII. Other Disclosures” in this section.

3. Suppliers

For details, please refer to “XIII. Other Disclosures” in this section.

(12) Compliance with Laws and Regulations

The business of the Company is mainly conducted in Mainland China, and the Company has already listed on the Hong Kong Stock Exchange. The operation of the Company shall comply with the relevant laws and regulations in Mainland China and Hong Kong at the same time. During the Reporting Period and up to the date of this report, the Company has complied with the relevant laws and regulations in Mainland China and Hong Kong.

(13) Major Events after the Reporting Period

For details, please refer to Section 6 “IX. Significant Subsequent Events” of this report.

(14) Permitted Indemnity Provision

For details, please refer to Section 9 “III. Board Meetings” in this report.

(15) Exchange Rate Fluctuation Risks and Any Related Hedging

The foreign currency assets and liabilities held by the Company are not material compared to the total assets and liabilities. In terms of the Company’s revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their currency risk is immaterial.

Section 6 Other Significant Events

I. Punishment or public censure during the Reporting Period of the Company

Nil

II. Significant lawsuits and arbitrations

(I) New lawsuits and arbitration cases during the Reporting Period

The Company had no new significant lawsuits and arbitration cases during the Reporting Period.

(II) Cases concluded during the Reporting Period

Nil

(III) Cases on enforcement procedures and bankruptcy proceedings

The status of the two arbitration cases on debentures default as disclosed in the Prospectus of the Company. During the Reporting Period, the development of the two arbitration cases is as follows:-

On 9 November 2012, the Company subscribed for the 2012 SME private placement bonds of Inner Mongolia Nailun Agriculture Technology Corporation (內蒙古奈倫農業科技股份有限公司, hereinafter referred to as “Nailun Agriculture”), and Inner Mongolia Nailun Group Inc. provided a full, unconditional and irrevocable joint liability guarantee in respect of the repayment of principal and interests of the bonds. An event of default occurred after the expiry of the bonds, and the Company initiated arbitration proceedings at South China International Economic and Trade Arbitration Commission in January 2015. In August 2015, South China International Economic and Trade Arbitration Commission delivered the verdict that Nailun Agriculture shall pay the Company the principal and interests of the bonds and the damages for breach of contract amounting to RMB10.25 million. In December 2015, the Company had applied to the court for enforcement, the procedures of which has not been completed yet at the moment.

Section 6 Other Significant Events

On 29 March 2013, the Company acquired the 2012 SME private placement bonds of Huzhou Jintai Technology Company Limited (湖州金泰科技股份有限公司, hereinafter referred to as “Jintai Technology”) from Zheshang Futures Co., Ltd. with the principal amount of RMB6.5 million. Pan Jianhua (潘建華), chairman of Jintai Technology, provided an unconditional and irrevocable joint liability guarantee in respect of redeeming the bonds upon maturity. On 10 July 2014, the Company sold the aforesaid bonds it held back to Jintai Technology, but Jintai Technology failed to pay the principal and interests to the Company on the same day pursuant to the contract. In October 2014, the Company initiated arbitration proceedings at China International Economic and Trade Arbitration. In June 2015, China International Economic and Trade Arbitration Commission delivered the verdict that Jintai Technology shall pay the principal of the bonds of approximately RMB6.5 million as well as the interest and the overdue default penalty to the Company. Pan Jianhua (潘建華) accepted the joint and several liability for the aforementioned debts. Currently, Jintai Technology is under bankruptcy proceedings.

III. Important contracts and their fulfillment

In May 2015, the Company signed an agreement with Beijing Baidu Netcom Science and Technology Company Limited (北京百度網訊科技有限公司), pursuant to which, both parties agreed to host the Baidu stocks contest from 1 June 2015 to 28 August 2015 with an agreed amount of RMB13 million.

This stocks contest has greatly raised the publicity of the Company and has established a sound brand image for the Company.



IV. Connected parties and connected transactions

During the Reporting Period, the Group conducted connected transactions in strict accordance with the Company Law, the Listing Rules, the Administrative Measures on H Shares Connected Transactions of the Company (《公司H股關連交易管理辦法》), etc. The connected transactions of the Group are conducted based on the principles of impartiality, openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation.

The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the following connected transactions and continued connected transaction.

(I) Connected parties

According to the requirements of Chapter 14A under the Listing Rules, the Company's main connected parties were as follows:

Names of Connected Parties	Connected Relationship with the Company
Guolian Group	A controlling shareholder of the Company
Guolian Trust	A subsidiary of a substantial and controlling shareholder of the Company
Wuxi Electric	A subsidiary of a substantial and controlling shareholder of the Company
Guolian Environmental	A subsidiary of a shareholder and controlling shareholder of the Company
Guolian Textile	A subsidiary of a shareholder and controlling shareholder of the Company
Guolian Futures	A subsidiary of a controlling shareholder of the Company
Wuxi Guolian Xincheng Investment Co., Ltd.	A subsidiary of a controlling shareholder of the Company
Guolian Property	A subsidiary of a controlling shareholder of the Company
Wuxi Guolian Equity Exchange Co., Ltd.	A subsidiary of a controlling shareholder of the Company
Guolian Finance Co., Ltd.	A subsidiary of a controlling shareholder of the Company
Directors, Supervisors and the President	the directors, supervisors and chief executive of the Company

Section 6 Other Significant Events

(II) Continuing connected transactions

The connected transactions of the Group are mainly conducted with Guolian Group and its associates. Guolian Group is the controlling shareholder of the Company. Under the Listing Rules, Guolian Group and its associates are connected parties of the Group. Therefore, the agreements entered into between the Group and Guolian Group and its associates constitute connected transactions under the Listing Rules. On 15 June 2015, the Group and Guolian Group entered into a series of framework agreements in relation to a number of continuing connected transactions, namely the Securities and Financial Services Framework Agreement and the Property Leasing and Related Services Framework Agreement. The agreements came into force upon the listing of H Shares and will expire on 31 December 2017. The Group has set up respective annual caps in relation to the continuing connection transactions under the agreements in accordance with the requirements of the Listing Rules. As the applicable percentage ratio of the annual caps set up in accordance with the Listing Rules reaches 0.1% but less than 5%, the Group is subject to the reporting, announcement and annual review requirements, but can be exempted from the independent shareholders approval requirements.

1. Securities and Financial Services Framework Agreement

Pursuant to the Securities and Financial Services Framework Agreement, the Group provided a series of financial services to Guolian Group and its associates on normal commercial terms or better, including (1) securities brokerage and futures IB services; (2) asset management service; (3) agency sales service of financial products; and (4) financial advisory service. The service fees or commissions charged by the Group for the provision of financial services to Guolian Group and its associates shall be determined based on arms' length negotiations according to the relevant laws and regulations and by reference to market price, and shall be not be less than the price paid for purchasing similar service from independent third parties.

Section 6 Other Significant Events

During the Reporting Period, the commissions charged by the Group for the provision of securities brokerage and futures IB service to Guolian Group and its associates amounted to RMB2.872 million and did not exceed the 2015 annual cap of RMB4.7 million. The commissions charged by the Group for the provision of asset management service to Guolian Group and its associates amounted to RMB1.991 million and did not exceed the 2015 annual cap of RMB5.33 million. The commissions charged by the Group for the provision of agency sales services of financial products to Guolian Group and its associates amounted to RMB5.486 million and did not exceed the 2015 annual cap of RMB10 million. The Group provided any financial advisory service to Guolian Group and its associates, the services fee received was RMB348,000, which did not exceed the annual cap of RMB1.20 million. The particulars of the commissions charged by the Group for the provision of securities and financial services to Guolian Group and its associates were as follows:-

Unit: RMB'0,000

Item	2015	2015
	Annual Cap	Transaction Amount
Securities brokerage and futures IB service	470	287.2
Asset management service	533	199.1
Agency sales service of financial products	1,000	548.6
Financial advisory service	120	34.8

2. Property Leasing and Related Services Framework Agreement

Pursuant to the Property Leasing and Related Services Framework Agreement and other supplemental agreements, the Group and Guolian Group agreed to determine the rental income of the leasing property and the respective service fees according to the relevant laws and regulations, and also the market reference price confirmed by property valuers.

Section 6 Other Significant Events

During the Reporting Period, the rental expenses of the Group incurred for lease of the properties from Guolian Group and its associates amounted to RMB7.152 million and did not exceed the 2015 annual cap of RMB9 million. The fee expense incurred for the purchase of relevant service in relation to the properties from Guolian Group and its associates amounted to RMB2.771 million and did not exceed the 2015 annual cap of RMB4.5 million. The rental income charged by the Group for lease of the properties to Guolian Group and its associates amounted to RMB701,000 and did not exceed the 2015 annual cap of RMB2 million. The particulars were as follows:–

Unit: RMB'0,000

Item	2015 Annual Cap	2015 Actual Transaction Amount
Rental expenses incurred for lease of properties from Guolian Group and/or its associates	900	715.2
Fee expense incurred for the Related Services	450	277.1
Rental income received from lease of properties to Guolian Group's associates	200	70.1

The independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transactions and issued the following independent opinions on those continuing connected transactions that they are conducted:–

- (1) during the ordinary course of business of the Company;
- (2) on normal commercial terms or better;
- (3) according to relevant agreements of the transactions, the terms of which are fair and reasonable and are in the interests of the Shareholders of the Company as a whole.



Section 6 Other Significant Events

The auditors engaged by the Company had issued a letter to the Directors of the Company regarding their review of the aforesaid continuing connected transactions and provided the following opinions:–

In respect of the disclosure of the continuing connected transactions:–

- (1) Nothing has come to their attention that causes them to believe that such continuing connected transactions as disclosed were not approved by the Board of the Company;
- (2) for the transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that such transactions were not entered into, in all material respects, according to the pricing policy of the Group;
- (3) nothing has come to their attention that causes them to believe that such transactions were not entered into, in all material respects, according to the relevant transaction agreements;
- (4) for the purpose of the total amount of every continuing connection transaction, nothing came to their attention that causes them to believe that the amount of such continuing connected transactions had exceeded the annual cap set by the Company.

The Company has provided a copy of the letter from the auditors to the Stock Exchange and the Company confirmed that it had complied with all the disclosure requirements in relation to the disclosure of the continuing connected transactions under Chapter 14A of the Listing Rules.

(III) Other Connected Transactions

1. Underwriting of corporate bonds of Guolian Group

On 14 October 2015, Hua Ying Securities entered into an underwriting agreement and a supplemental agreement with Guolian Group. On 16 December 2015, a new underwriting agreement and supplemental agreement were entered into by both parties to supersede the underwriting agreement and supplemental agreement signed on 14 October 2015 (“New Underwriting Agreement and Supplemental Agreement”). Pursuant to the New Underwriting Agreement and Supplemental Agreement, as the lead underwriter, Hua Ying Securities would underwrite the proposed issuance of corporate bonds by Guolian Group by way of distribution with the total principal amount not exceeding RMB2 billion. In the event that any of the corporate bonds are unsold, Hua Ying Securities shall have the right to return all unsold corporate bonds to Guolian Group. Furthermore, Hua Ying Securities will receive a maximum underwriting commission of not exceeding RMB16 million but need to take up the third party trustee fee of RMB150,000.

For the detailed information regarding those connected transactions, please refer to the announcements of the Company dated 14 October 2015 and 16 December 2015.

Section 6 Other Significant Events

As the applicable percentage ratios of this connected transaction calculated under the Listing Rules is more than 0.1% but less than 5%, the Group is subject to the reporting, announcement and annual review requirements, but can be exempted from Independent Shareholders' approval. This connected transaction has been approved by the Board of the Company, and the Company confirmed that it has complied with the all the disclosures requirements under Chapter 14A of the Listing Rules.

2. Redeemed the Subordinated Corporate Bonds

As disclosed in the Prospectus of the Company, on 14 February 2011, the Company issued subordinated corporate bonds in a principle amount of RMB650 million which bore an interest rate of 6.22% with a maturity of five years to Guolian Group, so as to increase the Company's net capital. These bonds were fully redeemed on 22 January 2015.

Other information on other related party transactions of the Company is set out in Note 48 to Audit Report 2015 in this report.

In the related party transactions stated in the aforesaid notes, Guolian Insurance Company Limited (國聯人壽保險股份有限公司), Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司) and Wuxi Guolian Lingxiang Small- and Medium-sized Enterprises Growth Investment Centre (Limited Partnership)* (無錫國聯領翔中小企業成長投資中心(有限合夥)) were not related parties as defined in Chapter 14A of the Listing Rules, therefore, transactions between the Group and each of them were not classified into the connected transactions or continued connected transaction defined by Chapter 14A of the Listing Rules. Other related party transactions in the aforesaid notes had been exempted from the independent shareholders' requirement, and the Company had complied with relevant disclosure requirements under Chapter 14A of the Listing Rules.

V. BANKRUPTCY REORGANIZATION, ACQUISITIONS, MERGERS AND DIVISIONS

During the Reporting Period, the Company and its subsidiaries had not engaged in any bankruptcy reorganization, acquisitions, mergers or divisions.

VI. INFORMATION ABOUT INDIVIDUAL BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

1. Qualification for stock options brokerage and proprietary business trading on the Shanghai Stock Exchange (Shang Zheng Han [2015] No.65)
2. Pilot Qualification for Internet securities business approved by the Securities Association of China (Zhong Zheng Xie Han [2015] No.115)
3. Qualification for comprehensive custody business of private fund approved by China Securities Investor Protection Funds Company (Zheng Bao Han [2015] No.164)
4. Qualification for entrusted management of insurance funds approved by the China Insurance Regulatory Commission (received the investment manager entrusted management of insurance funds report from the Chinese Insurance Regulatory Commission on 25 May 2015).

VII. MAJOR OFF-BALANCE-SHEET ITEMS

During the Reporting Period, the Company and its subsidiaries did not record any guarantees, mortgages or other major off-balance-sheet items that may affect the Company's financial position and operating results.

Section 6 Other Significant Events

VIII. ENGAGEMENT OF CERTIFIED PUBLIC ACCOUNTANTS

The engagement of certified public accountants by the Company:

After the review and approval by the Shareholders of the Company at the 2014 annual general meeting, the Company resolved to continue to engage Jiangsu Gongzheng Tianye Certified Public Accountants LLP to provide relevant auditing and review services in accordance with Accounting Standards for Business Enterprises of the PRC. After the review and approval by the Shareholders of the Company at the first extraordinary general meeting of 2016 of the Company, the Company resolved to continue engage PricewaterhouseCoopers to provide relevant auditing and review services in accordance with IFRSs.

Are there any changes in the accounting firms in the past three years: No

Names and term of service of domestic accounting firm, signatory accountant and term of service:

Jiangsu Gongzheng Tianye Certified Public Accountants LLP: 4 years. Zhu Youmin (朱佑敏): 2 years and Lu Fengxia (路風霞): 1 year.

Name and term of service of international accounting firm:

PricewaterhouseCoopers: 1 year.

Remuneration for the accounting firms: the external auditing expenses of the Company in 2015 were RMB3.23 million, of which RMB780,000 was for the review of the Company's interim report of H Shares, RMB1.6 million was for the annual auditing of H Shares and RMB850,000 was for domestic annual statutory auditing. In 2015, the Company paid the audit and open offer audit related fees amounted to RMB9.3846 million, and paid the non-audit services fee of RMB0.7031 million.

The engagement of certified public accountants by the subsidiaries:

In 2015, Hua Ying Securities appointed PricewaterhouseCoopers ZhongTian LLP as its external audit institution with an audit fee of RMB200,000.

In 2015, Guolian Capital re-appointed Jiangsu Gongzheng Tianye Certified Public Accountants LLP as its external audit institution with an audit fee of RMB20,000.

IX. SIGNIFICANT SUBSEQUENT EVENTS

(I) Changes Of Directors, Supervisors and Senior Management

As considered and approved by the special general meeting of the Company convened on 28 January 2016, Mr. Zhang Weigang was appointed as the non-executive Director of the Company. On 14 February 2016, Mr. Zhang Weigang obtained the qualifications from CSRC to act as a corporate director in a securities company. In accordance with the Articles of Association of the Company, his term of office started from 14 February 2016 up to the expiry of this session of Board.

On 15 March 2016, the Board of the Company received a resignation notice in writing from Mr. Lei Jianhui, the executive Director and President of the Company. Due to personal reasons, Mr. Lei Jianhui tendered his resignation as the executive Director and President of the Company and ceased to become a member of the strategy committee of the Board. For details, please refer to the announcements of the Company dated 15 March 2016.

On 16 March 2016, as approved by the Board of the Company, the duties of the president would be temporarily performed by Mr. Yao Zhiyong, the Chairman of the Board for a term not exceeding six months. For details, please refer to the announcement of the Company dated 16 March 2016.

The above changes in Directors and president will not have any material impact on the operation and management of the Company.

(II) Proposed Annual Profit Distribution Proposal of The Company

The proposed annual profit distribution proposal for the year 2015 is set out in Section 5 of this report “III. Profit Distribution And Proposed Profit Distribution Proposal”.

(III) Major Investing and Financing Activities

The Company adopted the Proposal on Establishment of Subsidiaries in Hong Kong (《關於設立香港子公司的議案》) in the first extraordinary general meeting of 2016 held on 28 January 2016, pursuant to which, the Company agreed to set up a wholly-owned subsidiary in Hong Kong and to further establish other Hong Kong subsidiaries through such wholly-owned subsidiary, to conduct businesses in Hong Kong.

(IV) Major Litigations and Arbitrations

Nil

Section 6 Other Significant Events

(V) Business Merger or Disposal of Subsidiaries

Nil

(VI) Other Events That May Have a Material Impact on the Financial Position, Operating Results and Cash Flows of the Company

Nil

X. IMPORTANT MATTERS OR SUBSEQUENT EVENTS OF A SUBSIDIARY

1. Change in Shareholder

During the Reporting Period, due to its global strategic adjustment, The Royal Bank of Scotland plc, a foreign shareholder of Hua Ying Securities, intended to transfer its 33.3% equity interest held in Hua Ying Securities to BOCOM International Holdings Company Limited. As at the end of the Reporting Period, this transaction was still under review by the regulatory authority for approval.

2. Proposed Annual Profit Distribution Proposal of a Subsidiary

On 3 March 2016, Hua Ying Securities convened the annual general meeting for 2015, during which The Proposed Annual Profit Distribution Proposal of Hua Ying Securities Co., Ltd. for 2015 (《華英證券有限責任公司2015年度利潤分配議案》) was considered. For the year of 2015, the total profit of Hua Ying Securities available for distribution to its shareholders amounted to RMB56.7436 million. Taking into consideration various factors such as corporate development and its shareholders' interests and so on, the shareholder meeting decided not to make cash distribution, and the profit in an amount of RMB56.7436 million which was distributed was carried forward to next year.

3. Early Termination of Net Capital Guarantee Agreement

In 2016, Hua Ying Securities decided to early terminate the net capital guarantee agreement involving a total amount of RMB300 million provided by the Company. The agreement will be terminated upon the completion of the examination and approval procedures. The termination of the agreement will result in a decrease of RMB300 million in the net capital of Hua Ying Securities, but will have no significant impact on the normal operation of Hua Ying Securities.

4. Major Investing and Financing Activities of Subsidiaries

As at the end of the Reporting Period and up to the date of this report, there was no major investing and financing activities of subsidiaries.

Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

I. CHANGES IN SHARES DURING THE REPORTING PERIOD

According to the Reply from CSRC on the Approval of Issuing Overseas-Listed Foreign Shares by Guolian Securities Co., Ltd. (《關於核准國聯證券股份有限公司發行境外上市外資股的批覆》) (Zheng Jian Xu Ke No. [2015]1024) and the approval from Hong Kong Stock Exchange, the Company was successfully listed on the Hong Kong Stock Exchange on 6 July 2015, issuing a total of 402,400,000 new H Shares. Pursuant to the relevant requirements, eight state-owned shareholders of the Company converted a total of 40,240,000 state-owned Domestic Shares into H Shares, which were subsequently sold for the benefit of National Council for Social Security Fund of the PRC. After the completion of the initial public offering, the total share capital of the Company was increased from 1,500,000,000 Shares to 1,902,400,000 Shares.

II. SHAREHOLDERS AS AT THE END OF REPORTING PERIOD

At the end of the Reporting Period, the Company had 139 shareholders, including 12 domestic Shareholders and 127 registered Shareholders of H shares.

At the end of the Reporting Period, the shareholdings of the top 10 Shareholders were as follows:–

Name of shareholders	Nature of Shareholders	Number of Shares held (Shares)	Percentages of Shares held	Number of Shares changed during the Reporting Period (shares)	Pledge over shares held
Guolian Group	State-owned legal person	543,901,329	28.590%	-16,558,671	Nil
HKSCC Nominees Limited (<i>Note 1</i>)	Overseas legal person	442,472,000	23.259%	442,472,000	Nil
Guolian Trust	State-owned legal person	390,137,552	20.508%	-11,877,448	Nil
Wuxi Electric	State-owned legal person	266,899,445	14.030%	-8,125,555	Nil
Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司)	Domestic Non-state-owned legal person	73,500,000	3.864%	–	Nil
Guolian Textile	State-owned legal person	72,784,141	3.826%	-2,215,859	Nil
Guolian Environmental	State-owned legal person	29,113,656	1.530%	-886,344	Nil
Wuxi Jinhong Telecommunications Group Co., Ltd.* (無錫金鴻通信集團有限公司)	Domestic Non-state-owned legal person	24,000,000	1.262%	–	Nil
Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司)	Domestic Non-state-owned legal person	22,500,000	1.183%	–	Nil
Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司)	Domestic Non-state-owned legal person	18,000,000	0.946%	–	Nil

Note 1: The shares held by HKSCC (Nominees) Limited are for the benefits of non-registered holders of H Shares.

Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

At the end of the Reporting Period, Guolian Group, the controlling shareholder of the Company, directly held 28.590% of the shares in the Company, and indirectly control 39.894% of the shares in the Company through Guolian Trust, Wuxi Electric, Guolian Textile and Guolian Environmental, and thus holding 68.484% of the Shares in the Company in total.

III. GENERAL INFORMATION ON SHAREHOLDERS HOLDING 10% OR MORE OF THE SHARES IN THE COMPANY

Guolian Group was established in December 1997, and is a wholly state-owned company with limited liability contributed and organized by Wuxi Municipal People's Government with a state-owned asset investment qualification granted. Its registered capital is RMB8 billion. Guolian Group is mainly engaged in the management and operation of capital assets, agency investment, investment consultancy and investment service. The legal representative and general manager of Guolian Group are Mr. Gao Min and Mr. Hua Weirong, respectively.

Guolian Trust was established in January 1987, and is formerly known as Wuxi Trust Investment Company* (無錫市信託投資公司). It was then renamed and transformed as a joint stock company with limited liability with a registered capital of RMB1.23 billion. Guolian Trust is mainly engaged in trust services and direct investment. The legal representative and general manager of Guolian Trust are Mr. Zhou Weiping and Zhu Wenge respectively.

Wuxi Electric was established in March 1986, and is an enterprise owned by the whole people with a registered capital of RMB319.506 million. Wuxi Electric is mainly engaged in the planning and operation of municipal public electric system and facilities. Mr. Zhang Yan is both the representative and general manager of Wuxi Electric.

Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

IV. DISCLOSURE OF INTERESTS

As at 31 December 2015, to the knowledge of the Company's directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or senior management of the Company) have interests or short positions which would fall to be disclosed to the Company and kept in the register of the Company in the shares and underlying shares of the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of Shareholders	Type of Shares	Nature of interests	Number of Shares (note 5)	Percentage of	Percentage of
				total number of issued shares/ of the Company	total number of issued shares/ of the Company
Guolian Group (note 1,2,3)	Domestic Shares	Beneficial owner and Interest of Controlled Corporation	1,302,836,123 (L)	68.484%	89.250%
Guolian Trust (note 2)	Domestic Shares	Beneficial owner	390,137,552 (L)	20.508%	26.726%
Guolian Industrial (note 3)	Domestic Shares	Interest of Controlled Corporation	266,899,445 (L)	14.030%	18.282%
Wuxi Electric (note 3)	Domestic Shares	Beneficial owner	266,899,445 (L)	14.030%	18.282%
Shanghai Chuang Ji Investment Center (Limited Partnership)* (上海創驥投資中心(有限合夥))	H Shares	Interest of Controlled Corporation	28,999,500 (L)	1.524%	6.55%
Jiangsu Coastal Innovation Capital Management Limited* (江蘇沿海創新資本管理有限公司) (note 4)	H Shares	Interest of Controlled Corporation	28,999,500 (L)	1.524%	6.55%
Coastal Capital Limited (note 4)	H Shares	Beneficial owner	28,999,500 (L)	1.524%	6.55%

Note 1: Guolian Group directly held 543,901,329 domestic shares of the Company. In addition, as each of Guolian Textile and Guolian Environmental is the direct wholly-owned subsidiary of Guolian Group, Guolian Group is deemed to be interested in 72,784,141 and 29,113,656 domestic shares held by Guolian Textile and Guolian Environmental respectively. Guolian Group is also deemed to be interested in 390,137,552 and 266,899,445 domestic shares held by Guolian Trust and Wuxi Electric. For more details, please refer to note 2 and 3 below.

Note 2: Guolian Trust is held by Guolian Group, Guolian Environmental, Wuxi Electric, Wuxi Communications Industry Group Co. Ltd (無錫市交通產業集團有限公司) and Wuxi Commercial Mansion Grand Orient Co. Ltd (無錫商業大廈大東方股份有限公司) as to 65.854%, 9.756%, 8.130%, 8.130% and 8.130% of its interests respectively. Each of Guolian Environmental and Wuxi Electric is wholly-owned by Guolian Group respectively. Accordingly, Guolian Group is deemed to be interested in the 390,137,552 domestic shares held by Guolian Trust.

Note 3: Wuxi Electric is wholly-owned by Guolian Industrial, which in turn is wholly-owned by Guolian Group. Accordingly, each of Guolian Industrial and Guolian Group is deemed to be interested in the 266,899,445 domestic shares held by Wuxi Electric.

Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders

Note 4: Coastal Capital Limited is the wholly-owned subsidiary of Shanghai Chuang Ji Investment Center (Limited Partnership)* (上海創驥投資中心(有限合夥)), the equity interest of which is owed as to 1% and 99% by Jiangsu Coastal Innovation Capital Management Limited* (江蘇沿海創新資本管理有限公司) and Jiansu Coastal Industrial Investment Fund (Limited Partnership)* (江蘇沿海產業投資基金(有限合夥)) ("Jiansu Coastal Fund") respectively. Jiansu Coastal Fund is managed by Jiangsu Coastal Innovation Capital Management Limited* (江蘇沿海創新資本管理有限公司). Accordingly, Shanghai Chuang Ji Investment Center (Limited Partnership)* (上海創驥投資中心(有限合夥)) and Jiangsu Coastal Innovation Capital Management Limited* (江蘇沿海創新資本管理有限公司) is deemed to be interested in the 28,999,500 H shares held by Coastal Capital Limited.

Note 5: (L) denotes long positions.

Note 6: Up to 31 December 2015 and up to the date of this report, the Company issued 1,459,760,000 domestic shares and 442,640,000 H shares in total, the total number of shares are 1,902,400,000.

Save as disclosed above, as at 31 December 2015, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having the interests or short positions that are 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, saved as disclosed otherwise in this report, the Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION INFORMATION OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Gender	Age	Dates of commencement and completion of employment	Shares held (H Shares)	Total remuneration received from the Company during the Reporting Period (In RMB ten thousands)	Remarks
Directors							
Yao Zhiyong (姚志勇)	Chairman of the Board and Executive Director	Male	44	18 April 2013 to present	–	183	Temporarily perform the duties of the president since 16 March 2016
Hua Weirong (華偉榮)	Non-executive Director	Male	50	18 April 2013 to present	–	N/A	–
Jiang Zhijian (蔣志堅)	Non-executive Director	Male	48	18 April 2013 to present	–	N/A	–
Lei Jianhui (雷建輝)	Executive Director	Male	47	18 April 2013 to 15 March 2016	–	173	Has already resigned on 15 March 2016 as he needs to allocate more time on his personal affairs
	President			2 May 2013 to 15 March 2016	–		Has already resigned on 15 March 2016 as he needs to allocate more time on his personal affairs
Liu Hailin (劉海林)	Non-executive Director	Male	38	18 April 2013 to present	–	N/A	–
Liu Gaoyuan (柳高遠)	Non-executive Director	Male	51	23 June 2014 to 2 December 2015	–	N/A	Resigned on 2 December 2015 due to job position redesignation
Zhang Weigang (張偉剛)	Non-executive Director	Male	53	14 February 2016 to present	–	N/A	–
Zhu Zhenwu (朱振武)	Independent No-executive Director	Male	44	18 April 2013 to 20 March 2015	–	2	Resigned on 20 March 2015 due to job position redesignation
Chen Qingyuan (陳清元)	Independent No-executive Director	Female	39	24 October 2014 to present	–	10	–
Wang Wei (王巍)	Independent No-executive Director	Male	57	19 March 2015 to present	–	10	–
Fan, Yan Hok Phillip (范仁鶴)	Independent No-executive Director	Male	66	20 March 2015 to present	–	8	–

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Name	Position	Gender	Age	Dates of commencement and completion of employment	Shares held (H Shares)	Total remuneration received from the Company during the Reporting Period (In RMB ten thousands)	Remarks
Supervisors							
Yin Zhuowei (殷卓偉)	Chairlady of Supervisory Committee and Employee Representative Supervisor	Female	53	18 April 2013 to present	-	83	-
Yang Xiaojun (楊小軍)	Shareholder Representative Supervisor	Male	43	18 April 2013 to present	-	N/A	-
Jin Guoxiang (金國祥)	Shareholder Representative Supervisor	Male	55	18 April 2013 to present	-	N/A	-
Zhou Weixing (周衛星)	Shareholder Representative Supervisor	Male	53	18 April 2013 to present	-	N/A	-
Shan Xudong (單旭東)	Employee Representative Supervisor	Male	54	18 April 2013 to present	-	28	-
Senior Management							
Peng Yanbao (彭焰寶)	Vice President	Male	49	2 May 2013 to present	-	144	-
Jiang Zhiqiang (江志強)	Vice President	Male	45	2 May 2013 to present	122, 116	148	See note 4
Li Zhengquan (李正全)	Vice President and Secretary to the Board	Male	39	8 April 2014 to present	-	108	-
Xu Faliang (徐法良)	Chief Compliance Officer	Male	51	2 May 2013 to present	-	111	-
Chen Xingjun (陳興君)	Chief Financial Officer and Chief Risk Control Officer	Male	34	2 May 2013 to 4 March 2015	-	5	Resigned on March 4, 2015 due to job position redesignation
Chen Zhiying (陳志穎)	Chief Financial Officer and Chief Risk Control Officer	Female	41	4 March 2015 to present	-	75	-

Section 8 Information of Directors, Supervisors, Senior Management and Staff

- Notes:*
1. No Director or Supervisors of the Company had once held any Shares of the Company at the beginning and at the end of the Reporting Period.
 2. During the Reporting Period, the Company did not implement any equity incentive schemes targeting at the Directors, Supervisors or senior management of the Company.
 3. During the Reporting Period, no non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company.
 4. At the beginning of the Reporting Period, no senior management of the Company held any shares of the Company. During the Reporting Period, some of the employees of the Company indirectly acquired a total of 7,686,000 H shares of the Company on a voluntary basis through QDII collective investment scheme, among whom, Mr. Jiang Zhiqiang, Vice President of the Company also participated in this collective scheme indirectly held, 122,116 H Shares of the Company according to the percentage of his actual amount contributed to the collective scheme.

II. POSITIONS HELD BY CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Positions held in the Shareholders

Name	Name of Company under the Group	Positions held	Dates of commencement and completion of employment
Hua Weirong (華偉榮)	Wuxi Guolian Development (Group) Co., Ltd.	President	December 2015 to present
Jiang Zhijian (蔣志堅)	Wuxi Guolian Environmental Energy Group Co., Ltd.	Chairman of the Board	January 2005 to present
Liu Hailin (劉海林)	Jiangsu Xinfang Co., Ltd.*	Assistant to Chairman of The Board and Assistant General Manager	August 2006 to present
Yang Xiaojun (楊小軍)	Wuxi New District Development Group Co., Ltd.*	President	March 2011 to present
Mr. Jin Guoxiang (金國祥)	Wuxi Guolian Textile Group Co., Ltd.*	Assistant to General Manager	December 2014 to present
Zhou Weixing (周衛星)	Wuxi Weifu High-technology Co., Ltd.*	Secretary to the Board	June 2005 to present

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(II) Positions held in other companies

Name	Name of other companies	Positions held	Dates of commencement and completion of employment
Yao Zhiyong (姚志勇)	HuaYing Securities Co., Ltd.	Director	February 2013 to present
	Surrich International Company Limited	Director	July 2010 to July 2015
Hua Weirong (華偉榮)	Wuxi Rural Commercial Bank	Director	November 2008 to present
	Yixing Rural Commercial Bank	Director	September 2010 to present
	Wuxi Guolian Venture Capital Co., Ltd.*	Chairman of the Board	January 2015 to December 2015
	Jiangsu Asset Management Co., Ltd.*	Chairman of the Board	March 2014 to present
	Wuxi Baolian Investment Co., Ltd.*	Director	August 2006 to present
	Wuxi Delian Investment Co., Ltd.*	Director	June 2009 to present
	Wuxi Liantai Venture Capital Co., Ltd.*	Director	June 2009 to present
	Wuxi Guolian Financial Investment Group Co., Ltd.*	President	June 2012 to present
Lei Jianhui (雷建輝)	Guolian Life Insurance Company Ltd.	Chairman of the Board	May 2015 to present
	HuaYing Securities Co., Ltd.	Chairman of the Board	April 2011 to 15 March 2016
	Guolian Capital Investment Co., Ltd.	Director	January 2010 to 15 March 2016

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Name	Name of other companies	Positions held	Dates of commencement and completion of employment
Jiang Zhijian (蔣志堅)	Wuxi Huaguang Boiler Co., Ltd.*	Director	December 2000 to present
	Jiangyin Thermoelectricity Co., Ltd.*	Director	January 2008 to present
	Wuxi Guolian Industrial Investment Group Co., Ltd.*	Director	March 2009 to present
	Wuxi Zhike Sensor Network Technology Co., Ltd.*	Director	January 2010 to present
	Wuxi Agricultural Trade Technology Co., Ltd.	Director	May 2011 to present
	Zhongshe Guolian Wuxi New Energy Development Co., Ltd.*	Director	October 2014 to present
Zhang Weigang (張偉剛)	Wuxi municipal branch of China Post Group Company*	Director	July 2015 to present
Wang Wei (王巍)	China Mergers & Acquisitions Association	Chairman	September 2004 to present
	Credit China Holdings Limited	Independent Director	July 2014 to present
	Shanghai Chengtou Holding Co., Ltd.	Independent Director	June 2011 to present
Chen Qingyuan (陳清元)	Lifan Industry (Group) Co., Ltd.*	Independent Director	December 2010 to present
	Guangcai International Investment Group Co., Ltd.*	Chief Financial Officer	July 2013 to present
Fan, Yan Hok Philip (范仁鶴)	China Everbright International Limited	Independent Director	December 2012 to present
	Hysan Development Company Limited	Independent Director	January 2010 to present
	China Aircraft Leasing Group Holdings Limited	Independent Director	September 2013 to present
	First Pacific Company Limited	Independent Director	December 2012 to present
	Goodman Group	Independent Director	December 2011 to present

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Name	Name of other companies	Positions held	Dates of commencement and completion of employment
Yin Zhuowei (殷卓偉)	HuaYing Securities Co., Ltd.	Chairlady of Supervisory Committee	April 2011 to present
Jin Guoxiang (金國祥)	Wuxi Tianyuan Industrial Co., Ltd.*	Chairman of the Board	August 2012 to present
Peng Yanbao (彭焰寶)	Wuxi Qingfa Textile Co., Ltd.* HuaYing Securities Co., Ltd.	Chairman of the Board Director	September 2014 to present April 2011 to present
Jiang Zhi Qiang (江志強)	Zhonghai Fund Management Co., Ltd.* Zhonghai Fund Management Co., Ltd.*	Director Director	May 2008 to present November 2011 to present
Li Zhengquan (李正全)	Guolian Capital Investment Co., Ltd. SAC	Chairman of the Board Member of Professional Committee of Direct Investment Industry	May 2012 to present July 2012 to present
Xu Faliang (徐法良)	Jiangsu Equity Trading Center HuaYing Securities Co., Ltd. Guolian Futures Co., Ltd.	Director Chief Compliance Officer Chairman of Supervisory Committee	October 2015 to present September 2013 to present August 2009 to present
Chen Zhiying (陳志穎)	Hua Ying Securities Co., Ltd.*	Chief Financial Officer and Chief Risk Control Officer	March 2015 to present

III. REMUNERATION MANAGEMENT INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basis of Determination

The remuneration standards for Directors and Supervisors of the Company are determined in accordance with industry corporate norm and the practical situation of the Company, while the remuneration of senior management is decided by the remuneration system of the Company and is determined based on position and performance.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(II) Decision-making Procedures

The non-executive Directors and non-employee supervisors of the Company do not receive any remuneration from the Company; the remuneration of independent non-executive Directors of the Company is determined by proposing to the general meetings for consideration after reviewed by the Remuneration and Nomination Committee and the Board with reference to industry average norm. The remuneration of executive Directors of the Company is determined after review of the Remuneration and Nomination Committee and the Board and approval at the general meetings. The remuneration of employee supervisors of the Company is determined after reviewed by the Supervisory Committee and approval at the general meetings. The remuneration of senior management of the Company is determined under the remuneration assessment system of the Company and after consideration and approval of the Remuneration and Nomination Committee of the Board, then submit to the Board for approval.

(III) Non-Cash Remuneration Information

During the Reporting Period and up to the date of this report, the Company does not have any equity incentive system. The Directors, Supervisors and senior management of the Company did not hold any shares and options of the Company through the Company's equity incentive system.

(IV) Remuneration Information of Directors, Supervisors and Senior Management

For details regarding the remuneration information of Directors, Supervisors and senior management of the Company, please refer to the "Changes In Shareholdings And Remuneration Information Of Current And Resigned Directors, Supervisors And Senior Management During The Reporting Period" (《現任及報告期內離任董事、監事和高級管理人員持股變動及報酬情況》) under this section. The total remuneration Directors, Supervisors and senior management of the Company in 2015 is RMB10,880,000. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 11 to consolidated financial statements in this report.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Changes of Directors

The Company convened the first extraordinary general meeting of 2015 on 5 January 2015 in accordance with the applicable legal procedures and passed the Resolutions regarding the changes of Independent Directors of the Company (《關於公司獨立董事變更的議案》), pursuant to which, Mr. Zhu Zhenwu resigned as Independent Director and Mr. Fan, Yan Hok Philip was elected as an independent non-executive Director of second session of the Board. Mr. Fan, Yan Hok Philip obtained the qualification approval for the appointment as an Independent Director of the Company from the CSRC and commenced his office on 20 March 2015. Mr. Wang Wei obtained the qualification approval for the appointment as an Independent Director of the Company from the CSRC and commenced his office. On 2 December 2015, Mr. Liu Gaoyuan resigned as Non-executive Director of the Company due to position re-designation.

(II) Change of Supervisors

Nil

(III) Change of Senior Management

On 2 February 2015, the Company convened the 13th meeting of the 2nd session of the Board and passed the Resolutions regarding the change of Financial Controller (《關於公司財務負責人變更的議案》), pursuant to which, Mr. Chen Xingjun's resigned as Chief Financial Officer and Chief Risk Control Officer of the Company and Ms. Chen Zhiying was elected as the Chief Financial Officer and the Chief Risk Control Officer of the Company. Ms. Chen Zhiying has obtained the qualification approvals for the appointment as managerial personnel from CSRC.

V. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

Mr. Yao Zhiyong (姚志勇), aged 44, is the executive Director of the Company since August 2012 and became the Chairman of the Board of the Company since April 2013. Mr. Yao has approximately 21 years' experience in the financial industry, including securities and financial investment, and 15 years experience in corporate management. Mr. Yao joined the Group in August 1994 and served successively as a sales staff of Huaqiang Company* (華強公司) affiliated to Wuxi Securities Company* (無錫市證券公司), a company which is mainly engaged in trading and investment business, a business clerk in the investment department, a floor trader stationed at the Shanghai Stock Exchange and an office director of two securities branches of the Company during the period from August 1994 to November 2000. From November 2000 to December 2003, Mr. Yao served successively as an investment manager, manager and deputy general manager of the securities research department in Wuxi Guolian Investment Management Consulting Co., Ltd.* (無錫市國聯投資管理諮詢有限公司, "Guolian Investment Management"). From January 2004 to December 2004, Mr. Yao served as a deputy general manager in the securities investment department of Guolian Group, and then served as the chairman of the board of directors and general manager of Guolian Investment Management from January 2005 to December 2008. He then worked in Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司, "Guolian Financial Investment") as the assistant president and the general manager of the strategic development department from May 2009 to June 2012, and also concurrently worked in Wuxi Equity Exchange Co., Ltd.* (無錫產權交易所有限公司) from January 2010 to June 2012 as an executive director and the legal representative. Mr. Yao has served as a director of Surrich International Company Limited (錫洲國際有限公司, "Surrich International") from July 2010 to July 2015 and a director of Hua Ying Securities Co., Ltd. since February 2013. Mr. Yao graduated from Dalian University of Technology (大連理工大學) (located in Dalian, Liaoning Province, the PRC) with a bachelor's degree majoring in environmental engineering in July 1994 and then obtained a master's degree majoring in business administration from Nanjing University (南京大學) (located in Nanjing, Jiangsu Province, the PRC) in June 2004. Mr. Yao obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in July 2012, and also passed the 25th qualification level test of the senior management of securities institutions organized by the SAC in October 2012.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Hua Weirong (華偉榮), aged 50, is currently the president of Guolian Group, non-executive Director of the Company and a member of the Strategy Committee, the Remuneration and Nomination Committee and the Risk Control Committee since May 2008. Mr. Hua has approximately 30 years of experience in the financial industry. Mr. Hua joined the Company in January 2002 and served as a Director and the general manager of the Company in charge of company operation and management from January 2002 to December 2004. Before joining the Company, he served in Wuxi Finance Bureau (無錫市財政局) as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning in charge of the extra-budgetary funds and national debts work from July 1986 to December 1991. He then worked in Guolian Trust as a department manager, an assistant general manager and a deputy general manager in charge of capital loans and settlement, accounting settlement, national debt trading and corporate operation from January 1992 to December 2001. He served as a director of Guolian Group from November 2001 to December 2004, the chairman of the board of directors of Zhonghai Fund from March 2004 to March 2007, the chairman of the board of directors of Guolian Trust from January 2005 to June 2012 and a director of China Asset Management Co., Ltd.* (華夏基金管理有限公司) from May 2012 to September 2013. Mr. Hua has also served as a director of Wuxi Guolian Venture Capital Co., Ltd.* (無錫國聯創業投資有限公司) from September 2008 to January 2015, and was the chairman of the board of directors from January to December 2015; a director of Wuxi Rural Commercial Bank (無錫農村商業銀行) since November 2008 and a director of Yixing Rural Commercial Bank (宜興農村商業銀行) since September 2010; a director and the chairman of the board of directors of Jiangsu Asset Management Co., Ltd.* (江蘇資產管理有限公司) from May 2013 to March 2014 and since March 2014 respectively. Mr. Hua has also served as a vice president of Guolian Group in charge of the management of financial business from November 2004 to December 2015. Besides, he has served as a director of Wuxi Baolian Investment Co., Ltd.* (無錫市寶聯投資有限公司), Wuxi Delian Investment Co., Ltd.* (無錫市德聯投資有限公司) and Wuxi Liantai Venture Capital Co., Ltd.* (無錫聯泰創業投資有限公司) since August 2006, June 2009 and June 2009, respectively. He has also served as the president of Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司) since June 2012; as well as the chairman of the board of directors of Guolian Life Insurance Co., Ltd.* (國聯人壽保險股份有限公司) since May 2015. Mr. Hua graduated from Suzhou University (蘇州大學) (located in Suzhou, Jiangsu Province, the PRC) with a bachelor's degree in economics majoring in finance in July 1986 and then obtained an executive master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) (located in Beijing, the PRC) in October 2009. Mr. Hua qualified as a senior accountant by Human Resource Bureau of Jiangsu Province in November 2004.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Jiang Zhijian (蔣志堅), aged 48, is the non-executive Director and a member of the Strategy Committee, the Audit Committee and the Risk Control Committee since May 2008. Mr. Jiang had approximately 26 years of experience in economic management and corporate governance. Before joining the Company, Mr. Jiang successively served in Wuxi Huaguang Boiler Co., Ltd.* (無錫華光鍋爐股份有限公司, “Huaguang Boiler”, the shares of which are listed on the Shanghai Stock Exchange, stock code: 600475) as the head of workshop of the department of planned dispatching, deputy director, the party secretary and the general manager from July 1989 to December 2004. He also worked in Guolian Environmental as the party secretary and the general manager from December 2000 to December 2003 and from January 2005 to December 2013. He served as the president of Guolian Industrial from March 2009 to December 2013 and has served as a vice president of Guolian Group and the chairman of the board of directors of Guolian Environmental since December 2004 and January 2005, respectively. Mr. Jiang has concurrently acted as a director of Huaguang Boiler, Jiangyin Thermoelectricity Co., Ltd.* (江陰熱電有限公司), Guolian Industrial Investment Group Co., Ltd.* (國聯實業投資集團有限責任公司), Wuxi Zhike Sensor Network Technology Co., Ltd.* (無錫智科傳感網技術股份有限公司), Wuxi Fengsheng Technology Co., Ltd.* (無錫豐晟科技有限公司) and Zhongshe Guolian Wuxi New Energy Development Co., Ltd.* (中設國聯無錫新能源發展有限公司) since December 2000, January 2008, March 2009, January 2010, May 2011 and October 2014, respectively. Mr. Jiang graduated from Nanjing University of Science and Technology (南京理工大學) (formerly known as East China College of Engineering (華東工學院)) (located in Nanjing, Jiangsu Province, the PRC) with a bachelor’s degree in engineering majoring in computer software in July 1989. Mr. Jiang was qualified as a senior engineer by Human Resource Bureau of Jiangsu Province in November 2004.

Mr. Liu Hailin (劉海林), aged 38, is the non-executive Director and a member of the Risk Control Committee since May 2008. Mr. Liu has approximately 15 years of experience in corporate management. Before joining the Group, he started his career and consecutively served in Jiangsu Xinfang Industrial Co., Ltd* (江蘇新紡實業股份有限公司, “Jiangsu Xinfang”) as a technician, the head of workshop and a deputy general manager from August 2000 to July 2006. Mr. Liu has concurrently served as the assistant chairman of the board of directors and the deputy general manager of Jiangsu Xinfang since August 2006. Mr. Liu graduated from Jiangnan University (江南大學) (located in Wuxi, Jiangsu Province, the PRC) with a college degree (專科學歷) majoring in mechatronics in July 2000 and then obtained a bachelor’s degree of management majoring in accounting from Jiangnan University in January 2008.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Zhang Weigang (張偉剛), aged 53, is the non-executive Director since February 2016, has over 20 years' experience in management. He is currently the director of the logistics service center of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司). He acted as the chief executive officer of Wuxi Jinhong Telecommunications Group* (無錫金鴻通信集團) and the general manager of Wuxi Jinhong Telecommunications Group Co., Ltd.* (無錫金鴻通信集團有限公司) from December 2003 to July 2015. Before that, he served as the general manager of Wuxi Postal Communications Development (Group) Co., Ltd.* (無錫郵政通信發展(集團)公司) from July 2003 to December 2003. From November 1998 to July 2003, he served as the director of Xinan Center Branch of Wuxi Postal Office* (無錫郵政局) ("Wuxi Postal Office"), the manager of the property company and the general manager of Wuxi Postal Communication Development Company* (無錫郵政局通信發展公司) and the deputy director of the management service department and the multi-function department, as well as the director of the telecommunication business department of Wuxi Postal Office. Before that, he also served as the director of several branches and county branch offices of Wuxi Postal Office. Mr. Zhang obtained a bachelor's degree in management engineering from Nanjing Forestry University in July 2001. Mr. Zhang's appointment was effective on 14 February 2016.

Ms. Chen Qingyuan (陳清元), aged 39, is the independent non-executive Director and a member of the Remuneration and Nomination Committee, chairlady of the Audit Committee and a member of the Risk Control Committee since October 2014. Ms. Chen is experienced in finance and accounting industry. She served in Hunan Changde Local Taxation Bureau (湖南省常德市地方稅務局) as an accountant from July 1996 to August 2004 and in Hunan Yuancheng Certified Public Accountants* (湖南遠誠聯合會計師事務所) as an auditing manager from September 2004 to July 2006. She also served as a partner of Hunan Branch of Ascenda Certified Public Accountants* (天健正信會計師事務所) from April 2010 to June 2013. Ms. Chen has concurrently served as the chief financial officer of Guangcai International Investment Group Co.,Ltd.* (光彩國際投資集團有限公司) since July 2013. Ms. Chen graduated from Hunan Normal University (湖南師範大學) (located in Changsha, Hunan Province, the PRC) with a bachelor's degree in law in January 2006 and then obtained a master's degree of business administration from Xiangtan University (湘潭大學) (located in Xiangtan, Hunan Province, the PRC) in December 2009. Ms. Chen was qualified as a Chinese Certified Public Accountant (中國註冊會計師協會) granted by the Chinese Institute of Certified Public Accountants* (中國註冊會計師) in April 2007.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Wang Wei (王巍), aged 57, is the independent non-executive Director and a member of the Audit Committee since March 2015. Before joining the Company, Mr. Wang has served as the chairman of China Mergers & Acquisitions Association (中國併購公會) since September 2004. Mr. Wang also served as an independent director of China Sports Industry Group Co., Ltd. (中體產業集團股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600158) from September 2005 to April 2012 and as an independent director of China Everbright Bank Company Limited (中國光大銀行股份有限公司) (listed on the Stock Exchange, stock code: 6818; listed on the Shanghai Stock Exchange, stock code: 601818) from May 2008 to January 2014. Mr. Wang is concurrently serving as an independent non-executive Director of Credit China Holdings Limited (中國信貸控股有限公司) (listed on the Stock Exchange, stock code: 8207), an independent director of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600649) and an independent director of Lifan Industry (Group) Co., Ltd.* (力帆實業(集團)股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 601777). Mr. Wang graduated from the Financial Research Institute of the PBOC (中國人民銀行金融研究所) (located in Beijing, the PRC) in July 1985 with a master's degree in economics. He also obtained a Ph.D. in economics from the Graduate School of Arts and Sciences of Fordham University (located in New York, the US) in May 1992.

Mr. Fan, Yan Hok Philip (范仁鶴), aged 66, is the independent non-executive Director, a member of the Strategy Committee and the Chairman of the Remuneration and Nomination Committee since March 2015. Mr. Fan concurrently serves as an independent non-executive director of China Everbright International Limited (中國光大國際有限公司, "China Everbright International") (listed on the Stock Exchange, stock code: 257), Hysan Development Company Limited (希慎興業有限公司) (listed on the Stock Exchange, stock code: 14), China Aircraft Leasing Group Holdings Limited (中國飛機租賃集團控股有限公司) (listed on the Stock Exchange, stock code: 1848), First Pacific Company Limited (第一太平有限公司) (listed on the Stock Exchange, stock code: 142) and as an independent director of Goodman Group (listed on the Australian Stock Exchange, stock code: GMG). From 1 March 2010 to 1 December 2014, he served as an independent director of HKC (Holdings) Limited (香港建設(控股)有限公司) (listed on the Stock Exchange, stock code: 190). In addition, he served as an independent director of Zhuhai Zhongfu Enterprise Co., Ltd. (珠海中富實業股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000659) from May 2010 to June 2013 and Suntech Power Holdings Co., Ltd. (尚德電力控股有限公司) (listed on the New York Stock Exchange, stock code: STP) from March 2013 to December 2013. He also served as an executive director and the general manager of China Everbright International from October 1997 to January 2010, responsible for its operation. Mr. Fan graduated from Stanford University (located in California, the US) with a bachelor's degree of science majoring in industrial engineering in June 1973 and then obtained a master's degree of science majoring in operations research from Stanford University (located in California, the US) in September 1973 and a master's degree in management from Massachusetts Institute of Technology (located in Massachusetts, the US) in May 1976.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(II) Supervisors

Ms. Yin Zhuowei (殷卓偉), aged 53, has been an employee representative Supervisor and the chairlady of Supervisory Committee since February 2007. Ms. Yin joined the Group in January 1993, and served as a Vice President of the Company from January 1993 to December 2006 in charge of brokerage business. She also acted as the chairlady of the labor union and the deputy party secretary of the Company from January 2007 to January 2015 in charge of staff and party affairs, respectively. She has also been the chairlady of Supervisory Committee of Hua Ying Securities since its establishment. Ms. Yin graduated from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics (中南財經大學)) (located in Wuhan, Hubei Province, the PRC) with a college degree majoring in finance in July 1987 and then obtained a bachelor's degree majoring in economic management from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) (located in Beijing, the PRC) in December 2002. Ms. Yin obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in May 2004 and also passed the sixth qualification level test of the senior management of securities institutions organized by the SAC in May 2006.

Mr. Yang Xiaojun (楊小軍), aged 43, has been a Shareholder representative Supervisor since April 2013. Before joining the Company, Mr. Yang worked in Wuxi New Area Finance Bureau (無錫市新區財政局) as a clerk and an associate director from July 2000 to February 2005 and subsequently served as a deputy general manager of Wuxi New District City Investment Development Co., Ltd.* (無錫市新區城市投資發展有限公司) from February 2005 to February 2006. From March 2007 to March 2011, Mr. Yang served as a director of Wuxi New District Tech-Park Finance Bureau (無錫新區太科園財政分局) and the chairman of the board of directors and the general manager of Wuxi Tech-Park Investment Development Co., Ltd.* (無錫太湖國際科技園投資開發有限公司). Mr. Yang has concurrently served as the president of Wuxi New District Development Group Co., Ltd.* (無錫市新區發展集團有限公司) since March 2011. Mr. Yang graduated from Nanchang University (南昌大學) (located in Nanchang, Jiangxi Province, the PRC) with a bachelor's degree majoring in industrial machinery and equipment in July 1994 and obtained a master's degree in economics majoring in finance from Jiangxi University of Finance and Economics (江西財經大學) (located in Nanchang, Jiangxi Province, the PRC) in June 2000.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Jin Guoxiang (金國祥), aged 55, has been a Shareholder representative Supervisor since May 2008. Before joining the Company, Mr. Jin served as the assistant general manager of Wuxi Tianyuan Industrial Co., Ltd.* (無錫天元實業有限公司, "Wuxi Tianyuan") from September 1996 to June 1999. He also served as the head of the investment management department and the head of the comprehensive management department of Guolian Textile from June 2003 to October 2005 and from November 2005 to November 2014, respectively. Since December 2014, he has served as the assistant general manager of Guolian Textile. Mr. Jin has concurrently acted as the chairman of the board of directors of Wuxi Tianyuan and Wuxi Qingfa Textile Co., Ltd.* (無錫慶發紡織有限公司) since August 2012 and September 2014, respectively. Mr. Jin graduated from Donghua University (東華大學) (formerly known as East China College of Textile (東華紡織工學院)) (located in Shanghai, the PRC) with a bachelor's degree in engineering majoring in textile engineering in July 1982. He also qualified as a senior engineer by Wuxi Personnel Bureau in November 1994.

Mr. Zhou Weixing (周衛星), aged 53, has been a Shareholder representative Supervisor since August 2013. Before joining the Company, Mr. Zhou successively served as the deputy director, director and the securities representative of the securities department in Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司) (Listed on the Shenzhen Stock Exchange, stock code: 000581) since December 1993, and he currently serves as the secretary to the board of directors and the director of the board office of such company. Mr. Zhou graduated from Jilin University (吉林大學) (located in Changchun, Jilin Province, the PRC) with a bachelor's degree in economics majoring in national economic management in July 1985.

Mr. Shan Xudong (單旭東), aged 54, has been an employee representative Supervisor since June 2008. Mr. Shan joined the Company from the date of its establishment, and worked in the Financial and Accounting Department of the Company in charge of finance management of securities of our securities branches. Since August 2001, Mr. Shan has worked in the Audit Department of the Company in charge of daily inspection of our securities branches and the related business departments of the Company as well as the audit work of resignation of senior management of the Company. Mr. Shan graduated from Jiangsu Open University (江蘇開放大學) (formerly known as Jiangsu Radio & Television University (江蘇廣播電視大學)) (located in Nanjing, Jiangsu Province, the PRC) with a college degree (專科學歷) majoring in industrial corporate operation and management in December 1986. He obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in August 2004.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(III) Senior Management

Mr. Peng Yanbao (彭焯寶), aged 49, is Vice President of the Company since August 2009 and is in charge of Asset Management Department, Financial and Accounting Department and Operation Management Headquarter since March 2015. He joined the Company in April 1994 and successively served as a floor trader, an investment manager and the general manager of the securities investment department from April 1994 to December 1999 and from January 2009 to October 2009, respectively. Before joining the Company, Mr. Peng worked in Guolian Investment Management as an investment manager from January 2000 to May 2000. He then subsequently served as the manager of the investment department in Surrich International from May 2000 to July 2003 and successively served as the chief investment officer, the general manager of the risk management department and the chief risk officer in Zhonghai Fund from March 2004 to December 2008, and has been a director of Zhonghai Fund since May 2008. Mr. Peng has also been a director of Hua Ying Securities since its establishment. Mr. Peng graduated from Tsinghua University (清華大學) (located in Beijing, the PRC) with a bachelor's degree of engineering majoring in internal combustion engine in July 1990. Mr. Peng obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in May 2004. He also passed the 17th qualification level test of the senior management of securities institutions organized by the SAC in April 2009.

Mr. Jiang Zhiqiang (江志強), aged 45, is Vice President of the Company since September 2011 and is in charge of Brokerage Business Management Headquarter, Credit Transaction Department, Institutional Business Management Headquarters and branch offices of the Company since March 2015. He joined the Company in October 1993 and served successively as the manager of the securities investment department, the general manager of the securities branches, the general manager of wealth management center, the general manager of the asset management department and the assistant president of the Company from October 1993 to May 2012. Mr. Jiang has been a director of Zhonghai Fund since November 2011. Mr. Jiang graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (located in Nanjing, Jiangsu Province, the PRC) with a bachelor's degree in engineering majoring in instrument and testing system in July 1993 and obtained a master's degree of business administration from Southeast University (東南大學) (located in Nanjing, Jiangsu Province, the PRC) in April 2005. Mr. Jiang obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in August 2004. He also passed the 22nd qualification level test of the senior management of securities institutions organized by the SAC in May 2011.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

Mr. Li Zhengquan (李正全), aged 39, is Vice President of the Company in charge of Central Office, OTC Market Department and Research Department since April 2014. He joined the Group in July 2011 and served as the assistant president of the Company from July 2011 to December 2012. Before joining the Company, Mr. Li served as a vice president of Guolian Group from August 2005 to December 2006. Mr. Li also worked as the assistant director of the research center of Wuxi Municipal Government (無錫市委研究室) from December 2006 to June 2011 and the deputy general manager of Guolian Trust from January 2013 to December 2013. He has also served as the chairman of the Board of Guolian Capital since May 2012. In addition, Mr. Li has been a member of the Professional Committee of Direct Investment Industry of the SAC (中國證券業協會直接投資業務專業委員會) since July 2012 and served as a director of Jiangsu Equity Exchange since October 2015. Mr. Li obtained a doctor's degree in economics majoring in political economics from Peking University (北京大學) (located in Beijing, the PRC) in July 2005. Mr. Li obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in September 2011. He also passed the 23rd qualification level test of the senior management of securities institutions organized by the SAC in November 2011.

Mr. Xu Faliang (徐法良), aged 51, has been the Chief Compliance Officer of the Company since January 2007. He joined the Company in March 1993 and served as the financial manager, the deputy general manager and the general manager of the securities branches from March 1993 to December 2005, and was subsequently promoted to act as the general manager of Audit Department of the Company from January 2006 to December 2006. He has also been the chief compliance officer of Hua Ying Securities from the date of its establishment to February 2012 and since September 2013. He also served as a supervisor of Guolian Futures from April 2007 to August 2009, and has been the chairman of its supervisory committee since August 2009. Mr. Xu obtained a bachelor's degree in finance from Central Radio & Television University (中央廣播電視大學) (located in Beijing, the PRC) in October 2005. Mr. Xu obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in May 2004. He also passed the 5th qualification level test of the senior management of securities institutions organized by the SAC in March 2006.

Ms. Chen Zhiying (陳志穎), aged 41, has been the Chief Financial Officer and Chief Risk Officer since 4 March 2015. She joined the Company in January 2005. Before joining the Company, Ms. Chen served as a chief accountant of Guolian Group from July 1998 to December 2004. She then successively served as the general manager of Financial and Accounting Department of the Company from January 2005 to April 2010. She also served as the head of the finance department of Guolian Futures from April 2010 to December 2014. Ms. Chen graduated from Nanjing University of Science and Technology (南京理工大學) (located in Nanjing, Jiangsu Province, the PRC) with a bachelor's degree in economics majoring in accounting in July 1998 and then obtained a master's degree of business administration from Southeast University (東南大學) (located in Nanjing, Jiangsu Province, the PRC) in June 2011. Ms. Chen obtained the PRC Practicing Certificate of Securities Industry (中國證券業執業證書) granted by the SAC in July 2005. She also passed the qualification level test of the senior management of securities institutions organized by the SAC in October 2014.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

VI. INFORMATION ABOUT STAFF AND REMUNERATION OF THE COMPANY AND MAJOR SUBSIDIARIES

(I) Number and composition of staff of the Company

At the end of the Reporting Period, the Company had a total of 1,199 staff, the composition of which is as follows:

Item		Number	Percentage
Professional structure	Research personnel	36	3.00%
	Investment bank personnel (OTC market)	45	3.75%
	Brokerage business personnel	756	63.05%
	Assets management business personnel	48	4.00%
	Securities investment	8	0.67%
	Financial personnel (including liquidation)	49	4.09%
	Information technology personnel	73	6.09%
	Audit and risk control	41	3.42%
	Credit transaction	19	1.58%
	Institutions business	74	6.17%
	Internet finance business	15	1.25%
	Administrative management	31	2.59%
	Others	4	0.33%
	Total staff	1,199	100.00%
Education level	Doctoral Degree	5	0.42%
	Master Degree	249	20.77%
	Bachelor's Degree	803	66.97%
	College Degree or below	142	11.84%
	Total staff	1,199	100.00%

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(II) Number and composition of staff in the subsidiary Hua Ying Securities

At the end of the Reporting Period, the Hua Ying Securities had a total of 156 staff, the composition of which is as follows:

Item		Number	Percentage
Professional structure	Investment bank personnel	128	82.05%
	Financial personnel	4	2.56%
	Information technology personnel	2	1.28%
	Human Resources and Administration and Compliance personnel	17	10.9%
	Management	5	3.21%
Total		156	100%
Education level	College Degree	7	4.49%
	Bachelor's Degree	27	17.31%
	Master Degree	121	77.56%
	Doctoral Degree	1	0.64%
Total		156	100%

Section 8 Information of Directors, Supervisors, Senior Management and Staff

(III) Number and composition of staff in the subsidiary, Guolian Capital

At the end of the Reporting Period, the Guolian Capital had a total of 8 staff and their composition is as follows:

Item		Number	Percentage
Professional structure	Financial personnel	1	12.50%
	Human Resources and Administration and Compliance personnel	1	12.50%
	Sales	4	50.00%
	Management	2	25.00%
Total		8	100.00%
Education level	College Degree	0	0.00%
	Bachelor's Degree	6	75.00%
	Master Degree	2	25.00%
Total		8	100.00%

(IV) Staff remuneration

The staff remuneration of the Company comprises basic salary, performance-based salary and welfare. The basic salary is relatively a fixed part of remuneration, and performance-based salary is drawn from annual profit and distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance. The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, it offered employees group annuity insurance, staff hospitalization medical mutual insurance, etc to improve their welfare benefits.

(V) Training programmes

The Company provides training programmes for employees at all levels in order to constantly improve the professional ability and quality of managerial employees.

In addition to face-to-face trainings, there are additional training including studying seminar, video study, online study, mobile study, etc. in recent years.

Section 8 Information of Directors, Supervisors, Senior Management and Staff

The Company provides middle-level and senior management personals with trainings for the purpose of enhancing their understanding of the development of the industry, innovating strategic thinking and improving management skills, etc., and also offered trainings to improve business knowledge and promote professional skills for employees of various business segments.

At the same time, the Company also encourages employees to study by themselves through improving degree-based academic education, taking various professional qualification exams, etc. in order to update their professional knowledge. The Company also rewards employees who have obtained certificates.

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 and remuneration payment. The securities branches were responsible for the daily management of securities brokers.

During the Reporting Period, while maintaining effective operation of the basic management system of securities brokers, the Company further improved management of qualifications, potential practice risks, etc. for securities brokers, strengthened the initiative of business departments in the daily management of securities brokers, and continuously encouraged business departments to improve their ability of managing practice risks of securities brokers, so as to further guarantee steady and orderly development of the securities broker team of the Company. As at the end of 2015, a total of 59 branches of the Company implemented securities broker system, with the number of securities brokers reaching 595.

Section 9 Corporate Governance Report

The Company have adopted various policies and terms of reference to ensure compliance with the code provisions of Corporate Governance Code under Appendix 14 of the Listing Rules.

I. OVERVIEW

As a company established in the mainland of China whose H Shares are listed in the Hong Kong Stock Exchange, the Company has operated in strict compliance with laws, regulations and normative documents at the jurisdictions of establishment and listing, and kept committed to maintaining and improving its sound social image. Pursuant to the Company Law, the Securities Law and other applicable 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 respective authorities and duties, so as to ensure regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. From the listing date to the end of the Reporting Period, the Company has strictly complied with and observed all the requirements of the CG Code and satisfied with most of the requirements for recommended best practices specified in the CG Code.

II. GENERAL MEETINGS, BOARD MEETINGS, SUPERVISORY COMMITTEE MEETINGS AND RESOLUTIONS DURING THE REPORTING PERIOD

In this year, the Company convened the first extraordinary general meeting, the 2014 annual general meeting, the second extraordinary general meeting, 11 board meetings and two supervisory committee meetings.

(I) Shareholders' General Meeting

1. The first extraordinary general meeting of 2015

The first extraordinary general meeting of 2015 was convened on 5 January 2015, which considered and approved the following: Resolution on Overseas Public Issuance of Shares and Listing of the Company (《關於公司在境外公開發行股票及上市的議案》); Resolution on Transfer of the Company as a Joint Stock Limited Company for Overseas Offering (《關於公司轉為境外募集股份有限公司的議案》); Resolution on Overseas Public Issuance of Shares for Fund Raising Purpose by the Company (《關於公司在境外公開發行股票募集資金用途的議案》); Resolution on the Validity Period of the Company's Issuance and Listing Resolution (《關於公司本次發行及上市決議有效期的議案》); Resolution on Engagement of Audit Institutions by the Company (《關於公司聘請審計機構的議案》); Resolution on Authorization to the Board of the Company and its Authorized Person Sole Discretion to Handle the Relevant Affairs Concerning Overseas Public Issuance of Shares and Listing of the Company (《關於授權公司董事會及其授權人士全權處理公司境外公開發行股票及上市相關事宜的議案》); Resolution on Review of the Applicable Articles of Association (draft) after Overseas Public Issuance of Shares and Listing of the Company (《關於審議公司在境外公開發行股票及上市後適用公司章程(草案)的議案》); Resolution on Formulation of Procedures Concerning Nominated Shareholders of Guolian Securities Co., Ltd Running for Directors at the Shareholders' General Meeting of the Company and Procedures Concerning the Removal of Directors by Shareholders (《關於制訂<國聯證券股份有限公司股東提名人選在本公司股東大會上參選董事的程序及股東罷免董事的程序>的議案》); Resolution on Formulation of Shareholders' Communication Policy of Guolian Securities Co., Ltd (《關於制訂<國聯證券股份有限公司股東通訊政策>的議案》); Resolution on Formulation of Policy Concerning the Diversification of Board Members of Guolian Securities Co., Ltd (《關於制訂<國聯證券股份有限公司董事會成員多元化政策>的議案》); Resolution on the Change of the Company's Independent Directors (《關於公司獨立董事變更的議案》); Resolution on the Reduction/Transfer of State-owned Shares Held by State-owned Shareholders (《關於國有股股東減/轉持國有的議案》); Resolution on the Accumulated Undistributed Profit Shared by New and Old Shareholders before this Issuance and Listing (《關於新老股東共享本次發行及上市前滾存的未分配利潤的議案》); Resolution on the Issuance of One-year Subordinated Bonds (《關於發行一年期次級債券的議案》).

Section 9 Corporate Governance Report

2. The 2014 annual general meeting

The 2014 annual general meeting was convened on 10 April 2015, which considered and approved the followings: The Company's Annual Report for the Year 2014 (《公司2014年年度報告》); The Working Report of the Board of the Company for the Year 2014 (《公司2014年度董事會工作報告》); The Working Report of the Supervisory Committee of the Company for the Year 2014 (《公司2014年度監事會工作報告》); The Company's Financial Final Accounts Report for the Year 2014 and the Financial Budget Report for the Year 2015 (《公司2014年度財務決算報告及2015年度財務預算報告》); The Company's Profit Appropriation Proposal for the Year 2014 (《公司2014年度利潤分配預案》); Resolution on Determining the Limit of Investment in Share Options with Our Own Funds for the Year 2015 (《關於確定2015年度自有資金投資股票期權額度的議案》); Resolution on Newly-increased Internal Control Systems (《關於新增內部控制制度的議案》); Resolution on Reappointment of Audit Institutions for the Year 2015 (《關於續聘2015年度審計機構的議案》).

3. The second extraordinary general meeting of 2015

The second extraordinary general meeting of 2015 was convened on 19 October 2015, which considered and approved the Adjustment to the Scale of Operations of the Company's Proprietary Trading Business (《調整本公司證券投資業務之營運規模》).

(II) Board Meetings

1. The 13th meeting of the 2nd session of the Board

The 13th meeting of the 2nd session of the Board was convened on 12 February 2015, which considered and approved: Resolution on Adjustment of the Scope of Business of Branch Offices (《關於調整分公司經營範圍的議案》); Resolution on New Establishment of Branches (《關於新設分支機構的議案》); Resolution on Carrying out Debt Financing (《關於開展債務融資工作的議案》); Resolution on the Change of Financial Controller of the Company (《關於公司財務負責人變更的議案》); Resolution on Newly-increased Internal Control Systems (《關於新增內部控制制度的議案》).

Section 9 Corporate Governance Report

2. The 14th meeting of the 2nd session of the Board

The 14th meeting of the 2nd session of the Board was convened on 4 March 2015, which considered and approved: Resolution on Participation in Capital Increase of China Securities Capital Market Development Monitoring Centre Company Limited* (中證資本市場發展監測中心有限責任公司) with our Own Funds (《關於自有資金參與中證資本市場發展監測中心有限責任公司增資擴股的議案》); Resolution on Establishment of Operation Management Center (《關於成立運營管理中心的議案》); Resolution on Appointment of Joint Company Secretaries (《關於委任聯席公司秘書的議案》); Resolution on Approval of Delivery of Application Documents for Registration of Non-Hong Kong Company and Appointment of Authorized Representatives (《關於批准遞交非香港公司註冊申請文件及委任獲授權代表的議案》).

3. The 15th meeting of the 2nd session of the Board

The 15th meeting of the 2nd session of the Board was convened on 3 April 2015, which considered and approved: The Company's Annual Report for the Year 2014 (《公司2014年年度報告》); The Working Report of the Board of the Company for the Year 2014 (《公司2014年度董事會工作報告》); The Working Report of the President of the Company for the Year 2014 (《公司2014年度總裁工作報告》); The Company's Financial Final Accounts Report for the Year 2014 and the Financial Budget Report for the Year 2015 (《公司2014年度財務決算報告及2015年度財務預算報告》); The Company's Profit Appropriation Proposal for the Year 2014 (《公司2014年度利潤分配預案》); The Working Report on Compliance Management of the Company for the Year 2014 (《公司2014年度合規管理工作報告》); Self-assessment Report on the Company's Internal Control for the Year 2014 (《公司2014年度內部控制的自我評價報告》); The Company's Remuneration Distribution Plan for the Year 2014 (《公司2014年度薪酬分配方案》); Resolution on Determining the Limit of Investment in Share Options with Our Own Funds for the Year 2015 (《關於確定2015年度自有資金投資股票期權額度的議案》); Resolution on Reappointment of Audit Institutions for the Year 2015 (《關於續聘2015年度審計機構的議案》); Resolution on Relevant Matters of Applying CIRC for the Qualifications for Being Entrusted With Management of Insurance Fund (《關於向保監會申請保險資金受托管理資格有關事項的議案》); Resolution on Adjustment to the Members of the Company's Board committees (《關於調整公司董事會專門委員會成員的議案》); Resolution on Convening Shareholders' General Meeting of the Company for the year 2014 (《關於召開公司2014年度股東大會的議案》).

4. The 16th meeting of the 2nd session of the Board

The 16th meeting of the 2nd session of the Board was convened on 15 June 2015, which approved the Resolution on Relevant Matters Concerning IPO and Listing of H Shares of Guolian Securities Co., Ltd. (《關於國聯證券股份有限公司H股首次公開發行上市相關事宜的議案》);

Section 9 Corporate Governance Report

5. The 17th meeting of the 2nd session of the Board

The 17th meeting of the 2nd session of the Board was convened on 30 June 2015, which considered and approved the Resolution on Matters Concerning Global Offering of IPO and Listing of H Shares of Guolian Securities Co., Ltd. (《關於國聯證券股份有限公司H股首次公開發行上市有關全球發售事宜的議案》);

6. The 18th meeting of the 2nd session of the Board

The 18th meeting of the 2nd session of the Board was convened on 27 August 2015, which considered and approved the President's Report for the First Half of 2015 (《2015年上半年度總裁工作報告》); 2015 Interim Compliance Management Report (《2015年度中期合規管理工作報告》); Resolution on Implementation of Group Annuity Insurance Program (《關於實施團體年金保險方案的議案》); Resolution on Principal Business Scale of the Company in 2015 (《關於公司2015年度主要業務規模的議案》), 2015 Interim Report of the Company (《公司2015年中期報告》); Distribution Plan on Granting of Listing Reward (《關於發放上市獎勵的分配方案》).

7. The 19th meeting of the 2nd session of the Board

The 19th meeting of the 2nd session of the Board was convened on 1 September 2015, which considered and approved the Resolution on Adjusting the Scale of Securities Proprietary Trading of the Company (《關於調整公司證券自營業務規模的議案》); Resolution on Convening the second Extraordinary General Meeting of the Company of 2015 (《關於召開公司2015年度第二次臨時股東大會的議案》).

8. The 20th meeting of the 2nd session of the Board

The 20th meeting of the 2nd session of the Board was convened on 12 October 2015, which considered and approved: Resolution on Approving Hua Ying Securities to be the Lead Underwriter of Corporate Bonds of Guolian Group of 2015 (《關於同意華英證券擔任國聯集團2015年公司債券主承銷商的議案》); Resolution on Revision of Annual Cap of Continuing Connected Transaction in Next Three Years of the Company (《關於修訂公司未來三年持續性關連交易年度上限的議案》); Resolution on New Establishment of Subsidiary in Shenzhen (《關於新設深圳分公司的議案》).

Section 9 Corporate Governance Report

9. The 21st meeting of the 2nd session of the Board

The 21st meeting of the 2nd session of the Board was convened on 9 November 2015, which considered and approved the Resolution on Appointment of International Auditor of 2015 (《關於聘請2015年度國際審計師的議案》); Resolution on Authorization of Corporate Onshore and Offshore Debt Financing (《關於公司境內外債務融資授權的議案》); Resolution on Participating in the Return Swaps Business of China Securities Finance Corporation Limited (《關於參與中國證券金融股份有限公司收益互換業務的議案》); Resolution on Convening the First Extraordinary General Meeting of the Company of 2016 (《關於召開公司2016年度第一次臨時股東大會的議案》).

10. The 22nd meeting of the 2nd session of the Board

The 22nd meeting of the 2nd session of the Board was convened on 8 December 2015, which considered and approved the Resolution on Establishment of a Subsidiary in Hong Kong (《關於設立香港子公司的議案》).

11. The 23rd meeting of the 2nd session of the Board

The 23rd meeting of the 2nd session of the Board was convened on 21 December 2015, which considered and approved the Resolution on Adjustment of Department Setting Adjustment (《關於部門設置調整的議案》); Resolution on Audit Department Renamed as Audit and Supervision Department (《關於稽核審計部更名為審計監察部的議案》); Resolution on Revision of the Basic Regulations for Audit and Supervision of Guolian Securities (《關於修訂《國聯證券審計監察基本制度》的議案》).

(III) THE SUPERVISORY COMMITTEE

1. The 5th meeting of the 2nd session of the Supervisory Committee

The 5th meeting of the 2nd session of the Supervisory Committee was convened on 3 April 2015, which considered and approved The Company's Annual Report for the Year 2014 (《公司2014年年度報告》); The Working Report of the Supervisory Committee for the Year 2014 (《2014年度監事會工作報告》); 2014 Self-evaluation Report on Internal Control of the Company (《公司2014年度內部控制的自我評價報告》).

2. The 6th meeting of the 2nd session of the Supervisory Committee

The 6th meeting of the 2nd session of the Supervisory Committee was convened on 27 August 2015, which considered and approved 2015 Interim Report of the Company (《公司2015年中期報告》).

Section 9 Corporate Governance Report

III. THE BOARD

Composition of the Board

As at the end of the Reporting Period, the Board comprised eight Directors, including two executive Directors, namely Mr. Yao Zhiyong (Chairman) and Mr. Lei Jianhui, three non-executive Directors, namely Mr. Hua Weirong, Mr. Jiang Zhijian and Mr. Liu Hailin, and three independent non-executive Directors, namely Mr. Wang Wei, Ms. Chen Qingyuan and Mr. Fan, Yan Hok Philip.

During the Reporting Period, Mr. Zhu Zhenwu, the Independent-executive Director, tendered his resignation in writing and his resignation was formally effective on 20 March 2015. Mr. Liu Gaoyuan, the non-executive Director, tendered his resignation in writing and his resignation was formally effective on 2 December 2015. As considered and approved by the special general meeting of the Company convened on 28 January 2016, Mr. Zhang Weigang was appointed as non-executive Director of the Company. Currently, Mr. Zhang Weigang has obtained the qualification of acting as a director in a securities company on 14 February 2016 and his term of office commenced on 14 February 2016 and will end on the expiry of this session of Board. Mr. Lei Jianhu, the executive director and the president, tendered his resignation in writing and his resignation was formally effective on 15 March 2016.

All of Directors possess the skills, experience and expertise either in the industry or relevant to the management of the business of the Company.

(I) Chairman and President

During the Reporting Period, the positions of the chairman and president of the Company are held by different persons, so as to ensure the independence of their duties and balance of authorization. Mr. Yao Zhiyong served as the chairman of the Board and Mr. Lei Jianhui served as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

The chairman of the Board is the legal representative of the Company. The chairman, Mr. Yao Zhiyong, leads the Board in determining the Company's development strategy to ensure the effective operation and fulfillment of duties of the Board, and fully discusses the issues within the scope of the Board's duties, so as to ensure that the Directors can receive true, accurate and complete information for making decisions in time. The chairman of the Board shall ensure that the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the interest of the Company and its Shareholders as a whole. During the Reporting Period, Mr. Lei Jianhui, the president, manages the business operations of the Company, organizes the execution of the Board's resolutions, and reports relevant work to the Board. Mr. Lei Jianhui had resigned as the president on 15 March 2016, as approved by the Board, Mr. Yao Zhiyong is served as the president provisionally, resulting in the chairman and president of the Company are acted as by the same individual. The code provision A.2.1 of the Corporate Governance Report, the role of the chairman and president shall be separated, and shall not be performed by the same individual. Since his joining in the Group, Mr. Yao Zhiyong is always one of the core leaders of the Group, who is mainly responsible for development of business strategy and overall development direction of the Group, and he is also familiar with operation of the Group, as such, the Board believes this arrangement will not impair the balance of power and authority between the Directors and the management of Group, nor affect benefit of the Group and shareholders. The Company is actively identifying a suitable candidate to act as the president and make an announcement at the appropriate time.

Section 9 Corporate Governance Report

(II) Non-executive Directors and Independent Non-executive Directors

As at the end of the Reporting Period, the Company had three non-executive Directors and three independent non-executive Directors. The Company entered into a letter of appointment with each non-executive Director and independent non-executive Director, the term of which commences from 6 July 2015 and will expire till the end of term of the second session of the Board.

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 the independence of the independent non-executive Directors.

(III) Relationship between Board Members

None of the Directors, Supervisors and senior management of the Company has any relationship (including financial, business, family or other material/relevant relations) between each other.

(IV) Roles and Responsibilities of the Board

The Board is responsible for the leadership, control and promotion of success of the Company by directing and supervising its business operations in the interests of the Shareholders of the Company through the ways of formulating strategic directions and monitoring the financial and management performance of the Company.

(V) Respective Duties of the Board and the management

Powers and duties of the Board and the management have been clearly specified to ensure adequate check and balance for sound corporate governance and internal control. The Board is primarily responsible mainly for the following duties: convening a general meeting, and reporting thereon; 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 and listing of Company's debentures or other securities; drawing up plans for any substantial acquisition, re-purchasing the shares of the Company; developing plans for the merger, division, transformation and dissolution 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 according to the nomination by the chairman; appointing or removing the Company's senior management such as deputy president, chief financial officer and personnel actually performing the above duties according to the nomination by the president and determining their remunerations, incentives and punishments; formulating the basic management system of the Company.

Section 9 Corporate Governance Report

The management is primarily responsible for implementing the production, operation and management works of the Company, organising the implementation of the resolutions of the Board and reporting to the Board; implementing the Company's annual business plans and investment plans; formulating the Company's specific rules; proposing wages, benefits, incentives and punishments for the Company's employees; and determining the appointment and dismissal of the Company's employees.

(VI) Directors' Performance During the Reporting Period

1. Directors' attendance at the meetings:

The attendance of Directors at the meetings during the Reporting Period is set out below:

Name of Directors	Meetings attended/held during the term					
	Board	Audit Committee	Nomination Committee	Risk Control Committee	Strategy Committee	General Meetings
<i>Executive Directors</i>						
Yao Zhiyong ¹	11/11	NA	NA	4/4	2/2	3/3
Lei Jianhui	11/11	NA	NA	NA	2/2	3/3
<i>Non-executive Directors</i>						
Hua Weirong	10/10	NA	3/3	4/4	2/2	3/3
Jiang Zhijian	10/10	3/3	NA	4/4	2/2	2/3
Liu Hailin	10/10	NA	NA	4/4	NA	3/3
Liu Gaoyuan ⁴	8/8	NA	NA	NA	NA	3/3
<i>Independent Non-executive Directors</i>						
Wang Wei ⁵	10/10	2/2	2/2	NA	NA	3/3
Chen Qingyuan ²	10/10	3/3	3/3	4/4	NA	3/3
Fan, Yan Hok Philip ³	7/8	0/1	1/1	NA	2/2	1/2
Zhu Zhenwu ⁶	2/2	N/A	NA	NA	NA	1/1

Section 9 Corporate Governance Report

1. Mr. Yao Zhiyong is the chairman of the Board and chairman of the Strategy Committee and Risk Control Committee.
2. Ms. Chen Qingyuan is the chairlady of the Audit Committee.
3. Mr. Fan, Yan Hok Philip was appointed as an independent non-executive Director and a member of the Audit Committee of the Company on 20 March 2015, and his position was redesignated from the original member of the Audit Committee to the chairman of the Remuneration and Nomination Committee from 3 April 2015 onwards.
4. Mr. Liu Gaoyuan tendered his resignation in writing and resigned as a non-executive Director of the Company on 2 December 2015.
5. Mr. Wang Wei was appointed as an independent non-executive Director and the chairman of the Remuneration and Nomination Committee of the Company on 19 March 2015. His position was redesignated from the original chairman of the Remuneration and Nomination Committee to a member of the Audit Committee from 3 April 2015 onwards.
6. Mr. Zhu Zhenwu resigned as an independent non-executive Director on 20 March 2015.
7. The Board of Directors authorized the Directors, Yao Zhiyong and Lei Jianhui, to handle the relevant affairs regarding the Listing and to execute documents, in which the Company will treat this as a meeting.

2. Directors' Voting

The Directors agreed that they had not voted against or abstained from voting on all the resolutions of directors and resolutions of committees in which they cost their votes.

3. Performance of Independent Non-executive Directors:

During the Reporting Period, the independent non-executive directors of the Company complied with the relevant requirements under laws, regulations and the Articles of Association, and had adequate time and commitment to perform their duties. The independent non-executive directors were not affected by the substantial shareholders of the Company and other interested units or individuals of the Company when making their independent judgements in the decision-making of the Company and did their best to protect the interest of the minority shareholders of the Company and exercised their duties and authorizations as independent non-executive directors.

During the Reporting Period, the independent non-executive directors did not object any to relevant matters of the Company.

After reviewing (a) the annual confirmation of the time commitment contributed by each Director; (b) the directorships and major commitments of each Director; and (c) the attendance rate of each Director at the Board meetings and the respective board committee meetings as well as general meetings, the Board is satisfied that all Directors have contributed sufficient time in performing their responsibilities during the Reporting Period.

During the year, the chairman of the Board also held one meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Directors.

Section 9 Corporate Governance Report

(VII) Insurance Coverage of Directors

The Company had arranged appropriate insurance coverage in relation to any legal actions which may arise against the Directors.

(VIII) Training for Directors

The Directors confirmed that they had complied with Code Provision A.6.5 of the CG Code in relation to the training of Directors. During the Reporting Period, Mr. Yao Zhiyong, Mr. Lei Jianhui, Mr. Hua Weirong, Mr. Jiang Zhijian, Mr. Liu Hailin, Mr. Wang Wei, Ms. Chen Qingyuan, Mr. Fan, Yan Hok Philip has received training in relation to the compliance issues of Hong Kong-listed companies. In addition, Mr. Fan, Yan Hok Philip received six training courses for corporate governance, control and industry related aspects.

(IX) Board Meetings and Procedures

During the Reporting Period, the Board convened 11 Board meetings. The chairman of the Board convenes regular Board meetings and the notices of Board meetings shall be sent to all Directors in writing 10 working days before the meeting. A regular Board meeting does not include the practice of obtaining consent from the Board through circulating written resolutions.

The Directors may, before the meeting, inquire about the information needed for decision making from relevant persons or institutions such as the office of the Board, the convener of the meeting, the general manager and other senior management members, committees, accounting firm and law firm, or may, while the meeting is underway, suggest to the Chairman of the meeting that the aforesaid persons or institutions to attend at the meeting to make relevant explanations, at the expense of the Company.

For a regular Board meeting, the secretary to the Board (or the competent office of the Board) is responsible for collecting draft proposals, which shall be submitted by proponents 14 days before the date of the meeting together with explanatory materials. After summarising relevant materials, the secretary to the Board shall submit the place, time and agenda of the board meeting to the Chairman. Before giving the notice on convening a regular meeting, the office of the Board shall fully consult all Directors to form the initial proposal and then submit them to the Chairman for approval. The Chairman, if necessary, shall consult the president or other senior management staff before finalizing the proposal.

Section 9 Corporate Governance Report

For a special meeting of the Board, it shall give a meeting notice in writing to all directors five days before the meeting. When an interim meeting needs to be held as early as possible in case of emergency, the meeting notice is allowed to be given by telephone or otherwise verbally at any time provided that the convener makes necessary explanations at the meeting.

When a Director and the legal persons and natural persons involved in the resolutions of the Board ' meeting have certain interests or connection, such Director shall not exercise his/her voting rights on such resolutions nor can he/she exercise any voting rights on behalf of other Directors. The Board' meeting may be held if it is attended by more than one half of the unconnected or uninterested Directors, and the resolutions of the Board' meeting shall be passed by more than one half of the unconnected or uninterested Directors.

The Secretary to the Board shall arrange the Office of the Board staff to keep the minutes of the Board meeting. A director present at the meeting shall have the right to require an explanatory note to be made in the minutes in respect of his speech at the meeting. The minutes of Board meeting shall be kept by the secretary to the Board as files of the Company. The Secretary to the Board shall make the minutes of meetings openly available for inspection in any reasonable period of time by Directors, who has made a reasonable notice in respect thereto.

IV. SUPERVISION COMMITTEE

(I) Supervisors' attendance at the meetings of the Supervisory Committee:

Name of Supervisors	Number of meetings required to attend	Number of meetings attended
Yin Zhuowei	2	2
Jin Guoxiang	2	2
Yang Xiaojun	2	2
Zhou Weixing	2	1
Shan Xudong	2	2

(II) During the Reporting Period, the Supervisory Committee of the Company had no objection to the matters supervised.

Section 9 Corporate Governance Report

V. BOARD COMMITTEES

For the purpose of corporate governance, the corporate governance policies formulated by the Company shall state clearly that the Board is responsible for formulating and reviewing corporate governance policies and practices of the Company; reviewing and monitoring training and continuous professional development of the Directors and senior management; reviewing and monitoring policies and practices of the Company in compliance with laws and regulatory requirements; formulating, reviewing and monitoring the code of conduct and compliance manual for employees and the Directors of the Company; and reviewing the compliance by the Company with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report.

To assist the Board in executing its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration and Nomination Committee, Strategy Committee and Risk Control Committee.

Clear written terms of reference of all the Board Committees are provided to respective members of these Committees. Details of the Board Committees are set out as follows:–

(I) Audit Committee

The Audit Committee comprises three non-executive Directors, namely Ms. Chen Qingyuan (Chairlady) and Mr. Wang Wei, being independent non-executive Directors, and Mr. Jiang Zhijian, being a non-executive Director.

The specific written terms of reference of the Audit Committee are available on the websites of Stock Exchange and the Company. The main responsibilities of the Audit Committee are:

- (a) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial and other reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Group, and as to the adequacy of the external and internal audits;
- (b) to be primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the authorized independent auditors (“External Auditors”), and to approve the remuneration and terms of engagement of External Auditors, and any questions of its resignation or dismissal;

Section 9 Corporate Governance Report

- (c) to serve as a focal point for communication between other Directors, External Auditors and internal auditors or any person responsible for internal audit function (“IA People”) as regards to their duties relating to financial and other reporting, risk management, internal controls, external and IA People and such other matters as the Board may determine from time to time;
- (d) to review and monitor External Auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (e) to review and monitor the effectiveness of the Company’s financial control, internal control and risk management systems;
- (f) other responsibilities as required in the terms of reference of the Audit Committee.

During the Reporting Period, the Audit Committee convened a total of 3 meetings. The Audit Committee mainly discussed about the following issues: the 2014 annual financial statements, 2015 annual financial budgets, 2015 interim report and engagement of domestic and foreign audit firms, etc. At the same time, the Audit Committee also performed its duty on reviewing the 2015 annual results and performed the reporting of other responsibilities as set out in the Code.

(II) Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three non-executive Directors, namely Mr. Fan, Yan Hok Philip (Chairman), Ms. Chen Qingyuan being an independent non-executive Director and Mr. Hua Weirong, being a non-executive Director.

The specific written terms of reference of the Remuneration and Nomination Committee are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Remuneration and Nomination Committee are:

- (a) to consult the chairman and/or chief executive officer about their remuneration proposals for other executive directors;
- (b) to make recommendations to the Board regarding the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for formulating remuneration policy;
- (c) to review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;

Section 9 Corporate Governance Report

- (d) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (e) to make recommendations to the Board on the remuneration of non-executive Directors;
- (f) to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (g) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection and of individuals nominated for directorships;
- (h) to assess the independence of Independent non-executive Directors of the Company;
- (i) to make recommendations to the Board on the appointment or re-appointment of Directors of the Company and succession plan for Directors of the Company, especially for chairman and chief executive officer; and
- (j) other responsibilities as required in the terms of reference of the Remuneration and Nomination Committee.

During the Reporting Period, the Remuneration and Nomination Committee convened a total of 3 meetings. The Remuneration and Nomination Committee mainly discussed and made recommendations to the Board in relation to the following issues: the change of chief financial officer, annual remuneration distribution scheme, implementation of group annuity insurance scheme and proposal for the distribution of listing incentive pay and made recommendations. At the same time, the Remuneration and Nomination Committee also formulated the policies for Directors' remuneration, evaluated the performance of executive Directors and approved the terms of service contracts of executive Directors, and made recommendations to the Board regarding the salary package of individual executive Director. For the board diversity policy of the Company, please refer to the relevant contents in the 14th paragraph of this section. The Remuneration and Nomination Committee also discussed and made the recommendations on the board diversity policy.

(III) Strategy Committee

During the Reporting Period, the Strategy Committee comprises five Directors, namely Mr. Yao Zhiyong (Chairman) and Mr. Lei Jianhui, being executive Directors, Mr. Hua Weirong and Mr. Jiang Zhijian, being Non-Executive Directors, and Mr. Fan, Yan Hok Philip, being an independent non-executive Director. Mr. Lei Jianhui resigned as a member of the Strategy committee on 15 March 2016

Section 9 Corporate Governance Report

The specific written terms of reference of the Strategy Committee are available on the websites of Stock Exchange and the Company. The main responsibilities of the Strategy Committee are:

- (a) to study and review the strategic development plans of the Company and making recommendations to the Board;
- (b) to implement information exchange and research within the industry, understand the development and trend of macro economy and securities industry and prepare specific strategic reports;
- (c) to conduct preliminary review of the Company's annual operating plans and strategic capital allocation plans and make recommendations to the Board;
- (d) to study major investment financing programs which require to be approved by the Board or the Risk Control Committee as stated in the Articles of Association or in the terms of reference of the Risk Control Committee and make recommendations to the Board;
- (e) to study major capital operation and assets management projects which require to be approved by the Board as stated in the Articles of Association and make recommendations to the Board;
- (f) to evaluate the balanced development of various business segments and make recommendations to the Board;
- (g) to review the major constitutional restructuring and organizational structure plans and make recommendations to the Board;
- (h) to study other important matters affecting the Company's development and make recommendations to the Board; and
- (i) other responsibilities as required in the terms of reference of the Strategy Committee.

During the Reporting Period, the Strategy Committee convened a total of 2 meetings. The Strategy Committee mainly discussed and made recommendation to the Board in relation to the following issues: the establishment of the organizational structure and scheme of principal business size for the financial year, etc.

(IV) Risk Control Committee

The Risk Control Committee comprises five Directors, namely Mr. Yao Zhiyong (Chairman), being an executive Director, Mr. Hua Weirong, Mr. Jiang Zhijian and Mr. Liu Hailin, being non-executive Directors, and Ms. Chen Qingyuan, being an independent non-executive Director.

Section 9 Corporate Governance Report

The specific written terms of reference of the Risk Control Committee are available on the websites of Stock Exchange and the Company. The main responsibilities of the Risk Control Committee are:

- (a) to review and give opinions on the overall objectives and basic policies of compliance management and risk management;
- (b) to review and give opinion on the establishment of specific departments and duties of compliance management and risk management;
- (c) to evaluate and give opinion regarding the risks of the major decisions approved by the Board and solutions to solve such major risks;
- (d) to review and give opinion on compliance reports and risk evaluation reports approved by the Board; and
- (e) other responsibilities as required in the Terms of Reference of the Risk Control Committee.

During the Reporting Period, the Risk Control Committee convened a total of 4 meetings. The Risk Control Committee mainly discussed the review of policies and practices in respect of the compliance with laws and regulatory requirements, assessment of risk in significant decision-making, resolution for material risks and other matters. At the same time, the Risk Control Committee also performed its duty on review of risk management and internal control system and reporting of effectiveness of internal audit function.

VI. SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors, Supervisors and relevant employees' securities transactions. Having made specific enquiries with all Directors, Supervisors and relevant employees, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code from the listing date up to the end of the Reporting Period.

VII. REMUNERATION OF SENIOR MANAGEMENT

For details of the emoluments of senior management as disclosed by the Company by remuneration range during the Reporting Period, please refer to Section 8 "I. Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period" of this report.

VIII. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. The risk management and internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses. At the same time, the Audit Committee and Risk Control Committee of the Company are responsible for its internal audit and risk management.

The management is primarily responsible for the design, implementation and maintenance of the risk management and internal control system to safeguard the Shareholders' investment interests and assets of the Group. The management monitors the business activities closely and reviews the financial results of operations against budgets/forecast on a monthly basis. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Company's accounting policies and applicable laws and regulations.

The management conducts reviews from time to time on the effectiveness of the Company's risk management and internal control system with a view to identify any areas that need improvement. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the risk management and internal control system and evaluating findings on any deficiencies in the design of the risk management and internal controls. The reviews covered major operating aspects of the business of the Company, including brokerage business, assets management business, credit trading business and securities investment business of the Company and other operating segments. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk, reputation risk and compliance risk, are also important to the business of the Company. The Company has implemented policies and procedures on these segments and continuous revisions on the relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management mainly rest on Compliance Risk Control Department and Audit Supervision Department. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The Company has established anti-fraudulent management related system, which clearly stated the concept and form of fraud, responsibility body and permanent establishment, responsibility attribution, fraud prevention and control, and listed the critical information like whistleblowing hotline, whistleblowing mailbox, fraud whistleblowing, investigation, reporting process and remedial measures and punishment. At the same time, the Company sets up an independent Audit and Supervision Department, which will be delegated as the regular department of the Company for anti-fraudulent works.

Section 9 Corporate Governance Report

The Company has established the information disclosure management system, which clearly stated the basic principles of information disclosure, content, disclosure management procedures, confidentiality measures, etc. At the same time, the Company appoints the secretary to the Board and the company secretary to be responsible for the information disclosure of the Company, and the office of the Board is the specific executive body responsible for the information disclosure of the Company.

The Company has established the connected transaction management system, which clearly stated the explanation on the definition of connected persons, the definition and type of connected transaction under the Listing Rules. It standardizes the review mechanism for connected transaction, reporting process, auditing supervision, legal liability and punishment requirements. The secretary to the Board of the Company shall be responsible for managing the files for connected persons and collection, disclosure, reporting of connected transactions and their submission for approval. The company secretary shall assist the secretary to the Board or, under delegation of the Secretary to the Board, to conduct related matters. The office of the Board is the specific executive body.

The Board and the Audit Committee had conducted a review on the effectiveness of risk management and internal control system of the Company. The review covered all significant supervision and control, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Board considers that the Company's risk management and internal control system are effective and adequate.

IX. COMMUNICATION WITH SHAREHOLDERS

The general meetings shall be the highest authority of the Company. All Shareholders exercise their power through the general meetings. The Company formulates Procedures and Rules of General Meeting to ensure the compliance of the convening and holding of general meetings. The Company explicitly specifies Shareholders' rights in the Articles of Association to ensure the rights of Shareholders, especially the minority Shareholders. The Company treats all Shareholders impartially.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to their opinions and suggestions and tries to meet their reasonable requests in time. The Company sets up "Investor Relations" column on its website www.glsc.com.cn for publishing such information as announcements and financial data of the Company. Shareholders can also call the Company directly to inquire about relevant information, and the Company will deal with such inquiry in a timely and proper manner.

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

X. SHAREHOLDERS' RIGHTS

The Company convenes and holds general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and ordinary Shareholders. All of the Company's Directors, Supervisors and senior management shall attend general meetings in accordance with Articles of Association and answered questions from Shareholder.

Procedures of Shareholders' application for convening general meetings and proposing resolutions at the general meeting

Shareholders may, pursuant to Article 8.08 of Articles of Association which states that "Shareholder(s) who severally or jointly holding more than 10% shares of the Company shall have the right to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to the relevant laws, administrative regulations and the Articles of Association, give a written reply stating its consent or reject for the convening of the extraordinary general meeting within 10 (ten) days after receiving the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 (five) days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give any reply within 10 (ten) days after receiving the proposal, shareholder(s) severally or jointly holding more than 10% shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 (five) days after receiving the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the stipulated term, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result of its failure to do so for more than 90 consecutive days, the shareholder(s) severally or jointly holding more than 10% shares of the Company may convene and preside over such meeting by itself/ themselves. All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting directors." and Article 8.23 "Shareholder(s) severally or jointly holding more than 3% shares of the Company may submit written provisional proposals to the convener 10 (ten) days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting to give details of the provisional proposals within 2 (two) days after the receipt thereof, and publish the contents of provisional proposals. Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of the general meeting or add any new proposal after the said notice is served." 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 websites of the Company and the Stock Exchange. The Company encourages shareholders to attend the general meeting, and make suggestions by the following ways: make directly questions with the Board and the Board committees on the matters in relation to operation and governance, or submit the company secretary such suggestions by the following manners (1) to deliver in writing with the address of office of the Company in the PRC: 9/F, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Postal code: 214000, or (ii) Email: glsc-ir@glsc.com.cn.

Section 9 Corporate Governance Report

XI. AMENDMENTS TO ARTICLES OF ASSOCIATION

During the Reporting Period, one round of amendments to the Articles of Association was made and was approved at the general meeting held on 5 January 2015. Details of the amendments to the Articles of Associations are stated in announcements published on the websites of the Company and Stock Exchange on 3 July 2015.

XII. INVESTOR RELATIONS

Dedicated to becoming an elite listed company in Hong Kong capital markets, the Company has always given priority to continuous enhancement of Shareholders' value, paid high attention to investor relations management, gradually established clearly two-way communication channels with investors and kept improving the corporate governance structure. During the Reporting Period, the Company communicated with investors by ways of conducting non-transaction roadshows, telephone calls, emails, receiving visitors and hosting investor conferences, and treated all investors equally to ensure that all Shareholders can fully and impartially exercise their rights.

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

XIII. JOINT COMPANY SECRETARIES

Mr. Li Zhenquan, the secretary to the Board, is responsible for making recommendations to the Board and Directors for the corporate governance and ensuring the policies and procedures of the Board, governing laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, Ms. Lin Fanyu and Ms. Leung Wing Han Sharon, the joint company secretaries of the Company, assist Mr. Li Zhenquan in fulfilling the duties as the secretary to the Board. Ms. Lin Fanyu is an employee and the main contact person of the Company and Ms. Leung Wing Han Sharon is a director of SW Corporate Services Group Limited. The Company's main contact person is Ms. Lin Fanyu and Ms. Leung Wing Han Sharon, Joint Company Secretaries of the Company. Ms. Leung Wing Han Sharon's main contact person in the Company is Ms. Lin Fanyu, Joint Company Secretary of the Company. As at the end of the Reporting Period, Ms. Lin Fanyu and Ms. Leung Wing Han Sharon accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

XIV. 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 summarised as follows: the Company recognises the importance of diversity to corporate governance and the Board's effectiveness. The board diversity policy established by the Company is to set out the basic principles to be followed to ensure that the members of the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. The nomination and appointments of members of the Board will continue to be made on a merit basis based on the Company's business needs from time to time while taking into account diversity. Selection of the Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industrial experience and professional experience.

XV. RESPONSIBILITIES OF DIRECTORS CONCERNING FINANCIAL STATEMENTS

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

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.

XVI. AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditors to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. The Audit Committee was of the view that the Company's auditors, PricewaterhouseCoopers ("PwC") is independent and makes certain recommendations to the Board. In order to maintain their independence, unless the non-audit works meets the criteria as defined in the Listing Rules and has received prior approval from the Audit Committee, the Company will not appoint External Auditors to engage in non-audit works.

Section 9 Corporate Governance Report

During the Reporting Period, PwC has rendered services to the Company and the remuneration paid/payable by the Company to PwC is set out as follows:

Service rendered	Fees paid/ payable (RMB'0,000)
Audit services:	160
Non-audit services:	
Review of the Interim Financial Report	78

XVII. OTHER MATTERS

(I) Internal Control

1. Responsible Statement on Internal Control

It is the responsibility of the Board of the Company to establish a comprehensive and effectively implemented internal control in accordance with the requirements of the enterprise internal control regulated system to evaluate its effectiveness and truthfully disclose the internal control evaluation reports. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company warrants that the contents in this report do not contain any false representation, misleading statement or material omission, and jointly and severally accept the legal responsibility regarding the truthfulness, accuracy and completeness of the content of the report.

2. Basis of Establishment of Internal Control and Development of Internal Control System

The Company emphasized the development of internal rules and regulations and management system. A comprehensive corporate internal control system has been established by the Company in accordance with the Company Law, Securities Law, Fundamental Norms on Enterprise Internal Control, Listing Rules and its supporting guidance and the supervision requirements on internal control from CSRC, and the Company always places the development of internal control throughout the operation and development of the Company, and adheres to the principles of giving priority to system procedures (制度流程先行) during the business operation, constantly perfect the internal control system, regulate system enforcement, enhance supervision and inspection which to promote the continuous and sound development for the Company.

Section 9 Corporate Governance Report

The Company has established an internal system which covers environment control, business control, capital management and accounting control, electronic information control, human resources and remuneration management, compliance management and risk control. The internal control set up by the Company includes various mechanisms such as prior prevention, supervision when incident occurred and post examination, which formed a comprehensive and systematic internal control system with check and balance among different positions in a department and different departments, and have independent supervision by the compliance and risk control department, and audit and supervision department.

3. Conclusion of Internal Control Evaluation and Opinions of Internal Control Auditing Report

According to the provisions of the Basic Standard for Enterprise Internal Control and its supporting guidance (《企業內部控制基本規範》) as well as the requirements of other relevant laws and regulations, the Company conducted self-evaluation regarding the effectiveness of internal control design and operation of the Company as at 31 December 2015.

The Company put great importance on the construction and improvement of internal control system and regard the internal control management and compliance culture as an important element of corporate development strategy. The Company set up a more regulated corporate governance structure which formed an internal control system with clear responsibilities and duties, with check and balance. The company established and perfected a more integrated internal control system in which different control measures have covered different segments such as prior prevention beforehand, supervision when incident occurred and post examination on each business, thereby establishing a more comprehensive compliance governance system. There is no material defect in the corporate internal control system, or exists any major deviation during the process of operation activities. The internal control system of the Company is effective as a whole which can effectively protect the legality and compliance of corporate operation management and assets security to prevent the existence of major and significant defects. During the Reporting Period, there was no occurrence of irregular action and material internal control problems, nor was it exposed to penalty or public censure. The Company and its Directors, Supervisor and senior management were free from any penalty by CSRC, Securities Association of China, Stock Exchange, Financial Futures Exchange and any public censure, nor under any punishment records under the departments of finance and taxation, foreign exchange and audit. The risk that may cause by common defects is under control in which they will not result any significant impact on the quality of corporate operation management activities and financial targets, and we have conscientiously implemented the rectification. There was no major change on internal control that would make substantial impact on the evaluation conclusion from the date of corporate internal control report to the date of publishing the internal control evaluation report.

Section 9 Corporate Governance Report

The Company noticed that internal control should follow and adapt to the operation scale, business scope, competition situation and risk level of the Company with timely adjustment as the conditions change. The Company will continue to improve the internal control system, regulate the enforcement of internal control system and enhance the supervision and inspection on internal control for the purpose of facilitating the healthy and sustainable development of the Company.

The attestation opinion on the internal control of the Company in 2015 issued by Jiangsu Gongzheng Tianye Certified Public Accountants LLP was: “we are of the opinion that, the internal control system and measures formulated by Guolian Securities in accordance with “Fundamental Norms on Enterprise Internal Control” (《企業內部控制基本規範》) and “Internal Control guidelines on Securities Company” (《證券公司內部控制指引》) had maintained an effective internal control relevant to the financial statements in all major respects as at 31 December 2015”. Su Gong No. W[2016]E1180.

(II) Development Compliance Management System and Compliance Inspection

The Company has set up the compliance management organization structure comprising risk control committee under the Board of Directors, risk management committee under the operation management of the Company, chief compliance officer, compliance and risk control department, departmental compliance and risk control personnel. In order to further achieve the compliance management and comprehensive risk management, according to the corporate development plan, the compliance and risk control department completed the adjustment on the second-level sector department in January 2015, established three second-level departments such as legal and business department, compliance management department, and risk management department. It adjusted and clearly defined the manpower deployment and functional division of the second-level sector.

The Company set up over 30 compliance management systems, including the “Basic Regulations of Compliance Management of Guolian Securities” (《國聯證券合規管理基本制度》), “Compliance Audit and Consulting Measurements” (《合規審查及諮詢辦法》) and “Employees Violation Penalty and Leadership Accountability System” (《員工違規處罰及領導責任追究制度》) etc. Meanwhile, the Company regulates and rectifies the system of each business segment of the Company to enable the requirements of compliance management are more operational in all procedures. The Company implemented all compliance management measures earnestly through strengthening the development of compliance management system and achieved improving results during the course of compliance operation.

In 2015, Guolian Securities Co., Ltd. adhered to the development-oriented compliance management, grasp risk control as key point to improve continuously the compliance management mechanism and organization construction, carrying out all works in respect of compliance and risk control, earnestly implement various supervision requirements, which enabled the Company to achieve a stable and orderly development for the various businesses of the Company.

Section 9 Corporate Governance Report

1. Enhance System Development, Improve Working Mechanism

In 2015, the Company revised the “Measures for the Management of Internal Control System of Guolian Securities” (《國聯證券內控制度管理辦法》) which mainly standardized the process of drafting, issuance, amendment and abolishment of various systems of the Company, further implemented the compliance of the management function of different departments when refer to the formulation of internal control. In order to speed up the contract approval process, the Company reorganized the contract arrangements by categorizing into business and non-business contracts with standardized contract contents.

As for each business department level, the compliance and risk control department formulated the “External Access Management System on Information System of Guolian Securities” (《國聯證券信息系統外部接入管理制度》) which further enhanced the risk management control on the external access of the corporate information system to safeguard the corporate information system.

The compliance and risk control department cooperated with the brokerage business management headquarters and information technical department to formulate and revise the “Stock Option Brokerage Business System Assemble of Guolian Securities” (《國聯證券股票期權經紀業務制度彙編》), “Emergency Management Measures on Information System of Guolian Securities” (《國聯證券信息系統應急管理辦法》) and “Emergency Contact Manual” (《應急聯絡人手冊》) which further standardized the compliance development of the corporate business operation, strengthen the functionality of relevant positions and information reporting processes.

Furthermore, the compliance and risk control department also revised and improved the “Credit Transaction Business Compliance and Assessment Indicators of Risk Management of Guolian Securities” (《國聯證券信用交易業務合規與風險管理考核指標》) which added several assessment contents of relevant business such as organizational structure, system authority management, margin financing and securities lending, securities-backed lending and securities repurchase.

2. Compliance Audit Implementation, Provision of Consulting Support

The compliance and risk control department of the Company organized to perform compliance audit on contract agreement, judicial assistance, external reporting materials, research report, information disclosure and outgoing messages etc., and discovered in time and rectified any violation and risk events. The Company also organized to set up knowledge database in laws, regulations and policy in which every local regulatory policy is analyzed and interpreted for the purpose of providing compliance assistance for the corporate business department.

Section 9 Corporate Governance Report

3. Implement Special Inspection on Compliance, Investigate and Rectify Various Risks

The compliance and risk control department strengthened the inspection on the internal control management, marketing staff management, customer appropriateness management, anti-money laundering of branches and branch offices. In 2015, the compliance and risk control department carried out comprehensive compliance inspection regarding the business and corporate asset management, margin financing and securities lending business of 8 branches and branch offices. It put forward rectification suggestions on the problems discovered under inspection and delivered clear requirements that the branches and branch offices should positively rectify and reform and reciprocate, and follow-up tracking works will be carried out.

(III) Working Information of Audit and Supervision Department

The objective of the audit and supervision department is to perfect corporate internal control, facilitate continuous regulated development, ensure the legality and compliance operation of the Company and to prevent risks. The department adheres to the vision of prudent and practicability, seeking truth from facts, team cooperation, and innovative development, entwining the operation developing target of the Company, actively organize and conduct different auditing works, practically implement the function of the department according to annual audit and supervision work plan. The Company completed 37 auditing and supervisory reports under different aspects, of which, 12 were resignation audit reports, 8 were branch and branch office comprehensive inspection reports, 16 were on-site inspection reports regarding the person-in-charge of securities sales department during the period of on-leave enforcement, 1 was efficiency evaluation report on annual compliance of the Company. The audit inspection projects covered brokerage business, credit transactions, financial management, compliance management, internal control and personal management etc. Through organizing on-site audits, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. The purpose of which was to provide audit rectification measures and suggestions in time to rectify the problems and deficiencies discovered during audit, and strive to urge the implementation of audit rectification issues, which thereby promote and support the regulated development of the different businesses of the Company..



羅兵咸永道

To the shareholders of Guolian Securities Co., Ltd.

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

We have audited the consolidated financial statements of Guolian Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 151 to 157, 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 ended 31 December 2015, 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 gives 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 the 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 the consolidated financial statements that gives 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.

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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, 29 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
Revenue			
– Commission and fee income	5	2,235,533	1,079,828
– Interest income	6	925,095	374,827
– Net investment gains	7	665,954	665,852
		3,826,582	2,120,507
Other income	8	6,604	11,149
Total revenue and other income		3,833,186	2,131,656
Commission and fee expense	9	(436,744)	(269,114)
Interest expense	10	(460,075)	(203,028)
Staff costs	11	(563,090)	(375,136)
Depreciation and amortisation	12	(44,007)	(43,129)
Other operating expenses	13	(432,160)	(294,099)
Impairment losses	14	(55,200)	(283)
Total expenses		(1,991,276)	(1,184,789)
Share of profit of investments in associates	23	29,629	16,258
Other gains, net	15	118,795	–
Profit before income tax		1,990,334	963,125
Income tax expense	16	(492,047)	(232,747)
Profit for the year		1,498,287	730,378
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investments in associates	38	467	6,272
Available-for-sale financial assets			
– Changes in fair value	38	(73,946)	389,211
– Income tax effect on changes in fair value	38	18,486	(97,303)
– Amounts reclassified to profit or loss upon disposal of available-for-sale financial assets	38	(103,412)	(80,430)
Other comprehensive income for the year, net of tax		(158,405)	217,750
Total comprehensive income		1,339,882	948,128

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
Profit attributable to:			
– Shareholders of the Company		1,471,438	714,955
– Non-controlling interests	17	26,849	15,423
		1,498,287	730,378
Profit attributable to shareholders of the Company		1,471,438	714,955
Total comprehensive income attributable to:			
– Shareholders of the Company		1,313,033	932,705
– Non-controlling interests	17	26,849	15,423
		1,339,882	948,128
Total comprehensive income attributable to shareholders of the Company		1,313,033	932,705
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
Basic/Diluted	18	0.88	0.48

Consolidated Statement of Financial Position

As at 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
Assets			
Non-current assets			
Property, plant and equipment	20	103,640	104,652
Goodwill	21	–	–
Intangible assets		28,580	24,071
Investments in associates	23	203,498	195,401
Other non-current assets	24	18,990	23,541
Available-for-sale financial assets	25	753,025	79,884
Held-to-maturity financial assets	26	–	10,000
Deferred income tax assets	27	92	–
Refundable deposits	28	128,144	88,083
Total non-current assets		1,235,969	525,632
Current assets			
Other current assets	29	239,346	190,155
Available-for-sale financial assets	25	819,400	809,189
Margin accounts receivable	30	6,085,353	3,738,358
Financial assets held under resale agreements	31	1,546,219	1,460,909
Derivative financial assets	32	57	–
Financial assets at fair value through profit or loss	33	2,594,049	4,279,893
Clearing settlement funds	34	4,359,730	2,775,549
Cash held for brokerage clients	35	10,332,986	5,718,733
Cash and bank balances	36	3,960,527	950,417
Total current assets		29,937,667	19,923,203
Total assets		31,173,636	20,448,835

Consolidated Statement of Financial Position

As at 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	37	1,902,400	1,500,000
Share premium	38	2,178,478	135,638
Reserves	38	1,522,573	1,264,407
Retained earnings		2,131,832	1,181,965
Total equity attributable to shareholders of the Company		7,735,283	4,082,010
Non-controlling interests		293,486	266,637
Total equity		8,028,769	4,348,647
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	27	30,186	115,048
Bonds in issue	39	1,800,000	2,150,000
Total non-current liabilities		1,830,186	2,265,048
Current liabilities			
Other current liabilities	40	590,220	380,586
Current income tax liabilities		95,001	89,205
Bonds in issue	39	3,850,000	300,000
Due to other financial institutions		–	550,000
Derivative financial liabilities	32	17	–
Financial assets sold under repurchase agreements	42	427,996	2,251,098
Financial liabilities at fair value through profit or loss	43	2,794,146	2,495,469
Accounts payable to brokerage clients	44	13,557,301	7,768,782
Total current liabilities		21,314,681	13,835,140
Total liabilities		23,144,867	16,100,188
Total equity and liabilities		31,173,636	20,448,835

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				Non-controlling interests	Total equity
	Share capital (Note 37)	Share Premium	Reserves (Note 38)	Retained earnings		
Balance at 1 January 2015	1,500,000	135,638	1,264,407	1,181,965	266,637	4,348,647
Profit for the year	-	-	-	1,471,438	26,849	1,498,287
Other comprehensive income for the year (Note 38)	-	-	(158,405)	-	-	(158,405)
Total comprehensive income for the year	-	-	(158,405)	1,471,438	26,849	1,339,882
Issuance of ordinary shares, net	402,400	2,042,840	-	-	-	2,445,240
Dividends recognised as distribution	-	-	-	(105,000)	-	(105,000)
Appropriation to reserves	-	-	416,571	(416,571)	-	-
Balance at 31 December 2015	1,902,400	2,178,478	1,522,573	2,131,832	293,486	8,028,769
Balance at 1 January 2014	1,500,000	135,638	862,073	711,594	251,214	3,460,519
Profit for the year	-	-	-	714,955	15,423	730,378
Other comprehensive income for the year (Note 38)	-	-	217,750	-	-	217,750
Total comprehensive income for the year	-	-	217,750	714,955	15,423	948,128
Dividends recognised as distribution	-	-	-	(60,000)	-	(60,000)
Appropriation to reserves	-	-	184,584	(184,584)	-	-
Balance at 31 December 2014	1,500,000	135,638	1,264,407	1,181,965	266,637	4,348,647

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	1,990,334	963,125
Adjustments for:		
Depreciation and amortisation	44,007	43,129
Impairment losses/(reversal) of available-for-sale financial assets	30,988	(234)
Net gains on disposal of property, plant and equipment and other intangible assets	61	(12)
Foreign exchange gains	(113,076)	(40)
Share of profit of associates	(29,629)	(16,258)
Interest expense of bonds in issue and short-term notes	263,769	64,778
Realised gains from disposal of available-for-sale financial assets	(265,268)	(99,923)
Dividends and interest income from available-for-sale financial assets	(40,335)	(7,611)
Realised gains from disposal of held-to-maturity financial assets	(155)	-
Interest income on held-to-maturity financial assets	(160)	(178)
	1,880,536	946,776
Net (increase)/decrease in operating assets:		
Net increase in margin accounts receivable	(2,346,995)	(2,591,406)
Net decrease in financial assets held for trading and derivative financial assets	1,685,787	529,230
Net increase in financial assets held under resale agreements	(85,310)	(1,000,289)
Net increase in refundable deposits	(40,061)	(53,930)
Net increase in cash held for brokerage clients	(4,614,253)	(2,935,093)
Net increase in clearing settlement funds	(1,198,669)	(1,241,857)
Net increase in other assets	(49,191)	(22,729)
Net increase/(decrease) in operating liabilities:		
Net increase in accounts payable to brokerage customers	5,788,519	4,312,913
Net decrease in financial assets sold under repurchase agreements	(1,823,102)	(334,576)
Net (decrease)/increase in due to other financial institutions	(550,000)	350,000
Net increase in other liabilities	209,634	201,141
Net increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	298,694	1,119,736
Income tax paid	(517,315)	(121,207)
	(3,242,262)	(1,788,067)
Net cash outflow from operating activities	(1,361,726)	(841,291)

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 investments	40,495	7,789
Proceeds on disposal of property, plant and equipment, intangible assets and other long-term assets	498	4,591
Purchase of property, plant and equipment, intangible assets and other long-term assets	(43,513)	(32,970)
Cash paid for purchase of available-for-sale financial assets	(2,768,128)	(1,641,083)
Cash received from disposal of available-for-sale financial assets	2,107,226	1,446,298
Cash received from disposal of held-to-maturity financial assets	10,155	–
Dividends received from investments in associates	15,139	9,892
Cash received from disposal of investments in associates	15,930	–
Payment for investments in associates	(10,000)	–
Net cash outflow from investing activities	(632,198)	(205,483)
Cash flows from financing activities		
Net proceeds from issuance of ordinary shares	2,445,240	–
Dividends paid	(105,000)	(60,000)
Cash received from additional bonds in issue	5,310,000	1,800,000
Cash for repayment of bonds in issue	(2,110,000)	–
Interest expense of bonds in issue and short-term notes	(263,770)	(64,778)
Net cash inflow from financing activities	5,276,470	1,675,222
Net increase in cash and cash equivalents	3,282,546	628,448
Effect of exchange rate changes on cash and cash equivalents	113,076	40
Cash and cash equivalents at beginning of year	1,472,282	843,794
Cash and cash equivalents at end of year (Note 45)	4,867,904	1,472,282

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

1 General information

Guolian Securities Co., Ltd. (國聯證券股份有限公司) (the “Company”) is a joint stock financial institution incorporated in Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company, originally named as Wuxi Securities Company (無錫市證券公司), was set up upon approval from the People’s Bank of China in November 1992 as a collectively owned enterprise with an initial registered capital of RMB32 million. On 8 January 1999, the Company was converted to a limited liability company and was renamed as Wuxi Securities Co., Ltd. (無錫證券有限責任公司). On 16 May 2008, Wuxi Securities Co., Ltd. was converted to a joint-stock company upon approval by the China Securities Regulatory Commission (the “CSRC”) with a registered capital of RMB1,500,000 thousand and was renamed as Guolian Securities Co., Ltd. (國聯證券股份有限公司).

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 6 July 2015. Under this offering, the Company issued a total of 402,400 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB1,902,400 thousand.

As at 31 December 2015, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution licence No. Z23332000 and business licence No. 320200000201512310178. The registered address of the Company is No.8 Jinrong One Street Wuxi, Jiangsu Province PRC.

The Company and its subsidiaries (the “Group”) are engaged in the following principal activities: securities and futures brokerage, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary securities investment, asset management, introducing broker for futures companies, margin financing and securities lending, and agency sale of financial broker products.

These consolidated financial statements were authorised for issue by the Board on 29 March 2016.

Notes to the Consolidated Financial Statements

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

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

2.1 New and amended standards adopted by the Group

The following amendments to 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'.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

2 Basis of preparation (continued)

2.2 New Hong Kong Companies Ordinance

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.

2.3 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.

Notes to the Consolidated Financial Statements

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

2 Basis of preparation (continued)

2.3 New standards and interpretations not yet adopted (continued)

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 IFRS 15.

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.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.2 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 or an investor. 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).

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.2 Consolidation (continued)

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.

However, the portion of consolidated SEs' equity and net profits and losses for the period not attributable to the Group are recognised as financial liabilities at fair value through profit or loss and net investment gains.

3.1.3 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.4 Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, 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 the 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 profit or loss.

Gain or losses on dilution of equity interest in associates are recognised in the profit or loss.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.5 Separate financial statements

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

In the Company's statement of financial position, investments in associates are accounted for using equity method (Note 3.1.4).

3.1.6 Foreign currency translation

(1) *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.

(2) *Transactions and balances*

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.7 Cash and cash equivalents

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

3.1.8 Financial instruments

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(2) *Classification and measurement*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, 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.

(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 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 may be designated at fair value through profit or loss upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(2) Classification and measurement (continued)

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

- (iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 – Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated at fair value through profit or loss.

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 profit or loss.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Held-to-maturity financial assets are recognised initially at fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets, and are subsequently measured at amortised cost using effective interest rate method.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(2) *Classification and measurement (continued)*

(c) *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 margin accounts receivable, accounts receivables, 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.

(d) *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 or impaired at which time the cumulative gains or losses previously recognised in equity should be reclassified from equity to profit or loss. Interest income of available-for-sale debt instruments calculated using effective interest method and dividend income declared are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(2) Classification and measurement (continued)

(e) 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.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(2) *Classification and measurement (continued)*

(e) *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 profit or loss. 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 SEs that are consolidated by but not attributable to the Group are designated at fair value through profit or loss, as the interests are managed, evaluated and reported internally on a fair value basis.

(f) *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 in issue", "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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(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 minimises 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 and listed options.

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. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(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 effective interest rate method.

(6) *Resale and repurchase agreements*

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(7) *Impairment of financial assets*

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

(a) *Financial assets carried at amortised cost*

The Group assesses at the financial reporting date whether there is objective evidence that a financial asset or a 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 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;

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

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

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

- (v) the disappearance of an active market for that financial asset because of financial difficulties; and
- (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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and then collectively assesses financial assets that are not individually significant. The Group performs a collective assessment for individually assessed financial assets with no objective evidence indicating impairment by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment allowance account and the amount of loss is recognised in income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for acquiring and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

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

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

When a financial asset is uncollectible, it is written off against the related allowance for impairment after all the necessary procedures have been completed and the amount of loss is determined. Subsequent recoveries of amounts previously written off are recognised in income statement against impairment losses on assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account and recognised in the income statement.

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

Objective evidence that a debt instrument is impaired includes one or more events that occurred after the initial recognition of the asset where the event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence includes the following evidence:

- (i) significant financial difficulty of the borrower or issuer;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(7) Impairment of financial assets (continued)

(b) Available-for-sale financial assets (continued)

- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) disappearance of an active market for financial assets because of significant 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, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group; and
- (vii) other objective evidence indicating there is an impairment of the financial asset.

A significant or prolonged decline in the fair value of an equity instrument classified as available-for-sale indicates there is objective evidence that the equity instrument or collective asset management schemes with equity instruments underlying is 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 or the fair value has been lower than its initial cost for more than one year (inclusive). Though the fair value of an available-for-sale financial asset declines less than 50% of its initial cost, the Company recognise impairment losses in profit or losses if it concludes this decline is prolonged and expected to last for more than one year based on professional judgement of the Company's research department and business department.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

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

(b) *Available-for-sale financial assets (continued)*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised 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, in a subsequent period, the fair value of an impaired 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 the profit or loss, the impairment loss is reversed through profit or loss. Impairment losses on equity instruments or collective asset management schemes with equity instruments underlying are not reversed through profit or loss; increases in their fair value subsequent to impairment are recognised as other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.8 Financial instruments (continued)

(8) *Offsetting financial instruments*

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

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

3.1.9 Asset management business

The Group's asset management business comprises targeted asset management 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, the related assets are booked as off statement of financial position items. The fees received are recognised according to the provisions of the provisions of the asset management contract.

For 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 asset management schemes is of such magnitude and variability that indicates the Group is a principal. The 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 profit or loss.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.10 Property, plant and equipment

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

Property, plant 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, plant and equipment are as follows:

	Estimated useful lives	Estimated residual rates	Annual depreciation rates
Buildings	30 years	0-5%	3.16%-3.33%
Motor vehicles	6 years	0-5%	15.83%-16.67%
Electronics and other equipment	2-5 years	0-5%	19%-50%

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 the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.10 Property, plant and equipment (continued)

Property, plant 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, plant and equipment net of their carrying amounts and related taxes and expenses is recognised in the profit or loss. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.13).

3.1.11 Intangible assets

(1) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.11 Intangible assets (continued)

(2) *Other intangible assets*

Other intangible assets comprise of computer software and transaction seat fees, which are initially recognised at cost. The cost less estimated residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 3.1.13.

3.1.12 Long-term prepaid expenses

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

3.1.13 Impairment of long-term non-financial assets

Fixed assets, 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 the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.14 Employee benefits

Employee benefits mainly include salaries, bonus, allowances and subsidies, staff welfare benefits, social security contributions and housing funds, labour 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 defined contribution pension schemes and social security schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes. Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labour 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. Contributions are recognised in the profit or loss for the current period.

A defined contribution scheme is a pension or social security 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 schemes mainly include basic pension insurance.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.15 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) Investment consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- (d) Fee revenue from asset management services is recognised according to the provisions of the asset management contract.

(2) *Interest income is recognised by using the effective interest method.*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.16 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, plant 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.

3.1.17 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.

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.17 Deferred income tax assets and liabilities (continued)

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.

3.1.18 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.

3.1.19 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.

3.1.20 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.1 Summary of significant accounting policies (continued)

3.1.21 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.

3.1.22 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.

3.2 Summary of significant accounting estimates and judgments

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 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.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.2 Summary of significant accounting estimates and judgments (continued)

3.2.2 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.

3.2.3 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model etc. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.2.4 Income taxes

The Group is subject to income taxes in numerous jurisdictions. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

3 Summary of significant accounting policies and accounting estimates (continued)

3.2 Summary of significant accounting estimates and judgments (continued)

3.2.5 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.

Based on their judgment, the directors of the Company have assessed the combination of the three elements listed above and concluded that the SEs with the following features are controlled by the Group and should be included for consolidation:

A classified asset management scheme comprises two unit classes where the external investors hold the lower risk units that generate an expected rate of return, while the Group holds the entirety of the higher risk units that enjoy the residue interests of the asset management scheme. The holder of the higher risk units provides credit enhancement for the holders of the lower risk units by compensating them up to the net asset value of the higher risk units. The Group has the power to manage the scheme. The external investors cannot remove the Group from its role as the asset manager without course. Moreover, the Group cannot withdraw its holdings within the operating period of the scheme. It is concluded that the Group is a principal of the schemes with the above features since inception.

A classified asset management scheme comprises two unit classes where the Group holds a part of the higher risk units and possibly a part of the lower risk units. The lower risk units generate an expected rate of return and the higher risk units enjoy the residue interests of the asset management scheme. The holders of the higher risk units provide credit enhancement for the holders of the lower risk units by compensating them up to the net asset value of the higher risk units. The Group has the power to manage the scheme. The external investors cannot remove the Group from its role as the asset manager without course. Moreover, the Group cannot withdraw its holding in in the higher risk units within the operating period of the scheme. By assessing the management fee and performance reward earned in capacity of the asset manager as well as the investment return from the units held by the Group, it is concluded that the Group is a principal of the scheme if the Group's exposure to the variable return is significant.

Notes to the Consolidated Financial Statements

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

3 Summary of significant accounting policies and accounting estimates (continued)

3.2 Summary of significant accounting estimates and judgments (continued)

3.2.5 Determination of consolidation scope (continued)

A non-classified asset management scheme comprises a single unit class where the Group holds a part of the units. The Group has the power to manage the scheme. The external investors cannot remove the Group from its role as the asset manager without course. By assessing the management fee and performance reward earned in capacity of the asset manager as well as the investment return from the units held by the Group, it is concluded that the Group is a principal of the scheme if the Group's exposure to the variable return is significant.

The Group holds all units of certain targeted asset management schemes or trust schemes managed by a third party asset manager or trustee. The Group has the power to manage the schemes by solely determining the investing activities of the schemes and could replace the asset manager or trustee without course. By assessing the significance of investment return from the units held, it is concluded that the Group is a principal of the scheme since inception.

The Group holds interest in a limited liability partnership ("LLP") and acts as managing partner in that LLP. The Group has the power to manage the LLP by solely determining the related activities of the LLP. By assessing the significance of investment return from the interest held, it is concluded that the Group is a principal of the LLP since inception.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

4 Taxation

The principal taxes to which the Group is subject are listed below:

	Tax basis	Tax rate
Corporate income tax	Taxable profit	25%
Business tax	Taxable operating income	5%
City construction and maintenance tax	Business tax paid	7%
Educational surcharges	Business tax paid	3%

5 Commission and fee income

	Year ended 31 December	
	2015	2014
Securities brokerage	1,881,992	754,326
Underwriting and sponsorship	255,323	268,627
Investment consultancy and financial advisory	59,831	25,389
Asset management	38,387	31,486
	2,235,533	1,079,828

6 Interest income

	Year ended 31 December	
	2015	2014
Interest income from margin financing and securities lending	465,188	171,375
Interest income from bank deposits	377,260	166,740
Interest income from financial assets held under resale agreements	82,647	36,712
	925,095	374,827

Notes to the Consolidated Financial Statements

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

7 Net investment gains

	Year ended 31 December	
	2015	2014
Realised gains from disposal of available-for-sale financial assets	265,268	99,923
Dividends and interest income from available-for-sale financial assets	40,335	7,611
Realised gains from disposal of financial assets at fair value through profit or loss	568,498	250,002
Dividends to interest holders of consolidated SEs	(252,624)	(107,552)
Dividends and interest income from financial assets at fair value through profit or loss	182,715	294,446
Realised gains from disposal of held-to-maturity financial assets	155	–
Interest income on held-to-maturity financial assets	160	178
Net realised gains/(losses) from derivative financial instruments	23,949	(3,524)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(105,304)	163,213
– Derivative financial instruments	2,164	(2,149)
– Financial liabilities at fair value through profit or loss	(59,362)	(36,296)
	665,954	665,852

8 Other income

	Year ended 31 December	
	2015	2014
Rental income	5,737	3,880
Others	867	7,269
	6,604	11,149

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

9 Commission and fee expense

	Year ended 31 December	
	2015	2014
Securities brokerage	411,295	135,487
Underwriting and sponsorship	25,366	129,129
Investment consultancy and financial advisory	83	4,498
	436,744	269,114

10 Interest expense

	Year ended 31 December	
	2015	2014
Interest expense of bonds in issue	259,269	64,778
Interest expense of financial assets sold under repurchase agreements	103,953	86,113
Interest expense of accounts payable to brokerage clients	57,701	17,693
Interest expense of short-term notes	4,500	–
Others	34,652	34,444
	460,075	203,028

11 Staff costs (including directors' and supervisors' remuneration)

	Year ended 31 December	
	2015	2014
Salaries and bonus	472,011	300,565
Pension	49,284	41,308
Other social security	23,163	16,363
Labour union funds and employee education funds	5,967	6,275
Other welfare	12,665	10,625
	563,090	375,136

Notes to the Consolidated Financial Statements

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

11 Staff costs (including directors' and supervisors' remuneration) (continued)

11.1 The five highest paid individuals

For the year ended 31 December 2015, the five highest paid individuals do not include any of the directors and supervisors.

Details of the remuneration for the five highest paid individuals for the relevant year are as follows:

	Year ended 31 December	
	2015	2014
Salaries, allowances and other welfares	11,010	10,497
Bonus	17,835	10,809
	28,845	21,306

The remuneration of the senior management and individuals by range:

	Year ended 31 December	
	2015	2014
RMB1,000,001 to RMB3,000,000	–	1
RMB3,000,001 to RMB5,000,000	2	2
RMB5,000,001 to RMB7,000,000	1	2
RMB7,000,001 to RMB9,000,000	2	–
	5	5

The Group has not provided any compensation to any of the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

12 Depreciation and amortisation

	Year ended 31 December	
	2015	2014
Depreciation of property, plant and equipment	17,194	17,404
Amortisation of intangible assets	15,683	8,592
Amortisation of long-term prepaid expenses	11,130	17,133
	44,007	43,129

13 Other operating expenses

	Year ended 31 December	
	2015	2014
Business tax and surcharges	175,845	94,643
Rentals	54,561	53,160
Office expenses	54,523	51,914
Marketing and distribution expenses	38,626	20,097
Securities investors protection fund	30,387	8,392
Travelling expenses	23,347	20,454
Consulting expenses	7,377	5,287
Listing expenses	6,155	683
Electronic device operating costs	5,644	13,032
Professional service expenses	5,431	1,760
Auditors remuneration		
– Auditors' remuneration – audit services ⁽¹⁾	3,450	1,070
– Auditors' remuneration – non-audit services	732	–
Others	26,082	23,607
	432,160	294,099

⁽¹⁾ Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2015 were included in Auditor's remuneration (2014: same). These statutory financial statements were audited by Jiangsu Gongzheng Tianye CPA Co., Ltd.

Notes to the Consolidated Financial Statements

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

14 Impairment (losses)/reversal

	Year ended 31 December	
	2015	2014
Available-for-sale financial assets	(30,988)	234
Margin account receivable	(18,311)	–
Accounts receivables	(3,176)	(517)
Financial assets held under resale agreements	(2,725)	–
	(55,200)	(283)

15 Other gains, net

	Year ended 31 December	
	2015	2014
Foreign exchange gains	113,076	–
Others	5,719	–
	118,795	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

16 Income tax expense

	Year ended 31 December	
	2015	2014
Current		
– Mainland China	524,039	187,239
Deferred		
– Mainland China (Note 27)	(31,992)	45,508
Income tax		
– Mainland China	492,047	232,747

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	1,990,334	963,125
Tax calculated at applicable statutory tax rate of 25%	497,583	240,781
Income not subject to tax	(7,478)	(5,287)
Items not deductible for tax purposes	2,420	1,011
Utilisation of previously unrecognised tax losses	–	(4,712)
Adjustments in respect of prior years	(478)	954
	492,047	232,747

Notes to the Consolidated Financial Statements

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

17 Profit attributable to non-controlling interests

	Year ended 31 December	
	2015	2014
Hua Ying Securities Co., Ltd.	26,849	15,423

18 Earnings per share

18.1 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 (in RMB thousands)	1,471,438	714,955
Weighted average number of ordinary shares in issue (in thousands)	1,667,667	1,500,000
Basic earnings per share (in RMB)	0.88	0.48

18.2 Diluted earnings per share

For the year ended 31 December 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2014: same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

19 Dividends

A dividend in respect of the year ended 31 December 2015 of RMB0.40 per share, amounting to a total dividend of RMB760,960 thousand, is to be proposed at the annual general meeting (2014: RMB0.07 per share, amounting to a total dividend of RMB105,000thousand). These financial statements do not reflect this dividend payable.

Under the “Company Law” of the PRC, the Group’s Articles of Association and in accordance with the requirements of CSRC, 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% of the Company’s profit is appropriated to the non-distributable statutory surplus reserve;
- (III) 10% 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 surplus reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders’ equity.

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 CAS and (ii) the retained profit determined in accordance with IFRS.

Notes to the Consolidated Financial Statements

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

20 Property, plant and equipment

	Buildings	Motor vehicles	Electronics and other equipment	Total
Cost				
1 January 2015	155,303	10,396	138,402	304,101
Additions	–	924	15,819	16,743
Disposals	–	(551)	(7,977)	(8,528)
31 December 2015	155,303	10,769	146,244	312,316
Accumulated depreciation				
1 January 2015	(73,001)	(7,399)	(119,049)	(199,449)
Additions	(5,538)	(1,292)	(10,364)	(17,194)
Disposals	–	551	7,416	7,967
31 December 2015	(78,539)	(8,140)	(121,997)	(208,676)
Carrying amount				
31 December 2015	76,764	2,629	24,247	103,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

20 Property, plant and equipment (continued)

	Buildings	Motor vehicles	Electronics and other equipment	Total
Cost				
1 January 2014	159,318	10,396	135,637	305,351
Additions	–	–	9,607	9,607
Disposals	(4,015)	–	(6,842)	(10,857)
31 December 2014	155,303	10,396	138,402	304,101
Accumulated depreciation				
1 January 2014	(68,379)	(6,026)	(113,917)	(188,322)
Additions	(5,381)	(1,373)	(10,650)	(17,404)
Disposals	759	–	5,518	6,277
31 December 2014	(73,001)	(7,399)	(119,049)	(199,449)
Carrying amount				
31 December 2014	82,302	2,997	19,353	104,652

For the year ended 31 December 2015, gains from disposal of fixed assets amounted to RMB97 thousand (2014: RMB12 thousand).

Notes to the Consolidated Financial Statements

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

21 Goodwill

Goodwill of the Group arose from its acquisition of two securities branches. The Group recognised the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill, amounting to RMB10,316 thousand. These two securities branches were considered to be one cash-generating unit (CGU).

Based on value in use calculations, it was estimated that the recoverable amount of the CGU didn't exceed its carrying amount. Therefore, goodwill impairment was fully provided.

22 Subsidiaries and consolidated structured entities

22.1 General information of major subsidiaries

The following were subsidiaries of the Group as at 31 December 2015. Unless specially 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.

Name of subsidiary	Date of establishment	Place of registration	Registered capital	Equity interest held by the Group		Principal activities	Directly held/indirectly held
				31 December 2015	31 December 2014		
Hua Ying Securities Co., Ltd.	Apr-11	Wuxi, PRC	800,000	66.70%	66.70%	Underwriting and sponsorship	Directly
Guolian Capital Investment Co., Ltd.	Jan-10	Wuxi, PRC	200,000	100.00%	100.00%	Investment holding	Directly

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

22 Subsidiaries and consolidated structured entities (continued)

22.2 Material non-controlling interests

Set out below is the summarised financial information for a 66.7% owned subsidiary, Hua Ying Securities, which has non-controlling interests that are material to the Group. The amounts disclosed below are before inter-company eliminations.

(1) Summarised statements of financial position

	Year ended 31 December	
	2015	2014
Non-Current assets	4,152	13,749
Current assets	1,077,244	910,271
Total assets	1,081,396	924,020
Non-Current liabilities	-	(225)
Current liabilities	(199,733)	(122,699)
Total liabilities	(199,733)	(122,924)
Net assets	881,663	801,096

Notes to the Consolidated Financial Statements

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

22 Subsidiaries and consolidated structured entities (continued)

22.2 Material non-controlling interests (continued)

(2) Summarised statements of comprehensive income

	Year ended 31 December	
	2015	2014
Revenue	326,096	215,700
Profit before income tax	109,206	54,606
Income tax expense	(28,640)	(8,352)
Post-tax profit	80,566	46,254
Other comprehensive income	—	—
Total comprehensive income	80,566	46,254
Total comprehensive income attribute to non-controlling interests	26,849	15,423
Dividends paid to non-controlling interests	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

22 Subsidiaries and consolidated structured entities (continued)

22.2 Material non-controlling interests (continued)

(3) Summarised statements of cash flows

	Year ended 31 December	
	2015	2014
Cash generated from operations	218,218	53,101
Interest paid	(9,110)	(7,219)
Income tax paid	(17,658)	(22,687)
Net cash generated from operating activities	191,450	23,195
Net cash generated from/(used in) investing activities	8,968	(10,316)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	200,418	12,879
Cash and cash equivalents at beginning of year	572,286	559,407
Cash and cash equivalents at end of year	772,704	572,286

Notes to the Consolidated Financial Statements

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

22 Subsidiaries and consolidated structured entities (continued)

22.3 Consolidated structured entities

As at 31 December 2015, total assets of consolidated SEs, the Group's initial investment and maximum exposure arising from its investments in consolidated SEs are:

	Total assets	Initial investment	Maximum exposure
Investments in consolidated SEs by the Company			
Huifu No.1	1,110,479	134,030	170,378
Xianjintianli No.1	837,187	10,000	10,000
Jinrui No.5	92,674	13,633	16,934
Jinrui No.6	265,930	26,637	31,799
Huijin No.27	26,583	3,625	4,537
Yulinglong Shijianqudong	17,111	2,720	4,351
Dingzengbao No.1	232,024	13,560	31,005
Dingzengjingxuan No.1	301	11	20
Dingzengjingxuan No.6	174,396	20,000	23,891
Yurui No.1	142,338	16,431	17,085
Yurui No.2	267,752	28,598	44,997
Yurui No.3	11,515	1,120	1,279
Dongwuhuiying No.106	72,305	103,292	72,305
	3,250,595	373,657	428,581

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

22 Subsidiaries and consolidated structured entities (continued)

22.3 Consolidated structured entities (continued)

	Total assets	Initial investment	Maximum exposure
Investments in consolidated SEs by a subsidiary or a consolidated SE			
Dingzengjingxuan No.1	301	142	93
Dingzengjingxuan No.3	207	100	98
Dingzengjingxuan No.5	370	100	98
Dingzengjingxuan No.9	203	100	96
Dingzengjingxuan No.13	204	100	97
Dingzengjingxuan No.15	203	100	96
Dingzengjingxuan No.16	206	100	98
Dingzengjingxuan No.17	206	100	98
Dingzengjingxuan No.23	206	100	96
Dongwuhuiying No.96	299,389	50,000	50,000
Tongbao No.1	30,002	5,000	5,000
Huijin No.30	149,728	10,000	10,056
Guolian Chuangfu No. 155	148,000	148,000	148,000
Guomin Collective Trust Scheme of Tianlu Properties – Yirun New City Project	72,305	103,292	72,305
	701,530	317,234	286,231

Notes to the Consolidated Financial Statements

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

22 Subsidiaries and consolidated structured entities (continued)

22.3 Consolidated structured entities (continued)

As at 31 December 2014, total assets of consolidated SEs, the Group's initial investment and maximum exposure arising from its investments in consolidated SEs are:

	Total assets	Initial investment	Maximum exposure
Investments in consolidated SEs by the Company			
Huifu No.1	1,630,974	173,133	178,763
Xianjintianli No.1	525,772	10,000	10,000
Jinrui No.5	280,984	40,066	50,345
Jinrui No.6	209,126	22,735	31,368
Huijin No.15	63,789	3,550	4,956
Huijin No.27	32,697	3,625	3,942
Yulinglong Xiaofeijingxuan	1,693	250	253
Yulinglong Shijianqudong	7,220	1,340	1,310
Dingzengbao No.1	69,998	13,560	13,937
Dingzengjingxuan No.1	112,617	19,467	23,360
Yuruyi No.1	97,252	11,735	14,466
Yuruyi No.2	272,239	27,598	35,140
Yuruyi No.3	75,023	7,499	7,721
Zhiyabao No.1	30,159	3,002	3,008
	3,409,543	337,560	378,569
Investments in consolidated SEs by a subsidiary			
Huijin No.15	63,789	1,000	1,396
Huijin No.20	30,102	26,700	26,745
Yulinglong Shijianqudong	7,220	3,000	3,026
Dingzengjingxuan No.5	372	97	95
Dingzengjingxuan No.6	209	100	78
Yuruyi No.5	210,900	50,000	50,000
	312,592	80,897	81,340

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

23 Investments in associates

Set out below are the associates of the Group as at 31 December 2015, which, in the opinion of the directors, are material to the Group. Investment in associates as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2015

Name of Entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Zhonghai Fund Management Co., Ltd.	China	33.41	Note 1	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	China	33.33	Note 2	Equity

Note 1: Zhonghai Fund Management Co., Ltd., held by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

Note 2: Wuxi Guolian Lingxiang SME Investment Company (L.P.) is a LLP mainly operating in investment in small and medium enterprises.

All the entities are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

Notes to the Consolidated Financial Statements

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

23 Investments in associates (continued)

	2015	2014
At 1 January	195,401	178,763
Additional investments	10,000	4,000
Share of profit	29,629	16,258
Share of other comprehensive income	467	6,272
Disposal of investments	(16,861)	–
Dividend received	(15,138)	(9,892)
At 31 December	203,498	195,401

The results of the Group's principal associate, and its aggregated assets (including goodwill) and liabilities, are as follows:

	Zhonghai Fund Management Co., Ltd. Year ended 31 December	
	2015	2014
Carrying amount of total assets	740,155	655,713
Carrying amount of net assets	567,064	521,742
Amounts of the Group's share thereon	189,450	174,309
Profit for the year	88,545	46,927
Other comprehensive income	1,398	18,774
Amounts of the Group's share of profit for the year	29,582	15,678
Amounts of the Group's share of other comprehensive income	467	6,272

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

23 Investments in associates (continued)

	Wuxi Guolian Lingxiang SME Investment Company (L.P.) Year ended 31 December	
	2015	2014
Carrying amount of total assets	42,145	12,316
Carrying amount of net assets	42,142	12,312
Amounts of the Group's share thereon	14,047	4,104
Profit for the year	141	312
Other comprehensive income	–	–
Amounts of the Group's share of profit for the year	47	104
Amounts of the Group's share of other comprehensive income	–	–

24 Other non-current assets

	31 December 2015	31 December 2014
Long-term prepaid assets ⁽¹⁾	18,990	23,541

⁽¹⁾ Long-term prepaid assets

	2015	2014
Balance at beginning of year	23,541	40,613
Additions	6,713	2,577
Disposal	(134)	(2,516)
Amortisation	(11,130)	(17,133)
Balance at end of year	18,990	23,541

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015
(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		
Investment in a segregated managed account ⁽¹⁾	504,859	–
Investment in unlisted companies	117,531	38,852
Debt Instrument	72,305	–
Collective asset management schemes	58,330	41,032
	753,025	79,884
Analysed as		
Unlisted	753,025	79,884

Current assets

	31 December 2015	31 December 2014
At fair value		
Equity securities	590,835	630,073
Debt Instrument	148,000	–
Investment funds	80,565	154,345
Trust schemes	–	13,000
Collective asset management scheme	–	11,771
	819,400	809,189
Analysed as		
Listed in Hong Kong	162,748	–
Listed outside Hong Kong	490,455	784,418
Unlisted	166,197	24,771
	819,400	809,189

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

25 Available-for-sale financial assets (continued)

- (1) Investment in a segregated managed account
According to the relevant contracts between the securities companies and China Securities Finance Corporation Limited ("CSF"), the Company, along with other securities companies, make investments in a segregated account managed by CSF, and share the risk and reward profiles in proportion. As at 31 December 2015, the cost for the Company's own investment was RMB500,000 thousand, while the fair value was RMB504,859 thousand based on the management reports provided by CSF.
- (2) As at 31 December 2015, available-for-sale financial assets for the Group included securities lent to clients of RMB49,609 thousand (December 2014: RMB61,886 thousand).
- As at 31 December 2015, the fair value of securities of the Group which have been placed as collateral is nil (December 2014: RMB255,613 thousand).
- Those "listed outside Hong Kong" include securities and investment funds traded over Shanghai and Shenzhen Stock Exchanges and National Equities Exchange and Quotations.

26 Held-to-maturity financial assets

	31 December 2015	31 December 2014
Corporate bonds	-	10,000
Less: Non-current portion	-	(10,000)
Current portion	-	-

For the year ended 31 December 2015, the Group changed its intention and sold out all the held-to-maturity financial assets.

27 Deferred income tax assets and liabilities

- (1) The net movements on the deferred income tax account are as follows:

	2015	2014
Balance at beginning of year	(115,048)	953
Income statement charge (Note 16)	31,992	(45,508)
Tax charge relating to components of other comprehensive income	52,962	(70,493)
Balance at end of year	(30,094)	(115,048)

Notes to the Consolidated Financial Statements

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

27 Deferred income tax assets and liabilities (continued)

(2) The gross movements in deferred income tax assets during the year are as follows:

	Impairment losses	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of derivatives	Tax losses	Other	Total
As at 1 January 2014	273	1,336	–	1,965	4,179	7,753
Income statement charge	27	(1,336)	537	(1,965)	(1,189)	(3,926)
Tax charge relating to components of other comprehensive income	–	–	–	–	–	–
As at 31 December 2014	300	–	537	–	2,990	3,827
Income statement charge	13,800	–	(537)	–	10,349	23,612
Tax charge relating to components of other comprehensive income	–	–	–	–	–	–
As at 31 December 2015	14,100	–	–	–	13,339	27,439

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of derivatives	Other	Total
Cost					
As at 1 January 2014	6,800	–	–	–	6,800
Income statement charge	–	19,042	–	22,540	41,582
Tax charge relating to components of other comprehensive income	70,493	–	–	–	70,493
As at 31 December 2014	77,293	19,042	–	22,540	118,875
Income statement charge	–	(16,940)	4	8,556	(8,380)
Tax charge relating to components of other comprehensive income	(52,962)	–	–	–	(52,962)
As at 31 December 2015	24,331	2,102	4	31,096	57,533

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

27 Deferred income tax assets and liabilities (continued)

(3) Net amount of deferred income tax assets and liabilities after offsetting:

	31 December 2015	31 December 2014
Deferred income tax assets	92	–
Deferred income tax liabilities	30,186	115,048

As at 31 December 2015, the deferred income tax assets and the deferred income liabilities will be recovered within 12 months (31 December 2014: same).

28 Refundable deposits

	31 December 2015	31 December 2014
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	73,407	23,958
– Shenzhen Stock Exchange	53,852	50,780
– China Beijing Equity Exchange	885	–
Deposits to futures brokers		
– GuoLian Futures Co., Ltd. (“GuoLian Futures”)	–	13,345
	128,144	88,083

Notes to the Consolidated Financial Statements

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

29 Other current assets

	31 December 2015	31 December 2014
Interest receivable ⁽¹⁾	147,119	159,212
Accounts receivable ⁽²⁾	27,130	13,466
Prepaid listing expenses	–	6,236
Prepaid expenses	4,871	4,140
Other receivables ⁽²⁾	64,601	8,300
Less: Impairment allowance ⁽²⁾	(4,375)	(1,199)
	239,346	190,155

⁽¹⁾ Interest receivable

	31 December 2015	31 December 2014
Interest receivable from margin financing, securities lending and financial assets held under resale agreements	75,584	28,423
Interest receivable from bonds	67,942	128,544
Interest receivable from deposits	3,593	2,245
	147,119	159,212

⁽²⁾ Accounts receivables and other receivables

The aging analysis of accounts receivables and other receivables is as follows:

	31 December 2015		31 December 2014	
	Amount	Impairment allowance	Amount	Impairment allowance
Up to 1 year	89,707	(4,275)	14,835	(992)
1 to 3 years	874	(43)	4,402	(207)
Over 3 years	1,150	(57)	2,529	–
	91,731	(4,375)	21,766	(1,199)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

30 Margin accounts receivable

	31 December 2015	31 December 2014
Margin accounts receivable	6,103,664	3,738,358
Less: Impairment allowance	(18,311)	–
	6,085,353	3,738,358

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2015, RMB18,311 thousand is impaired but no margin accounts receivable is overdue (31 December 2014: no margin accounts receivable is overdue or impaired).

Margin accounts receivable as at 31 December 2015 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB18,027,976 thousand (31 December 2014: RMB9,125,082 thousand).

31 Financial assets held under resale agreements

	31 December 2015	31 December 2014
Analysed by asset type:		
– Equity securities	1,344,741	1,186,907
– Debt securities	204,203	274,002
	1,548,944	1,460,909
Less: Impairment allowance	(2,725)	–
	1,546,219	1,460,909

Notes to the Consolidated Financial Statements

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

31 Financial assets held under resale agreements (continued)

	31 December 2015	31 December 2014
Analysed by market:		
– Interbank market	–	40,000
– Shanghai Stock Exchange	223,016	268,524
– Shenzhen Stock Exchange	1,323,203	1,152,385
	1,546,219	1,460,909

The Group received equity securities and debt securities as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or re-pledged. No collateral that can be resold or re-pledged has been accepted by the Group as at 31 December 2015 (31 December 2014: RMB39,384 thousand). No collateral accepted by the Group has been resold or re-pledged as at 31 December 2015 (31 December 2014: same).

32 Derivative financial instruments

	31 December 2015		31 December 2014	
	Assets	Liabilities	Assets	Liabilities
Futures contracts ⁽¹⁾	–	–	–	–
Listed options ⁽²⁾	57	17	–	–
	57	17	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

32 Derivative financial instruments (continued)

(1) Futures contracts

	31 December 2015		31 December 2014	
	Contractual value	Fair value	Contractual value	Fair value
SIF	-	-	121,316	(2,149)
Less: Cash paid as settlement		-		2,149
Net position of SIF contracts		-		-

The futures contracts 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 included in "clearing settlement funds" (31 December 2014: same).

(2) Listed options

The listed options of the Group mainly represent ETF options which were traded at Shanghai Stock Exchange. As at 31 December 2015, the intrinsic value of the outstanding ETF options amounted to zero (31 December 2014: Nil).

33 Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Financial assets held for trading		
Debt securities	1,679,583	3,432,127
Equity securities	328,778	361,604
Investment funds	257,795	93,491
	2,266,156	3,887,222
Financial assets designated at fair value through profit or loss		
Debt securities	307,893	392,671
Asset backed securities	20,000	-
	327,893	392,671
	2,594,049	4,279,893

Notes to the Consolidated Financial Statements

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

33 Financial assets at fair value through profit or loss (continued)

Analysed as:	31 December 2015	31 December 2014
Financial assets held for trading		
Listed outside Hong Kong	1,575,517	3,023,342
Unlisted	690,639	863,880
	2,266,156	3,887,222
Analysed as:		
Financial assets designated at fair value through profit or loss		
Listed outside Hong Kong	277,893	392,671
Unlisted	50,000	–
	327,893	392,671
	2,594,049	4,279,893

As at 31 December 2015, the fair value of securities of the Group which have been placed as collateral was RMB607,670 thousand (31 December 2014: RMB1,097,539 thousand).

34 Clearing settlement funds

	31 December 2015	31 December 2014
Clearing settlement funds held for clients	3,452,353	2,253,684
Proprietary clearing settlement funds	907,377	521,865
	4,359,730	2,775,549

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

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 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	–	11
Bank balances	3,960,527	950,406
	3,960,527	950,417

Notes to the Consolidated Financial Statements

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

37 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 share of RMB1 each (in thousands)		
Domestic shares	1,459,760	1,500,000
H shares	442,640	–
	1,902,400	1,500,000
Share Capital (in RMB'000)		
Domestic shares	1,459,760	1,500,000
H shares	442,640	–
	1,902,400	1,500,000

On 6 July 2015, the Company completed its initial public offering of 402,400 thousand H shares on the Main Board of Hong Kong Stock Exchange.

The excess of RMB2,042,840 thousand over the par value of RMB402,400 thousand for the 402,400 thousand ordinary shares issued, net of the relevant incremental costs of RMB94,922 thousand directly contributed to the newly issued shares, was credited to “share premium”.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have converted an aggregated of 40,240 thousand shares into H shares on a one-for-one basis. Total amount of RMB253,995 thousand from the proceeds of such shares has been paid to the National Council for Social Security Fund of the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

38 Share premium and reserves

	Share Premium	Surplus reserve ⁽¹⁾	General reserve ⁽²⁾	Transaction risk reserve ⁽²⁾	Share of other Comprehensive income of investments in associates	Available-for- sale Financial assets revaluation reserve ⁽³⁾	Total
As at 1 January 2014	135,638	190,744	346,623	308,479	(4,173)	20,400	997,711
Amounts recognised in other comprehensive income	-	-	-	-	6,272	211,478	217,750
Appropriation to surplus reserve	-	61,528	-	-	-	-	61,528
Appropriation to general reserve	-	-	61,528	-	-	-	61,528
Appropriation to transaction risk reserve	-	-	-	61,528	-	-	61,528
As at 31 December 2014	135,638	252,272	408,151	370,007	2,099	231,878	1,400,045
Capital contributions received (Note 37)	2,042,840	-	-	-	-	-	2,042,840
Amounts recognised in other comprehensive income	-	-	-	-	467	(158,872)	(158,405)
Appropriation to surplus reserve	-	138,857	-	-	-	-	138,857
Appropriation to general reserve	-	-	138,857	-	-	-	138,857
Appropriation to transaction risk reserve	-	-	-	138,857	-	-	138,857
As at 31 December 2015	2,178,478	391,129	547,008	508,864	2,566	73,006	3,701,051

⁽¹⁾ Surplus reserve

Pursuant to the RPC Company Law of the PRC, 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, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

⁽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 10% of its 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 securities trading losses, the Company appropriates 10% from its profit to the transaction risk.

Notes to the Consolidated Financial Statements

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

38 Share premium and reserves (continued)

⁽³⁾ Available-for-sale financial assets revaluation reserve

Fair value changes of available-for-sale financial assets for other comprehensive income are as below:

	Year ended 31 December 2015		
	Pre-tax amount	Income tax effect (Note 27)	After-tax net amount
Balance at beginning of year	309,171	(77,293)	231,878
Changes in fair value for available-for-sale financial assets	(73,946)	18,486	(55,460)
Amounts reclassified to (losses)/gains upon disposal of available-for-sale financial assets	(137,888)	34,476	(103,412)
Balance at end of year	97,337	(24,331)	73,006

	Year ended 31 December 2014		
	Pre-tax amount	Income tax effect (Note 27)	After-tax net amount
Balance at beginning of year	27,200	(6,800)	20,400
Changes in fair value for available-for-sale financial assets	389,211	(97,303)	291,908
Amounts reclassified to (losses)/gains upon disposal of available-for-sale financial assets	(107,240)	26,810	(80,430)
Balance at end of year	309,171	(77,293)	231,878

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

39 Bonds in issue

	31 December 2015	31 December 2014
Subordinated bonds with fixed rate – 2015 ^(a)	–	300,000
Subordinated bonds with fixed rate – 2016 ^(b)	–	650,000
Subordinated bonds with fixed rate – 2016 ^(c)	1,500,000	–
Subordinated bonds with fixed rate – 2017 ^(d)	1,500,000	1,500,000
Income certificates ^(e)	2,650,000	–
	5,650,000	2,450,000

^(a) On 6 August 2014, the Company issued RMB300,000 thousand of subordinated bonds to Xinyuan Jinmeihua No. 12 Asset Management Scheme with six months term and a fixed coupon rate of 6.30% which was repaid in 2015.

^(b) On 14 February 2011, the Company issued subordinated bonds to Wuxi Guolian Development (Group) Co., Ltd. with quota of RMB800,000 thousand by face value, paying annual interest at 6.22% with five years term which was repaid in 2015 in advance.

^(c) On 20 January 2015, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 1 year and a fixed coupon rate of 6.00% paid annually.

^(d) On 29 October 2014, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 6.20% paid annually.

^(e) As at 31 December 2015, income certificates were with a maturity ranging from 3 to 16 months and bore interest rates ranging from 4.10% to 6.50% per annum paid at maturity.

40 Other current liabilities

	31 December 2015	31 December 2014
Salaries, bonus, allowances and benefits payables (Note 41)	227,284	110,214
Interest payable	171,473	40,868
Accounts payable	154,591	175,840
Taxes payable	22,799	22,881
Securities investor protection fund	13,289	5,249
Others	784	25,534
	590,220	380,586

Notes to the Consolidated Financial Statements

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

41 Payroll and welfare

	1 January 2015	Current year charge	Current year payment	31 December 2015
Salaries and bonus	110,159	472,011	(355,007)	227,163
Pension	5	49,284	(49,284)	5
Other social security	47	23,163	(23,160)	50
Other welfare	-	12,665	(12,665)	-
Labour union funds and employee education funds	3	5,967	(5,904)	66
	110,214	563,090	(446,020)	227,284

	1 January 2014	Current year charge	Current year payment	31 December 2014
Salaries and bonus	38,231	300,565	(228,637)	110,159
Pension	414	41,308	(41,717)	5
Other social security	184	16,363	(16,500)	47
Other welfare	-	10,625	(10,625)	-
Labour union funds and employee education funds	2	6,275	(6,274)	3
	38,831	375,136	(303,753)	110,214

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

42 Financial assets sold under repurchase agreements

	31 December 2015	31 December 2014
Analysed by asset type:		
– Debt securities	427,996	1,321,098
– Others	–	930,000
	427,996	2,251,098
	31 December 2015	31 December 2014
Analysed by market:		
– Interbank market	80,000	479,500
– Shanghai Stock Exchange	347,996	841,598
– Others	–	930,000
	427,996	2,251,098
	31 December 2015	31 December 2014
Analysed by transaction type:		
– Pledged	427,996	2,251,098

Notes to the Consolidated Financial Statements

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

42 Financial assets sold under repurchase agreements (continued)

As at 31 December 2015 and 2014, the value of the financial assets at fair value through profit or loss, and financial assets held under resale agreements that had been placed as financial assets sold under repurchase agreements of the Group were listed as below:

	31 December 2015	31 December 2014
Pledged		
Financial assets at fair value through profit or loss	607,670	1,097,539
Financial assets available-for-sale	-	255,613
Margin account receivable	-	1,176,794
	607,670	2,529,946

43 Financial liabilities at fair value through profit or loss

	31 December 2015	31 December 2014
Interests of holders of consolidated SEs	2,794,146	2,495,469

44 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 RMB1,300,545 thousand (31 December 2014: RMB489,285 thousand), and are included in the Group's accounts payable to brokerage clients.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

45 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	31 December 2015	31 December 2014
Cash	-	11
Bank balances	3,960,527	950,406
Proprietary clearing settlement funds	907,377	521,865
	4,867,904	1,472,282

46 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.

(1) 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.

Notes to the Consolidated Financial Statements

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

46 Transferred financial assets (continued)

(1) Securities lending (continued)

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
Securities lending	49,609	–	61,866	–

47 Commitments and contingent liabilities

(1) Capital commitments

As at 31 December 2015, the Group was not involved in any material capital commitments (31 December 2014: same).

(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	37,188	30,511
1 to 3 years	40,316	31,777
Over 3 years	33,282	15,960
	110,786	78,248

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

47 Commitments and contingent liabilities (continued)

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 31 December 2015, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expects would have significant adverse impact on its financial position and operating results, should unfavourable rulings have been handed down (31 December 2014: same).

48 Related party transactions

48.1 Transactions and balances with the Company's controlling shareholder-Guolian Group

Guolian Group is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 31 December 2015 Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in our Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Municipal Electric Power Company ("Wuxi Electric"), Wuxi Guolian Textile Group Co., Ltd. ("Guolian Textile") and Wuxi Guolian Environmental Energy Group Co., Ltd. ("Guolian Environmental").

Guolian Trust is the subsidiary of Guolian Group who directly held 83.74% of the equity interest. As at 31 December 2015, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 31 December 2015, Wuxi Electric held 14.03% of the equity interest in the Company.

Guolian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2015, Guolian Textile held 3.83% of the equity interest in the Company.

Guolian Environmental is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2015, Guolian Environmental held 1.53% of the equity interest in the Company.

Notes to the Consolidated Financial Statements

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

48 Related party transactions (continued)

48.1 Transactions and balances with the Company's controlling shareholder-Guolian Group (continued)

Transactions during the year

	Year ended 31 December	
	2015	2014
Income from providing securities brokerage services	212	155
Income from providing asset management services	219	2,359
Interest expense of bonds in issue	2,358	40,992

Balances at the end of the year

	31 December	31 December
	2015	2014
Bonds in issue	–	650,000
Cash held for brokerage clients	3,287	20,047

In addition to the above related party transactions, the Company provided asset management services to Wuxi Guolian Development (Group) Co., Ltd. As at 31 December 2015, the assets under investment management for Wuxi Guolian Development (Group) Co., Ltd. amounted to approximately RMB295,500 thousand (31 December 2014: RMB155,348 thousand). For the year ended 31 December 2015, the asset management fee income was RMB219 thousand (31 December 2014: RMB2,359 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

48 Related party transactions (continued)

48.2 Other related party transactions and balances

The below table lists the Group's significant other related legal entities and the holdings of the Group's major shareholders as at 31 December 2015:

Significant related legal entities	The relationship with the Group
Guolian Trust	Controlled by the controlling shareholder of the Company
Guolian Futures	Controlled by the controlling shareholder of the Company
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Controlled by the controlling shareholder of the Company
Guolian Life Insurance Company Limited	Controlled by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	Associate invested by the Group

Notes to the Consolidated Financial Statements

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

48 Related party transactions (continued)

48.2 Other related party transactions and balances (continued)

Transactions during the year

	Year ended 31 December	
	2015	2014
Income from providing securities brokerage services		
– Guolian Trust	5,663	5,060
– Zhonghai Fund Management Co., Ltd.	5,469	3,026
– Guolian Futures	1,904	1,225
– Others	581	989
Income from providing fund distribution service		
– Zhonghai Fund Management Co., Ltd.	224	705
Income from providing asset management services		
– Others	1,772	1,742
Rental income		
– Guolian Life Insurance Company Limited	3,192	–
– Guolian Futures	637	541
– Guolian Property Management	64	–
Rental expense		
– Guolian Xincheng	8,689	8,492
– Others	633	633
Income from providing financial advisory services		
– Guolian Futures	348	–
Expense from receiving services		
– Guolian Property Management	2,747	3,882
– Guolian Futures	24	32
Interest expense of borrowings		
– Others	136	1,957

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

48 Related party transactions (continued)

48.2 Other related party transactions and balances (continued)

Balances at the end of the year

	31 December 2015	31 December 2014
Accounts payable		
– Guolian Futures	–	80
Clearing settlement funds		
– Guolian Futures	13,085	1,850
Refundable deposits		
– Guolian Futures	–	13,345
Cash held for brokerage clients		
– Others	520	42,732

In addition to the above related parties transactions, the Company provided asset management services to other related parties. As at 31 December 2015, the assets under investment management for other related party amounted to approximately RMB189,512 thousand (31 December 2014: RMB1,037,425 thousand). For the year ended 31 December 2015, the asset management fee income was RMB1,772 thousand (2014: RMB1,742 thousand).

Notes to the Consolidated Financial Statements

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

48 Related party transactions (continued)

48.3 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
Short term employee benefits	11,469	6,015
Post-employment benefits	1,051	895
	12,520	6,910

49 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) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services; and
- (f) 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 ended 31 December 2015.

The Group mainly operates in Jiangsu Province, the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

49 Segment analysis (continued)

Year ended 31 December 2015

	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
Total revenue and other income								
Commission and fee income								
– external	1,881,992	–	315,514	–	38,027	–	–	2,235,533
– internal	–	–	3,500	–	–	–	(3,500)	–
Interest income								
– external	254,821	541,318	30,343	327	31,135	67,151	–	925,095
– internal	–	–	–	–	–	–	–	–
Net investment gains								
– external	–	(6,987)	57,856	516,664	98,421	–	–	665,954
– internal	–	–	–	–	–	–	–	–
Other income								
– external	1,370	154	–	–	–	5,080	–	6,604
– internal	–	–	–	–	–	3,000	(3,000)	–
Total expenses	(883,886)	(268,840)	(271,081)	(77,294)	(43,183)	(452,416)	5,424	(1,991,276)
Operating profit	1,254,297	265,645	136,132	439,697	124,400	(377,185)	(1,076)	1,841,910
Other gains, net								
– external	4,802	–	4,971	–	–	109,022	–	118,795
– internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	47	29,582	–	29,629
Profit before income tax	1,259,099	265,645	141,103	439,697	124,447	(238,581)	(1,076)	1,990,334

Year ended 31 December 2015

	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
Total assets	12,280,892	8,894,762	1,133,593	1,380,457	3,820,426	4,397,431	(733,925)	31,173,636
Total liabilities	10,632,633	3,000,000	199,733	7,244	3,228,705	6,076,552	–	23,144,867
Supplemental information								
Depreciation and amortisation	26,527	1,519	3,293	210	125	12,333	–	44,007
Impairment provision	–	(21,036)	–	–	(30,849)	(3,315)	–	(55,200)
Capital expenditure	11,243	601	1,493	21	652	31,379	–	45,389

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

49 Segment analysis (continued)

Year ended 31 December 2014

	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
Total revenue and other income								
Commission and fee income								
– external	750,894	–	292,389	–	36,545	–	–	1,079,828
– internal	–	–	1,500	–	–	–	(1,500)	–
Interest income								
– external	103,249	204,444	33,191	2,019	26,687	5,237	–	374,827
– internal	–	–	–	–	–	–	–	–
Net investment gains								
– external	–	–	35,378	460,883	158,330	11,261	–	665,852
– internal	–	–	–	–	–	–	–	–
Other income								
– external	2,222	–	1,270	–	–	7,657	–	11,149
– internal	–	–	–	–	–	2,625	(2,625)	–
Total expenses	(393,621)	(43,796)	(303,180)	(65,359)	(46,646)	(336,312)	4,125	(1,184,789)
Operating profit	462,744	160,648	60,548	397,543	174,916	(309,532)	–	946,867
Share of profit of investments in associates	–	–	–	–	581	15,677	–	16,258
Profit before income tax	462,744	160,648	60,548	397,543	175,497	(293,855)	–	963,125

Year ended 31 December 2014

	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
Total assets	7,431,088	5,592,952	924,019	2,058,805	3,786,967	1,388,989	(733,985)	20,448,835
Total liabilities	7,798,658	557,554	122,924	653,085	3,199,553	3,768,414	–	16,100,188
Supplemental information								
Depreciation and amortisation	25,472	2,466	3,632	17	104	11,438	–	43,129
Impairment reversal/(provision)	–	–	–	–	531	(814)	–	(283)
Capital expenditure	2,737	27	316	10	72	29,810	–	32,972

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management

50.1 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 are 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.

Operating risks to which the Group are 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 and Risk Management Department and Internal Audit Department; and (iv) Business and management departments and securities branches.

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 minimising 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.

Notes to the Consolidated Financial Statements

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

50 Financial risk management (continued)

50.1 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 and 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 and Risk Management Department, and Internal Audit Department work together to manage risks.

The Compliance Management (Legal Affairs) Team 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 securities branches, 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 securities branches 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.1 Summary (continued)

Level 3: Compliance and Risk Management Department and Internal Audit Department (continued)

Risk Management Team 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 securities branches.

Internal Audit Department has overall responsibility for the internal audit, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimising ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments and securities branches

The fourth level of risk control is the front-line risk control systems by business and management departments and securities branches, 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. Compliance and risk management controllers have been set in business department to assist people who are in charge to launch work with regards to risk recognition, evaluation, response and report in order to ensure each policy at the institution has been executed, also, reporting risk situation to company's risk management department timely and accepting business guidance.

The Group adopts the above risk management framework and continuously improve their risk control to ensure that the risks are measurable and controlled within acceptable limits.

50 Financial risk management (continued)

50.2 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's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets at fair value through profit or loss, 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 acceptable 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 to 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 receivable 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, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

In terms of the Group's investment in debt instruments, the Group assesses the borrowers' business performance, repayment ability, and industrial outlook before making investment decisions, and renews the credit status of borrowers at least annually.

The Group's credit risk also arises from the securities. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.2 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	128,144	88,083
Other current assets	234,475	179,779
Margin accounts receivable	6,085,353	3,738,358
Held-to-maturity financial assets	–	10,000
Available-for-sale financial assets		
– Securities lent to clients	49,609	61,866
– Debt instruments	220,305	–
Financial assets held under resale agreements	1,546,219	1,460,909
Financial assets at fair value through profit or loss		
– Debt securities	1,987,475	3,824,798
– Asset Backed Securities	20,000	–
Clearing settlement funds	4,359,730	2,775,549
Cash held for brokerage clients	10,332,986	5,718,733
Bank balances	3,960,527	950,406
	28,924,823	18,808,481

Notes to the Consolidated Financial Statements

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

50 Financial risk management (continued)

50.2 Credit risk (continued)

(2) Rating distribution of debt investment

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.

	Financial assets at fair value through profit or loss	Available-for- sale financial assets
31 December 2015		
AAA	64,880	–
AA- to AA+	1,743,579	–
A- to A+	–	–
Unrated	199,016	220,305
	2,007,475	220,305
31 December 2014		
AAA	239,658	–
AA- to AA+	3,075,768	–
A- to A+	–	–
Unrated	509,372	10,000
	3,824,798	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.2 Credit risk (continued)

(3) Allowance analysis for financial assets

	31 December 2015	31 December 2014
Available-for-sale financial assets		
– Debt Instrument		
Individually assessed and impaired gross amount	251,293	–
Impairment allowance	(30,988)	–
	220,305	–
Margin accounts receivable		
Collectively assessed and impaired gross amount	6,103,664	3,738,358
Impairment allowance	(18,311)	–
	6,085,353	3,738,358
Financial assets held under resale agreements		
Collectively assessed and impaired gross amount	1,548,944	1,460,909
Impairment allowance	(2,725)	–
	1,546,219	1,460,909
Other current assets		
Collectively assessed and impaired gross amount	238,850	180,978
Impairment allowance	(4,375)	(1,199)
	234,475	179,779

Notes to the Consolidated Financial Statements

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

50 Financial risk management (continued)

50.3 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.

50.3.1 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 optimising the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.1 Interest rate risk (continued)

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):

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							
Refundable deposits	128,144	-	-	-	-	-	128,144
Other current assets	-	-	-	-	-	239,346	239,346
Margin accounts receivable	183,211	545,094	5,357,048	-	-	-	6,085,353
Held-to-maturity financial asset	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	148,000	72,305	-	1,352,120	1,572,425
Financial assets held under resale agreements	104,919	197,297	1,044,168	199,835	-	-	1,546,219
Financial assets at fair value through profit or loss	-	-	140,631	1,166,259	700,585	586,574	2,594,049
Derivative financial assets	-	-	-	-	-	57	57
Clearing settlement funds	4,359,730	-	-	-	-	-	4,359,730
Cash held for brokerage clients	10,332,986	-	-	-	-	-	10,332,986
Cash and bank balances	3,960,527	-	-	-	-	-	3,960,527
	19,069,517	742,391	6,689,847	1,438,399	700,585	2,178,097	30,818,836
Financial liabilities							
Bonds in issue	-	(1,700,000)	(2,150,000)	(1,800,000)	-	-	(5,650,000)
Other current liabilities	-	-	-	-	-	(590,220)	(590,220)
Due to other financial institutions	-	-	-	-	-	-	-
Financial assets sold under repurchase agreements	(427,996)	-	-	-	-	-	(427,996)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(2,794,146)	(2,794,146)
Derivative financial liabilities	-	-	-	-	-	(17)	(17)
Accounts payable to brokerage clients	(13,557,301)	-	-	-	-	-	(13,557,301)
	(13,985,297)	(1,700,000)	(2,150,000)	(1,800,000)	-	(3,384,383)	(23,019,680)
Interest rate sensitivity gap	5,084,220	(957,609)	4,539,847	(361,601)	700,585	(1,206,286)	7,799,156

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.1 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							
Refundable deposits	74,738	-	-	-	-	13,345	88,083
Other current assets	-	-	-	-	-	179,779	179,779
Margin accounts receivable	49,284	313,849	3,375,225	-	-	-	3,738,358
Held-to-maturity financial asset	-	-	-	-	10,000	-	10,000
Available-for-sale financial assets	-	-	-	-	-	889,073	889,073
Financial assets held under resale agreements	304,682	75,000	596,227	485,000	-	-	1,460,909
Financial assets at fair value through profit or loss	-	74,968	159,694	1,606,780	1,983,356	455,095	4,279,893
Clearing settlement funds	2,775,549	-	-	-	-	-	2,775,549
Cash held for brokerage clients	5,718,733	-	-	-	-	-	5,718,733
Cash and bank balances	950,406	-	-	-	-	11	950,417
	9,873,392	463,817	4,131,146	2,091,780	1,993,356	1,537,303	20,090,794
Financial liabilities							
Bonds in issue	-	(300,000)	-	(2,150,000)	-	-	(2,450,000)
Other current liabilities	-	-	-	-	-	(216,708)	(216,708)
Due to other financial institutions	-	(300,000)	(250,000)	-	-	-	(550,000)
Financial assets sold under repurchase agreements	(1,521,098)	(400,000)	(330,000)	-	-	-	(2,251,098)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(2,495,469)	(2,495,469)
Accounts payable to brokerage clients	(7,768,782)	-	-	-	-	-	(7,768,782)
	(9,289,880)	(1,000,000)	(580,000)	(2,150,000)	-	(2,712,177)	(15,732,057)
Interest rate sensitivity gap	583,512	(536,183)	3,551,146	(58,220)	1,993,356	(1,174,874)	4,358,737

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.1 Interest rate risk (continued)

Sensitivity analysis

The following table illustrates the potential impact, of a parallel upward or downward shift of 100 basis points in interest rate curves on the Group's net profit and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

The sensitivity analysis on net profit and equity is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

	Year ended 31 December	
	2015	2014
Net profit and equity		
Increases by 100bps	9,163	(62,612)
Decreases by 100bps	(7,796)	66,303

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.1 Interest rate risk (continued)

Sensitivity analysis (continued)

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 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 depots moving in the same direction and extend; and
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.

50.3.2 Currency risk

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 31 December 2015, other than deposits with banks denominated in US dollar and Hong Kong dollar totalling RMB1,183,275 thousand (31 December 2014: RMB81,570 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should foreign currencies had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB11,833 thousand lower/higher for the year ended 31 December 2015 (2014: RMB816 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.3 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, exchangeable bonds, derivatives, collective asset management schemes and investment in a segregated managed account 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.

Sensitivity analysis

The analysis below shows the impact on profit after income tax and equity due to change in the prices of stocks, funds, convertible bonds, exchangeable bonds, derivatives, collective asset management schemes and investment in a segregated managed account by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and equity before income tax, while a negative result indicates otherwise.

	Year ended 31 December	
	2015	2014
Profit after income tax		
Increase by 10%	43,996	34,132
Decrease by 10%	(43,996)	(34,132)

Notes to the Consolidated Financial Statements

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

50 Financial risk management (continued)

50.3 Market risk (continued)

50.3.3 Price risk (continued)

Sensitivity analysis (continued)

	Year ended 31 December	
	2015	2014
Equity		
Increase by 10%	136,590	97,899
Decrease by 10%	(136,590)	(97,899)

50.4 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.

The Group manages and controls its funds in a centralised manner. The Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.4 Liquidity risk (continued)

The Group's financial department organises and prepares the cash budget annually and make the financing plan based on the cash budget. Under the approval of the Company, the funds will be raised, scheduled and arranged uniformly in order to ensure the unity of funds demand and cost of the capital control.

Under the approval by the investment decision committee, the financial department confirm the scale and the structure for a high quality liquid assets reserve, by analysing the condition of the Company's business scale, total liability, financing ability, and duration of the asset and liability prudently, so that the liquidity and the risk resistance can be accordingly improved.

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 negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31 December 2015 the Group held cash and cash equivalents of approximately RMB4,867,904 thousand (31 December 2014: RMB1,472,282 thousand) that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds financial assets held for trading of RMB2,266,156 thousand as at 31 December 2015 (31 December 2014: RMB3,887,222 thousand), which could be readily realised to provide a further source of cash if the need arose.

Notes to the Consolidated Financial Statements

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

50 Financial risk management (continued)

50.4 Liquidity risk (continued)

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. 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.

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							
Other current liabilities	106,899	195,570	131,525	99,668	56,558	-	590,220
Bonds in issue	-	1,504,932	201,865	2,242,703	1,995,804	-	5,945,304
Due to other financial institutions	-	-	-	-	-	-	-
Financial assets sold under repurchase agreements	-	446,335	-	-	-	-	446,335
Financial liabilities at fair value through profit or loss	822,053	-	1,068,600	471,739	431,754	-	2,794,146
Accounts payable to brokerage clients	13,557,301	-	-	-	-	-	13,557,301
	14,486,253	2,146,837	1,401,990	2,814,110	2,484,116	-	23,333,306
Derivative financial Instruments settled on a gross basis							
total inflow	-	-	-	-	-	-	-
total outflow	-	-	-	-	-	-	-
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							
Other current liabilities	115,037	41,660	356	59,457	198	-	216,708
Bonds in issue	-	-	319,558	123,323	2,340,874	-	2,783,755
Due to other financial institutions	-	-	308,700	257,250	-	-	565,950
Financial assets sold under repurchase agreements	-	1,525,343	409,991	352,814	-	-	2,288,148
Financial liabilities at fair value through profit or loss	461,936	194,479	125,294	1,486,024	227,736	-	2,495,469
Accounts payable to brokerage clients	7,768,782	-	-	-	-	-	7,768,782
	8,345,755	1,761,482	1,163,899	2,278,868	2,568,808	-	16,118,812

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

50 Financial risk management (continued)

50.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they 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 (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- 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.

Notes to the Consolidated Financial Statements

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

51 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.

51.1 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, financial assets sold under repurchase agreements and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

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. The Group assesses the fair value of refundable deposits approximates the carrying amount.

The aggregate fair value of bonds in issue 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.

The fair value of held-to-maturity financial assets 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.

51.2 Financial instrument measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument 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 at fair value through profit or loss				
– Equity securities	155,831	172,948	–	328,779
– Debt securities	–	1,679,582	307,893	1,987,475
– Investment funds	257,795	–	–	257,795
– Asset Backed Securities	–	–	20,000	20,000
Derivative financial assets				
– Listed options	57	–	–	57
Available-for-sale financial assets				
– Equity securities	547,114	43,721	–	590,835
– Debt securities	–	–	–	–
– Investment funds	80,565	–	–	80,565
– Collective asset management schemes	–	–	58,330	58,330
– Trust schemes	–	–	–	–
– Debt Instrument	–	–	220,305	220,305
– Investment in CSF	–	504,858	–	504,858
– Investment in unlisted companies	–	–	117,532	117,532
	1,041,362	2,401,109	724,060	4,166,531
Derivative financial liabilities	(17)	–	–	(17)
Financial liabilities at fair value through profit or loss	–	–	(2,794,146)	(2,794,146)
	(17)	–	(2,794,146)	(2,794,163)

Notes to the Consolidated Financial Statements

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

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Equity securities	361,604	–	–	361,604
– Debt securities	–	3,432,127	392,671	3,824,798
– Investment funds	93,491	–	–	93,491
Available-for-sale financial assets				
– Equity securities	572,150	57,923	–	630,073
– Investment funds	154,345	–	–	154,345
– Collective asset management schemes	–	–	52,804	52,804
– Trust schemes	–	–	13,000	13,000
– Investment in unlisted companies	–	–	38,852	38,852
	1,181,590	3,490,050	497,327	5,168,967
Financial liabilities at fair value through profit or loss				
	–	–	(2,495,469)	(2,495,469)

For the years ended 31 December 2015 and 2014, there were no significant transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(1) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(2) 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(3) Valuation methods for specific investments

As at 31 December 2015 and 2014, the Group's valuation methods for specific investments are as follows:

- (a) 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 a private offering of additional shares, fair values are determined using valuation techniques.
- (b) For closed-end investment funds, fair value is determined based on the closing price as at the reporting date. For open-end funds fair value is determined by trading price which is based on the net asset value as at the reporting date. For collective asset management products, fair value is determined based on the net asset value as at the reporting date.
- (c) 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 of the debt securities at the date of statements of financial position within bid-ask spread.
- (d) 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, asset-backed securities and other fixed income debt securities, fair values are determined using valuation techniques.

Notes to the Consolidated Financial Statements

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

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the years ended 31 December 2015 and 2014.

	Available-for-sale financial assets – Collective asset management scheme	Available-for-sale financial assets – Trust schemes	Available-for-sale financial assets – Debt instrument	Available-for-sale financial assets – Investment in unlisted companies	Financial assets at fair value through profit or loss – Debt securities	Financial assets at fair value through profit or loss – Asset Backed Securities
Balance at 1 January 2015	52,803	13,000	-	38,852	392,671	-
Increase	19,775	-	233,305	84,840	240,348	20,000
Decrease	(14,248)	(13,000)	-	(6,160)	(325,126)	-
Balance at 31 December 2015	58,330	-	233,305	117,532	307,893	20,000
Total gains or losses for the year included in profit or loss for assets held at end of year, under "Net investment gains"	566	61	-	1,942	8,303	-
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	15,483	61	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) Financial instruments in Level 3 (continued)

	Available-for- sale financial assets – Collective asset management scheme	Available-for- sale financial assets – Trust schemes	Available-for- sale financial assets – Investment in unlisted companies	Financial assets at fair value through profit or loss – Debt Securities
Balance at 1 January 2014	22,617	18,000	38,852	420,000
Increase	157,022	–	–	89,671
Decrease	(126,836)	(5,000)	–	(117,000)
Balance at 31 December 2014	52,803	13,000	38,852	392,671
Total gains or losses for the year included in profit or loss for assets held at end of year, under “Net investment gains”	2,341	450	–	10,323
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	4,120	450	–	–

Notes to the Consolidated Financial Statements

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

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) Financial instruments in Level 3 (continued)

	Financial liabilities at fair value through profit or loss
Balance at 1 January 2015	2,495,469
Consolidation of SEs as presented in Note 3.2.5	388,510
Losses recognised in profit or loss	(311,986)
Purchases	442,758
Settlements	(220,605)
Balance at 31 December 2015	2,794,146
Total gains or losses for the year included in profit or loss for liabilities held at the end of year, under "Net investment losses"	(311,986)
Change in unrealised gains or losses for the year included in profit or loss for liabilities held at the end of the year	(59,362)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) Financial instruments in Level 3 (continued)

	Financial liabilities at fair value through profit or loss
Balance at 1 January 2014	1,375,733
Consolidation of SEs as presented in Note 3.2.5	173,155
Losses recognised in profit or loss	(143,848)
Purchases	19,951,620
Settlements	(18,861,191)
<hr/>	
Balance at 31 December 2014	2,495,469
<hr/>	
Total gains or losses for the year included in profit or loss for liabilities held at the end of year, under "Net investment losses"	(143,848)
<hr/>	
Change in unrealised gains or losses for the year included in profit or loss for liabilities held at the end of the year	(36,296)
<hr/>	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) 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
Financial assets at fair value through profit or loss – Debt securities	Level 3	<ul style="list-style-type: none"> Discounted cash flow 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 flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, 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 assets at fair value through profit or loss – Asset Backed Securities	Level 3	<ul style="list-style-type: none"> Discounted cash flow 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 flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, 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 flow 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 flow. Expected payment date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, 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.
Available-for-sale financial assets – Trust schemes	Level 3	<ul style="list-style-type: none"> Discounted cash flow 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 flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

51 Fair value of financial assets and liabilities (continued)

51.2 Financial instrument measured at fair value (continued)

(4) 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 – Collective asset management scheme	Level 3	<ul style="list-style-type: none"> Discounted cash flow 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 flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Available-for-sale financial assets – Debt instrument	Level 3	<ul style="list-style-type: none"> Discounted cash flow 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 flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Available-for-sale financial assets – Equity investments in unlisted companies	Level 3	<ul style="list-style-type: none"> Net assets value 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

Notes to the Consolidated Financial Statements

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

52 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2015					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets/ (liabilities)	Cash received as settlement	Net amount of financial assets/ (liabilities) presented in the statements of financial position
Derivative financial instruments	-	-	-	-	-

As at 31 December 2014					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets/ (liabilities)	Cash received as settlement	Net amount of financial assets/ (liabilities) presented in the statements of financial position
Derivative financial instruments	-	(2,149)	(2,149)	2,149	-

The Group has entered into master netting arrangements with counterparties for the future contracts 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, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

53 Unconsolidated structured entities

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes managed by the Group, trust schemes and investment funds which the Group invests in but does not act as manager.

Except for the structured entities that the Group has consolidated as detailed in Note 3.2.5, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB17,973,626 thousand as at 31 December 2015 (31 December 2014: RMB11,413,423 thousand).

As at 31 December 2015 and 2014, the interests in unconsolidated structured entities held by the Group included collective asset management schemes, trust schemes and investment funds that were classified as available-for-sale financial assets or financial assets at fair value through profit or loss. The related carrying amount and the maximum exposure were as follows:

	31 December 2015	31 December 2014
Available-for-sale financial assets	643,753	220,148
Financial assets at fair value through profit or loss	277,795	93,491
	921,548	313,639

Notes to the Consolidated Financial Statements

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

53 Unconsolidated structured entities (continued)

For the years ended 31 December 2015 and 2014, the income from these unconsolidated structured entities held by the Group was as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Net investment gains	25,853	8,330
Fee and commission income	5,258	6,592
	31,111	14,922

For the year ended 31 December 2015, the Group did not provide and had no plan to provide financial support to these unconsolidated structured entities (2014: same).

Mr. Lei Jianhui had resigned as the president on 15 March 2016, as approved by the Board, Mr. Yao Zhiyong is served as the president provisionally, resulting in the chairman and president of the Company are acted as by the same individual. The code provision A.2.1 of the Corporate Governance Report, the role of the chairman and president shall be separated, and shall not be performed by the same individual. Since his joining in the Group, Mr. Yao Zhiyong is always one of the core leaders of the Group, who is mainly responsible for development of business strategy and overall development direction of the Group, and he is also familiar with operation of the Group, as such, the Board believes this arrangement will not impair the balance of power and authority between the Directors and the management of Group, nor affect benefit of the Group and shareholders. The Company is actively identifying a suitable candidate to act as the president and make an announcement at the appropriate time.

54 Subsequent events

As at 23 March 2016, Ministry of Finance issued "Notice of overall implementation of the placement of business with value added tax". Pursuant to the Notice, the business tax is overall replaced by value add tax (BTV) national wide since 1 May 2016 and financial industry is now included in the trial scope. They pay value added tax instead of business tax. After BTV, price and tax are calculated separately for the revenue and cost. Financial statements and relevant financial index of the Group will all be affected.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

55 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2015	2014
Assets		
Non-current assets		
Property, plant and equipment	101,317	102,302
Goodwill	–	–
Intangible assets	28,260	23,691
Investments in subsidiaries	733,600	733,600
Investments in consolidated structured entities	270,363	337,560
Investments in associates	189,450	174,309
Other non-current assets	18,236	21,990
Available-for-sale financial assets	709,216	65,032
Deferred income tax assets	910	–
Refundable deposits	127,450	86,506
Total non-current assets	2,178,802	1,544,990
Current assets		
Other current assets	168,490	93,509
Available-for-sale financial assets	671,400	784,418
Margin accounts receivable	6,085,353	3,738,358
Financial assets held under resale agreements	905,526	961,907
Derivative financial assets	57	–
Financial assets at fair value through profit or loss	157,853	1,199,639
Clearing settlement funds	4,333,652	2,711,787
Cash held for brokerage clients	9,624,537	5,365,337
Cash and bank balances	3,177,139	410,483
Total current assets	25,124,007	15,265,438
Total assets	27,302,809	16,810,428

Notes to the Consolidated Financial Statements

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

55 Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

	As at 31 December	
	2015	2014
Equity and liabilities		
Share capital	1,902,400	1,500,000
Share premium	2,177,342	135,638
Reserves (1)	1,522,590	1,264,396
Retained earnings (1)	2,014,021	1,154,963
Total equity	7,616,353	4,054,997
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	–	92,131
Bonds in issue	1,800,000	2,150,000
Other non-current liabilities	2,129	347
Total non-current liabilities	1,802,129	2,242,478
Current liabilities		
Other current liabilities	399,481	224,129
Current income tax liabilities	77,528	87,542
Bonds in issue	3,850,000	300,000
Due to other financial institutions	–	550,000
Derivative financial liabilities	17	–
Financial assets sold under repurchase agreements	–	1,582,500
Accounts payable to brokerage clients	13,557,301	7,768,782
Total current liabilities	17,884,327	10,512,953
Total liabilities	19,686,456	12,755,431
Total equity and liabilities	27,302,809	16,810,428

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

55 Balance sheet and reserve movement of the Company (continued)

(1) Reserve movement of the Company

	Reserves	Retained earnings
Balance at 1 January 2014	861,847	735,206
Profit for the year	–	664,342
Other comprehensive income for the year	217,964	–
Total comprehensive income	217,964	664,342
Dividends recognised as distribution	–	(60,000)
Appropriation to reserves	184,585	(184,585)
Balance at 31 December 2014	1,264,396	1,154,963
Balance at 1 January 2015	1,264,396	1,154,963
Profit for the year	–	1,380,629
Other comprehensive income for the year	(158,377)	–
Total comprehensive income	(158,377)	1,380,629
Dividends recognised as distribution	–	(105,000)
Appropriation to reserves	416,571	(416,571)
Balance at 31 December 2015	1,522,590	2,014,021

Notes to the Consolidated Financial Statements

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

56 Benefits and interests of directors

56.1 Directors' and supervisors' emoluments

The remuneration of every director and supervisor is set out below:

Name	Year ended 31 December 2015						Total
	Remuneration	Salaries	Housing allowance	Pension	Other welfares	Annual bonus	
Executive Directors							
Yao Zhiyong	-	793	46	145	25	1,040	2,049
Lei Jianhui (President)	-	763	46	149	25	970	1,953
Non-executive Directors							
Zhu Zhenwu	20	-	-	-	-	-	20
Chen Qingyuan	100	-	-	-	-	-	100
Wang Wei	100	-	-	-	-	-	100
Hua Weirong	-	-	-	-	-	-	-
Jiang Zhijian	-	-	-	-	-	-	-
Liu Hailin	-	-	-	-	-	-	-
Liu Gaoyuan	-	-	-	-	-	-	-
Fan Renhe	80	-	-	-	-	-	80
Supervisors							
Yin Zhuowei	-	360	46	109	25	470	1,010
Shan Xudong	-	161	43	73	25	120	422
Yang Xiaojun	-	-	-	-	-	-	-
Jin Guoxiang	-	-	-	-	-	-	-
Zhou Weixing	-	-	-	-	-	-	-
	300	2,077	181	476	100	2,600	5,734

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(All amounts in RMB'000 unless otherwise stated)

56 Benefits and interests of directors (continued)

56.1 Directors' and supervisors' emoluments (continued)

Name	Year ended 31 December 2014						Annual bonus	Total
	Remuneration	Salaries	Housing allowance	Pension	Other welfares			
Executive Directors								
Yao Zhiyong	-	410	42	123	26	488	1,089	
Lei Jianhui (President)	-	410	42	123	26	590	1,191	
Non-executive Directors								
Zhu zhenwu	80	-	-	-	-	-	80	
Chen Qingyuan	13	-	-	-	-	-	13	
Wang Wei	20	-	-	-	-	-	20	
Hua Weirong	-	-	-	-	-	-	-	
Jiang Zhijian	-	-	-	-	-	-	-	
Liu Hailin	-	-	-	-	-	-	-	
Liu Gaoyuan	-	-	-	-	-	-	-	
Supervisors								
Yin Zhuowei	-	268	42	93	16	270	689	
Shan Xudong	-	129	41	57	6	55	288	
Yang Xiaojun	-	-	-	-	-	-	-	
Jin Guoxiang	-	-	-	-	-	-	-	
Zhou Weixing	-	-	-	-	-	-	-	
	113	1,217	167	396	74	1,403	3,370	

56.2 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.