



海通证券股份有限公司 HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837

Annual Report
2013

**For identification purpose only*



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IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company represent and warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally take full legal responsibility.

This report was reviewed and passed at the twenty-fourth meeting of the fifth session of the Board. The number of Directors to attend the Board Meeting should be 17 and the number of Directors having actually attended the Board Meeting was 15. Two Directors, Mr. Li Mingshan and Mr. Li Gewei, were unable to attend the Board Meeting in person due to business engagement, and had appointed the Chairman, Wang Kaiguo to vote on their behalf respectively.

None of the Directors or Supervisors has made any objection to this Report.

The Company's annual financial reports, prepared in accordance with the PRC GAAP and IFRS, were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu respectively, whom then issued a standard unqualified audit report thereon. All the financial data in this Report were presented in RMB unless otherwise indicated.

Mr. Wang Kaiguo, Chairman of the Company, and Mr. Li Chuqian, Chief Financial Officer responsible for the accounting affairs, declare that they represent and warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The profit distribution proposal or proposal on transfer of capital reserve fund into share capital reviewed by the Board for the Reporting Period: Cash dividend of RMB1.20 per 10 shares (inclusive of tax) was distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, on the basis of a total share capital of 9,584,721,180 A Shares and H Shares at issue as at 31 December 2013. Consequently, an aggregate cash dividend of RMB1,150,166,541.60 was distributed, representing 47.40% of the profits distributable to investors in cash in 2013. The outstanding balance of the retained profits distributable as cash dividends amounted to RMB9,270,464,875.99 and will be carried forward to the next year.

Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.

No appropriation of funds on a non-operating basis by the Company's controlling shareholders, and their respective related parties has occurred during the Reporting Period.

The Company did not provide external guarantees in violation of any stipulated decision-making procedures during the Reporting Period.

CHAIRMAN'S STATEMENT



Dear shareholders:

In the past year, the securities industry was defined by deepening reform and innovation, and in particular the rapid emergence of Internet finance. These reforms and innovations have not only intensified competition in the industry, but also accelerated industry reshuffling and created valuable opportunities for strong and established players. Building upon the trust and support of shareholders and customers, the Company seeks to maintain its priorities in achieving stable and sustainable growth, supporting both traditional and innovative businesses, enabling rapid business expansion, optimizing revenue structure, enhancing comprehensive competitiveness and increasing profitability. The Company has broadened its financing channels for business development through the issuance of corporate bonds, short-term financing securities and overseas U.S. Dollar bonds. Leveraging this “three pronged” strategy, the Company has expedited certain mergers and acquisitions. In particular, the Company has expanded into the financial leasing market through the acquisition of UT Capital Group Co., Limited (“UT Capital Group”), which strengthens our core competitiveness and diversifies our business income streams. In the past year, Haitong International Holdings Limited (“Haitong International Holdings”) has maintained its rapid growth momentum, lifted its operating performance indicators record heights and increased its brand value.

Looking ahead, the Chinese economy, currently in the process of restructuring, demonstrates enormous potential. The comprehensive and intensive restructuring of the economy will benefit from the development of the capital markets and yield many opportunities. Under the guidance concept of the Third Plenary Session of 18th CPC Central Committee, the Company will further embrace reform and innovation, promote business development through strategic restructuring and steadily execute its conglomeration and internationalization development strategy. The Company will accelerate its expansion into innovative business sectors, such as Internet finance, wealth management, OTC market, FICC, alternative investments, custodian services and settlement and payment. Moreover, the Company seeks to strengthen its compliance and risk control system, improve its information system, attract industry talents and create more economic and social benefits. Finally, the Company aims to capitalize on the momentous opportunities in the establishment of Shanghai Free Trade Zone and positions itself to facilitate cross-border investment and financing and make further contributions to Shanghai as an international financial centre.

Chairman Wang Kaiguo
28 March 2014

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

1. DEFINITION

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Report, Hong Kong, Macau and Taiwan
“Code”	The Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Directors(s)”	the director(s) of Haitong Securities
“H Share(s)”	ordinary shares in the share capital of Haitong Securities with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“HK\$”	the lawful currency of the Hong Kong
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards
“IPO”	initial public offering
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange



SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NSSF”	the National Council for Social Security Fund of the PRC
“our Group” or “the Group”	the Company and its subsidiaries
“PRC GAAP”	generally accepted accounting principles in the PRC
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2013 to 31 December 2013
“RMB” or “Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities
“the Company” or “Haitong Securities”	Haitong Securities Co., Ltd.

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

II. IMPORTANT RISK WARNINGS

Most of the revenues of the Company are generated from securities market. Our business may be directly affected by various factors including market volatility and fluctuations in the trading volume. Meanwhile, our business is also subject to many factors, including macroeconomic and monetary policies, laws and regulations on financial and securities industry, inflation, fluctuation in exchange rate, funding sources available in the market in short-term and long-term, cost of funding and level and volatility of interest rates.

Turmoil in the financial markets, a downturn in general economic conditions or other risks associated with the securities industry in general could reduce securities trading and corporate finance activities and affect the value of certain financial assets. Consequently, it would adversely affect our results of operations and financial condition. The Company may also be exposed to the credit risk related to the issuer of assets because of holding financial assets. Underwriting, investing, margin financing and securities lending or other securities business may cause the Company to hold a large number of assets of specific class, resulting in the concentration risk to be borne by the Company.

Facing intense competition, our business could be materially and adversely affected if we are unable to compete effectively. Intense competition in recent years has lowered commission rates for the securities brokerage business of the Company. Under the continuous development of industry innovation, in order to improve our standing within the industry, the Company has been committed to providing new products and services to our clients. However, innovative business could lead to higher risks. Business innovation may promote transactions with a broader range of customers and counterparties, help the Company tap into new market sectors and provide new products, which exposes the Company to new risks. The Company may be subject to more strict regulatory scrutiny or assume higher market risks, credit risks or operational risks.

When the Company has limited access to financing channels in capital market, or is unable to dispose its assets, or its credit qualification suffers from adverse changes, the Company's liquidity, profit and operation could be materially and adversely affected. The Company enhances its capital capability through issuing corporate bonds, short-term margin financing and securities lending, which also increases the leverage rate resulting in higher financial risks exposed to the Company. The business of the Company also exposes the risk if clients or counterparties fail to perform their obligations set out in the contracts, or to credit risks, if the value of collateral provided by them has shortfall. Operation of the Company mainly relies on the management and qualified professionals. However, the market competition to hire qualified professionals is intensive. In case we are unable to hire or retain qualified employees or replace them with suitable candidates, our business could be materially and adversely affected. The Company manages its risk with internal risk management structure and procedures. However, some of the risk management methods are based on historical data in the marketplace or past experience, which may not accurately predict risks in future, especially when the above basis is not efficient in predicting extreme market events. In rapidly developing markets, the information and data that we rely on for our risk management methods may become outdated as markets continue to evolve. The Company also faces various operational risks such as malfunction of information technology, which may cause adverse impact on its operation. Any occurrence of force majeure events, including outbreaks of contagious diseases, acts of terrorism or natural disasters, may have a material adverse impact on our business operations, financial condition and results of operations.

For details of various specific risk analysis and the measures have or to be taken by the Company, please refer to the discussion of risk factors involved and control measures taken in business activities.

SECTION II COMPANY PROFILE

I. COMPANY NAME

Chinese name of the Company: 海通證券股份有限公司

Chinese abbreviation of the Company: 海通證券

English name of the Company: Haitong Securities Company Limited

English abbreviation of the Company: Haitong Securities Co., Ltd.

II. LEGAL REPRESENTATIVE OF THE COMPANY: WANG KAIGUO

III. AUTHORIZED REPRESENTATIVES OF THE COMPANY: WANG KAIGUO, JIN XIAOBIN

IV. BOARD SECRETARY: JIN XIAOBIN

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410707

E-mail: jinxb@htsec.com

V. REPRESENTATIVE OF SECURITIES AFFAIRS: SUN TAO

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410627

E-mail: sunt@htsec.com

VI. JOINT COMPANY SECRETARIES: JIN XIAOBIN, MOK MINGWAI

VII. COMPANY ADDRESSES

Registered address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Business address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Internet website: <http://www.htsec.com>

E-mail: haitong@htsec.com

VIII. PRINCIPAL PLACE OF BUSINESS IN HONG KONG: 21ST FLOOR, LI PO CHUN CHAMBERS, 189 DES VOEUX ROAD CENTRAL, CENTRAL, HONG KONG

SECTION II COMPANY PROFILE

IX. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times

Websites designated by CSRC for publication of periodic reports: <http://www.sse.com.cn>

Website designated by the Hong Kong Stock Exchange for publication of periodic reports: <http://www.hkexnews.com.hk>

Place where periodic reports of the Company are available: Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

X. INFORMATION ON THE COMPANY'S SHARES

A Share: Shanghai Stock Exchange	Stock name: Haitong Securities	Stock code: 600837
H Share: Hong Kong Stock Exchange	Stock name: Haitong Securities	Stock code: 6837

XI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

(1) Changes in registration during the Reporting Period

On 22 August 2013, registered scope of business was changed to: Securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; agency sales of financial products, other businesses approved by the CSRC; and the Company is permitted to establish subsidiaries that are primarily focused on outbound investments including investments in financial products.

(2) Related information of the first business registration of the Company

Please refer to the section "Basic Particulars of the Company" in Annual Report 2011 for the first business registration of the Company.

(3) Changes in main scope of business of the Company since its listing

1. On 6 July 2007, registered scope of business was: Trading of securities (including domestically listed foreign shares) on behalf of clients, principal and interest repayment and dividends payment for securities on behalf of clients, securities custodial services, authentication of share certificates, account opening and registration on behalf of clients, securities proprietary trading business, securities (including domestically listed foreign shares) underwriting (including acting as a lead underwriter), securities investment consultation (including financial consultancy), entrusted investment management and other businesses approved by the CSRC.

SECTION II COMPANY PROFILE

2. On 3 June 2009, registered scope of business was: securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; securities asset management; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; and other businesses approved by the CSRC.
3. On 22 March 2010, registered scope of business was: securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; securities asset management; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; and other businesses approved by the CSRC.
4. On 11 April 2012, registered scope of business was: securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; securities asset management; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; other businesses approved by the CSRC; and the Company is permitted to establish subsidiaries that are primarily focused on outbound investments including investments in financial products.
5. On 7 November 2012, registered scope of business was: securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; other businesses approved by the CSRC; and the Company is permitted to establish subsidiaries that are primarily focused on outbound investments including investments in financial products.
6. On 22 August 2013, registered scope of business was: securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; agency sales of financial products; other businesses approved by the CSRC; and the Company is permitted to establish subsidiaries that are primarily focused on outbound investments including investments in financial products.

SECTION II COMPANY PROFILE

(4) Changes in the controlling shareholders of the Company since the listing of its A Shares

Due to the diverse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding Hong Kong Securities Clearing Company Nominees Limited (“HKSCC Nominees Limited”). HKSCC Nominees Limited held shares on behalf of holders of H shares who did not register the H Shares under their names. There has been no controlling shareholder in the Company since its listing.

XII. REGISTERED CAPITAL, NET CAPITAL AND EACH INDIVIDUAL BUSINESS QUALIFICATION OF THE COMPANY

Registered capital: RMB9,584,721,180

Paid-in capital: RMB9,584,721,180

Net Capital: RMB39,041,418,282

Each individual business qualification of the Company:

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Internet information service qualification (Hu ICP Zheng 020694)
5. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
6. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
7. Qualification for foreign exchange operation in the securities business (SC201014)
8. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
9. Qualification for agent of share transfer business (Z-007)
10. Qualification for short-term commercial paper underwriting business (Yin Fa [2005] No. 173)
11. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
12. Trader Qualification for Shanghai Stock Exchange Fixed Income Securities Consolidated Electric Trading Platform (Shang Zheng Hui Han [2007] No.86)
13. Qualification for Association of PRC Inter-bank Market Trader (August 2007)
14. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
15. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
16. Qualification for provision of intermediary introduction business for the futures companies (Zheng Jian Xu Ke [2008] No. 479)
17. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
18. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
19. Qualification of Providing Trading Units for Insurance Agency Investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
20. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi [2010] No. 122)

SECTION II COMPANY PROFILE

21. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
22. Qualification of Engaging of Stock Index Futures Hedging Business Through Proprietary Trading of the Company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
23. Qualification for Securities House Assigned by NSSF (August 2011)
24. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No.37)
25. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
26. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
27. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
28. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
29. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No. 561)
30. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
31. Pilot Qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
32. Qualification for recording military confidential business consultancy services in a secured and confidential condition (certificate number: 00132029)
33. Qualification of the 11th batch of Insurance agency for 2013 (Hu Bao Jian Xue Ke [2013] No. 204)
34. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
35. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No.1643)

The Company holds membership qualification on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and warrant clearing business qualification in China Securities Depository and Clearing Corporation Limited.

XIII. CHIEF RISK CONTROL EXECUTIVE AND GENERAL COMPLIANCE OFFICER: WANG JIANYE

Correspondence address: 11/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-23219100

E-mail: wangjy@htsec.com

XIV. HISTORY OF THE COMPANY

Haitong Securities is a subsisting company upon the significant assets disposal of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) ("SUABC" hereinafter), a company listed on the Shanghai Stock Exchange, and its merger with Haitong Securities. On 6 July 2007, the subsisting company was registered with Shanghai Administration for Industry & Commerce. Following the merger, the former Haitong Securities was de-registered in accordance with laws and the subsisting company was renamed as Haitong Securities.

SECTION II COMPANY PROFILE

History of Haitong Securities:

Haitong Securities was established under the name of Shanghai Haitong Securities Company (上海海通證券公司) with a registered capital of RMB10 million in Shanghai in 1988 with the substantial shareholder being Bank of Communications, Shanghai Branch. In respect of scope of business, it was mainly engaged in distribution and agency issuance of a variety of marketable securities. It was also engaged in securities business consultation, custody, transfer and principal and interest repayment of a variety of marketable securities, securities investment business on behalf of clients and other relevant businesses approved by the People's Bank of China.

Upon approval by the People's Bank of China with the Reply concerning Conversion of Shanghai Haitong Securities Company (上海海通證券公司) (Yin Fu [1994] No. 5), on 27 September 1994, Shanghai Haitong Securities Company (上海海通證券公司) was converted and was renamed as Haitong Securities Company Limited (海通證券有限公司) with a registered capital of RMB1 billion. Its scope of business was changed into issuance of securities and principal and interest repayment for securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities; securities investment consultation and investment fund business; other businesses approved by the People's Bank of China.

Upon approval by the CSRC with the Reply concerning Approval of the Share Increase Plan and the Application for being a Comprehensive Securities Company of Haitong Securities Company Limited (海通證券有限公司) (Zheng Jian Ji Gou Zi [2000] No. 296), on 29 December 2000, Haitong Securities Company Limited (海通證券有限公司) completed share increase with its capital increased to RMB3,746,928,000. Its scope of business was issuance of securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; principal and interest repayment for securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities on consignment; securities investment consultation; securities investment fund business.

Upon approval by the CSRC with the Reply concerning the Overall Change of Haitong Securities Company Limited (海通證券有限公司) into a Joint-stock Limited Liability Company (Zheng Jian Ji Gou Zi [2001] No. 278), on 28 January 2002, Haitong Securities Company Limited (海通證券有限公司) was overall changed into a joint-stock limited liability company and was renamed as "Haitong Securities Co., Ltd. (海通證券股份有限公司)" with a registered capital of RMB4,006,093,000.

Upon approval by the CSRC with the Reply concerning Approval of Share Increase of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Ji Gou Zi [2002] No. 329), on 1 November 2002, the registered capital of Haitong Securities was increased to RMB8,734,438,870. Its scope of business was changed into: trading of securities (including domestically listed foreign shares) on behalf of clients, principal and interest repayment and dividends payment for securities on behalf of clients, securities custodial services, authentication of share certificates, account opening and registration on behalf of clients, securities proprietary trading business, securities (including domestically listed foreign shares) underwriting (including acting as a lead underwriter), securities investment consultation (including financial consultancy), entrusted investment management and other businesses approved by the CSRC.

In May 2005, the Company was qualified as one of the pilot innovative securities companies.

SECTION II COMPANY PROFILE

Upon approval of the CSRC with the Zheng Jian Gong Si Zi [2007] No. 90 document, on 7 June 2007, SUABC sold all assets and liabilities to Bright Food (Group) Co., Ltd. (a controlling shareholder of the Company) and merged with the former Haitong Securities. Following completion of the merger, the subsisting company was renamed as Haitong Securities Co., Ltd. (海通證券股份有限公司) and carried on all businesses of the former Haitong Securities, taking over the employees, assets and liabilities of the former Haitong Securities. On 29 June 2007, offline registration of the newly added shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited was completed. On 6 July 2007, the subsisting company filed relevant changes with Shanghai Administration for Industry & Commerce with its registered capital changed to RMB3,389,272,910.

On 31 July 2007, Haitong Securities was listed on the Shanghai Stock Exchange.

Upon approval of the CSRC with the Circular on Approval of Nonpublic Share Issue of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Fa Xing Zi [2007] No. 368), the Company completed non-public share issue on 21 November 2007 and its registered capital and paid-in capital was changed from RMB3,389,272,910 into RMB4,113,910,590.

On 5 May 2008, the Company held 2007 annual general meeting and passed the Proposal on Profit Distribution of the Company for 2007. Cash dividends of RMB1.00 (inclusive of tax) and stock dividends of 3 shares (inclusive of tax) per 10 shares were distributed to all shareholders on the basis of a total share capital of 4,113,910,590 shares at issue as at 31 December 2007 and 7 shares per 10 shares were transferred from capital reserve fund to all shareholders. Following the distribution of stock dividends and the transfer of capital reserve fund into capital, the Company's total share capital was changed from 4,113,910,590 shares to 8,227,821,180 shares. Implementation of the distribution proposal was completed on 28 May 2008.

On 27 April 2012, an aggregate of 1,352,340,000 overseas listed foreign shares (H Shares) comprising 1,229,400,000 H shares issued by the Company and 122,940,000 H Shares transferred to the NSSF by the relevant 25 state-owned shareholders of the Company for the purpose of reduction of state-owned shares and converted into H Shares were listed and commenced trading on the main board of the Hong Kong Stock Exchange. On 19 May 2012, joint global coordinators for the Company's IPO of H Shares partially exercised the over-allotment option and the Company issued 127,500,000 additional H Shares, which were subsequently listed and traded on the main board of the Hong Kong Stock Exchange on 22 May 2012. The relevant state-owned shareholders of the Company undertook a similar reduction of state-owned shares and transferred 12,750,000 domestic shares (A Shares) of the Company held by them in the aggregate (equivalent to 10% of the number of H Shares issued additionally pursuant to the partial exercise of the Over-allotment Option) to the NSSF.

Following the completion of the issuance of H Shares, the total number of shares of the Company was 9,584,721,180, among which 8,092,131,180 were A Shares and 1,492,590,000 were H Shares. The stock short name of H Shares is: “海通證券” (in Chinese) and “HAITONG SEC” (in English) and the stock code of H Shares is “6837”.

SECTION II COMPANY PROFILE

XV. ORGANIZATION OF THE COMPANY

The Company operates in accordance with the relevant laws and regulations including the Company Law of PRC, the Securities Law and Guidance for the Internal Control of Securities Companies and the requirements of the Articles of Association. Scientific and effective corporate governance has been established, and authorities and duties of its general meeting of the shareholders, the Board, the Supervisory Committee and senior management are clear. Meanwhile, the Company has also established an organizational framework and an operational mechanism in conformity with its development requirements.

(I) Organizational structure of the Company (see Appendix I of this Report)

(II) Principal holding subsidiaries and non-controlling companies

1. HFT Investment Management Co., Ltd.

Registered address: 36-37/F, BEA Finance Tower, No. 66 Huayuan Shiqiao Road, Pudong New Area, Shanghai, PRC

Establishment date: 18 April 2003

Registered capital: RMB150 million

Shareholding percentage: 51%

Legal representative: Zhang Wenwei

Tel: 021-38650999

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (The businesses subject to administrative permission are operated under permits)

2. Fullgoal Fund Management Co., Ltd.

Registered address: Level 5-6, Citigroup Tower, No. 33 Huayuan Shiqiao Road, Pudong New Area, Shanghai, PRC

Establishment date: 13 April 1999

Registered capital: RMB180 million

Shareholding percentage: 27.775%

Legal representative: Chen Min

Tel: 021-68597788

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (The businesses subject to administrative permission are operated under permits)

SECTION II COMPANY PROFILE

3. *Haitong-Fortis Private Equity Fund Management Co., Ltd.*

Registered address: Room A, 888 No. 8 Lane, Wan Hang Du Road, Jing'an District, Shanghai, PRC

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Sun Jiahua

Tel: 021-62883005

Scope of business: Industrial investment fund management, investment advisory and investment fund formation. (The businesses subject to administrative permission are operated under permits).

4. *Haitong Futures Co., Ltd.*

Registered address: Level 17, Unit 01-04 of Level 6, Level 25 and Unit 05 of Level 2, No. 1589 Century Avenue, Pudong New Area, Shanghai, PRC

Establishment date: 18 March 1993

Registered capital: RMB1 billion

Shareholding percentage: 66.667%

Legal representative: Xu Ling

Tel: 021-61871688

Scope of business: commodity futures brokerage, financial futures brokerage and futures investment advisory services, and asset management. (The businesses subject to administrative permission are operated under permits).

5. *Haitong International Holdings Limited*

Registered address: 22/F, Li Po Chun Chambers, 189 Des Voeux Rd, Central, HK

Establishment date: 24 July 2007

Authorized capital: HK\$4 billion

Issued capital: HK\$4 billion

Paid-in capital: HK\$4 billion

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: INVESTMENT HOLDINGS

Scope of business: Investment holdings: through various of its subsidiaries, it is engaged in brokerage, corporate financing, asset management and other businesses authorized by Hong Kong securities regulatory rules.

SECTION II COMPANY PROFILE

6. *Haitong Capital Investment Co., Ltd.*

Registered address: Room 07-12, Level 26, No. 689 Guangdong Road, Shanghai, PRC

Establishment date: 23 October 2008

Registered capital: RMB5.75 billion

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021-63410311

Scope of business: Using its own funds or establishing direct investment funds to make equity investments and debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC. (The businesses subject to administrative permission are operated under permits).

7. *Haitong Innovation Securities Investment Co., Ltd.*

Registered address: Room 107N, Building No. 2, No. 774 Changde Road, Jing'an District, Shanghai, PRC

Establishment date: 24 April 2012

Registered capital: RMB3 billion

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

Scope of business: Financial products investment, securities investment, investment advisory and investment management. (The businesses subject to administrative permission are operated under permits).

8. *Shanghai Haitong Securities Asset Management Company Ltd.*

Registered address: Room 01-12, Level 32, No. 689 Guangdong Road, Huangpu District, Shanghai, PRC

Establishment date: 26 June 2012

Registered capital: RMB1 billion

Shareholding percentage: 100%

Legal representative: Yu Jiting

Tel: 021-23219000

Scope of business: Securities asset management. (The businesses subject to administrative permission are operated under permits).

(III) Branches and securities business departments of the Company

As at the end of the Reporting Period, the Company had 24 branches and 240 securities business departments. (see Appendix II of this Report)

SECTION II COMPANY PROFILE

XVI. OTHER RELEVANT INFORMATION

- (I) Legal Advisor to the Company, as to PRC mainland law: Grandall Law Firm (Shanghai)
Legal Advisor to the Company, as to Hong Kong law: Clifford Chance
- (II) Accounting Firm: BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Address: 4/F, No. 61 Nanjing Road East, Shanghai, PRC
Deloitte Touche Tohmatsu
Address: 35/F, One Pacific Place, No.88 Queensway, Hong Kong
- (III) A Share Registrar: Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Address: China Insurance Building, No.166 Lujiazui East Road, Pudong New Area, Shanghai, PRC
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong
- (IV) Registration number of corporate business license: 310000000016182
Registration number of tax certificate: 31010113220921X
Organization code: 13220921X

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP OVER THE PAST THREE YEARS

(All of the accounting data and financial indices set out in this annual report are prepared in accordance with IFRS)

(1) Major accounting data and financial indicators

Items	2013	2012 ^{Note1}	As compared to the last corresponding period	2011
Operating results (RMB'000)			<i>increase</i>	
Revenue and other income	12,802,734	10,743,347	19.17%	10,860,374
Profit before income tax	5,454,748	4,127,238	32.16%	4,300,164
Profit for the year -attributable to owners of the Company	4,035,024	3,037,542	32.84%	3,103,034
Net cash (used in) from operating activities	-18,841,821	-7,119,927	164.64%	7,123,839
Amount per share (RMB/share)			<i>increase</i>	
Basic earnings per share	0.42	0.33	27.27%	0.38
Diluted earnings per share	0.42	0.33	27.27%	0.38
Index of profitability			<i>increase/ decrease</i>	
Weighted average returns on net assets (%)	6.70	5.66	1.04 percentage points	6.93

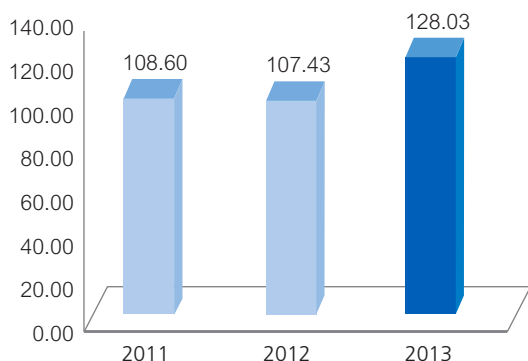
Items	31 December 2013	31 December 2012	As compared to the end of the last corresponding period	31 December 2011
Indices of size (RMB'000)			<i>increase</i>	
Total assets	169,123,603	126,482,104	33.71%	98,976,911
Total liabilities	105,018,445	66,051,508	58.99%	52,366,269
Amounts payable to brokerage clients	40,429,567	36,956,823	9.40%	38,013,807
Equity attributable to owners of the Company	61,506,991	58,679,683	4.82%	45,042,375
Total share capital ('000)	9,584,721	9,584,721	-	8,227,821
Net assets per share attributable to owners of the Company (RMB/share)	6.42	6.12	<i>Increase/ decrease</i> 4.90% 17.69 percentage points	5.47
Gearing ratio (%)^{note 2}	50.19	32.50	percentage points	23.54

Note 1: As IFRS 10 has been effective since 1 January 2013, the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of profit or loss for the year of 2012 have been restated according to IFRS 10. The consolidated financial statements have been presented based on the restated data. Please see Note 2 to Accountant's Report for details.

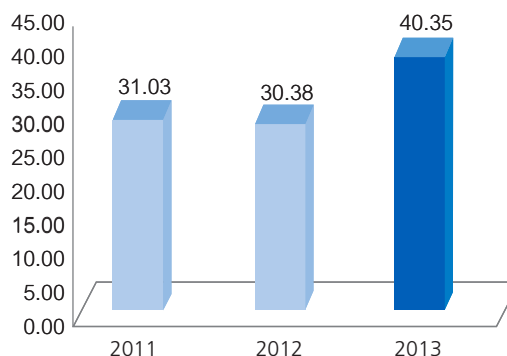
Note 2: Asset gearing ratio=(total liabilities- amounts payable to brokerage clients)/(total assets- amounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

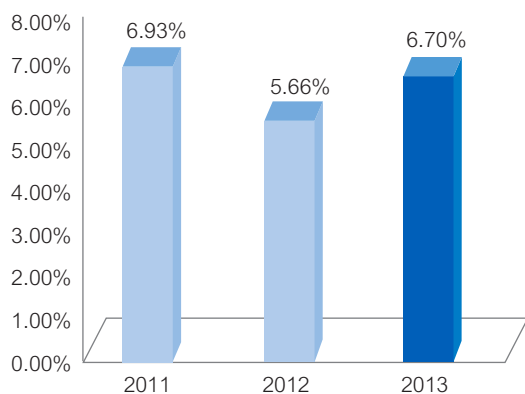
Revenue and other income (RMB in 100 million)



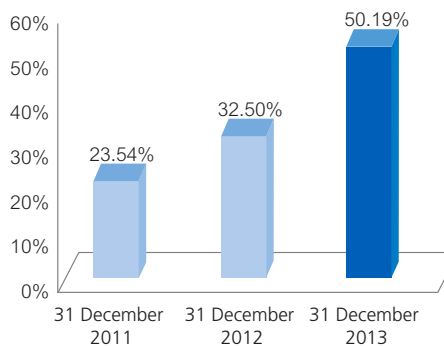
Profit for the year attributable to owners of the Company (RMB in 100 million)



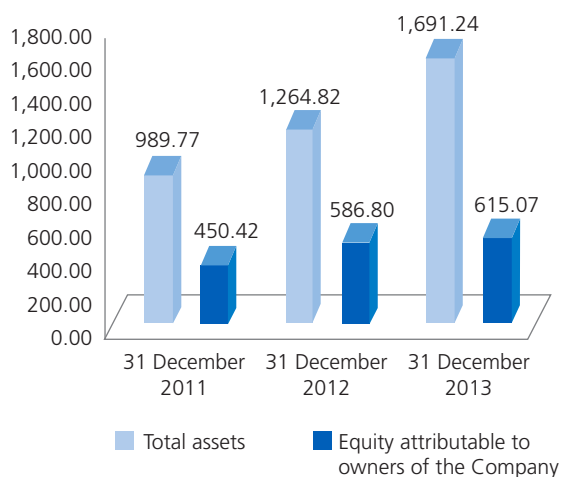
Weighted average returns on net assets



Gearing ratio



Indexes of size (RMB in 100 million)



Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(2) Particulars of major accounting data and financial indicators of the Company over the past three years

In recent years, the Company is in an important innovation and development period. The Company continues to carry out its development strategy of centralizing customers, meanwhile, developing securities brokerage, investment banking business, asset management and intermediary businesses as the core business, developing capital intermediary business and capital investment business, making the concept of innovation and internationalization as the driving force, enhancing the establishment of four main aspects, being research, talent, IT and risk management, in order to accelerate its transformation. Meanwhile, the development of conventional businesses is steady, and the Company is putting efforts in exploring new businesses, which help the Company achieve greater transaction volume market shares of equity fund as well as rapid development of margin financing, securities lending business, stock repo trading and equity pledged financing.

In 2013, the Company successfully issued offshore US\$-denominated corporate bonds, first batch of domestic corporate bonds and short-term financing bonds, which further broadened the financing channels and improved the financial leverage; and the Group acquired UT Capital Group, which led to a breakthrough of the Group's strategy. As the end of 2013, the total asset of the Group was RMB169,124.0 million, increased by 33.71%, and the total liabilities was RMB105,018 million, increased by 58.99%. The equity attributable to owners of the Company was RMB61,507 million, increased by 4.82%. Each traditional business of the Company develops in a steady speed, with brokerage and proprietary trading businesses recording a significant increase in revenue. Meanwhile, the Company further speeded up its innovation and revenue from innovative businesses experienced a significant increase. In 2013, revenue from innovative business such as margin financing and securities lending, arbitrage, and stock repo trading, etc accounted 23.3%, representing an increase of 8.9% as compared with that of 2012, which was 14.4%. In 2013, total revenue of the Company and other income, net profit, gains per share, ROEWA and such kind of principal financial data achieved a remarkable increase. Income, net profit and such kind of principal indicators ranked top among domestic peers.

Cash flows generated from operating activities of securities companies are mainly attributable to cash flows from proprietary trading and derivative financial assets, liquidity management, interests and commission income, margin financing and securities lending business as well as deposits from clients. In 2013, the net cash flow generated from operating activities of the Group was negative, which was mainly due to the significant expanding scope of margin financing and securities lending and the margin financing business in Hong Kong, and the rising capital outflow arising from loans and advances to customers; as well as the rising net cash outflows arising from increased holding of financial assets carried at fair value through the profit and loss. Asset of the Group was of high liquidity and could be easily realized, which could meet the operation capital requirement of the Company.

Major accounting data and financial indicators of the Group over the latest three years were in well condition, and the asset in reasonable structure, higher liquidity and good quality.

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

(3). Major accounting data and financial indicators over five years (Unit: RMB'000)

1. Profitability

	2013	2012 ⁽¹⁾	2011	2010	2009
Revenue and other income	12,802,734	10,743,347	10,860,374	11,304,935	11,315,846
Total expenses	7,464,926	6,681,975	6,633,122	6,393,365	5,399,981
Profit before income tax	5,454,748	4,127,238	4,300,164	4,989,690	5,981,827
Profit for the year attributable to owners of the Company	4,035,024	3,037,542	3,103,034	3,686,264	4,548,226

2. Assets

	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Total assets	169,123,603	126,482,104	98,976,911	115,413,098	120,730,205
Total liabilities	105,018,445	66,051,508	52,366,269	69,796,351	76,211,610
Accounts payable to brokerage clients	40,429,567	36,956,823	38,013,807	63,682,354	66,580,170
Equity attributable to owners of the Company	61,506,991	58,679,683	45,042,375	44,467,363	43,413,960
Share capital	9,584,721	9,584,721	8,227,821	8,227,821	8,227,821

3. Critical financial indicators

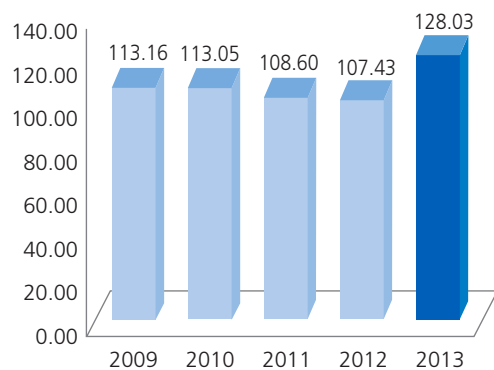
	2013	2012	2011	2010	2009
Dividend per share					
Basic earnings per share	0.42	0.33	0.38	0.45	0.55
Diluted earnings per share	0.42	0.33	0.38	0.45	0.55
Weighted average returns on net assets (%)	6.70	5.66	6.93	8.39	11.12
Gearing ratio (%) ⁽²⁾	50.19	32.50	23.54	11.82	17.79
Net assets per share attributable to owners of the Company (RMB/share)	6.42	6.12	5.47	5.40	5.28

¹ As IFRS 10 has been effective since 1 January 2013, the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement for the year of 2012 have been restated according to IFRS 10 by the Group. The consolidated financial statements have been presented based on the restated data. Please see Note 2 to Accountant's Report for details.

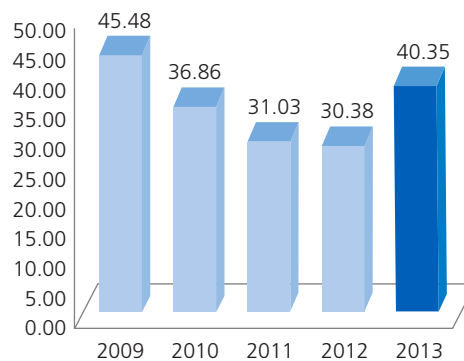
² Gearing ratio = (total liabilities – amounts payable to brokerage clients)/(total assets - amounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

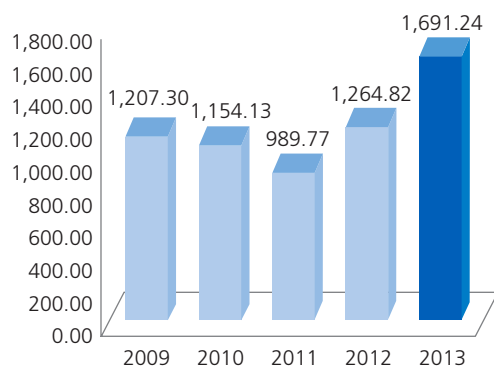
Revenue and other income
(RMB in 100 million)



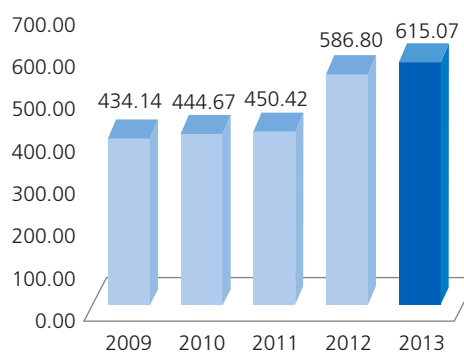
Profit for the year attributable to owners of the Company
(RMB in 100 million)



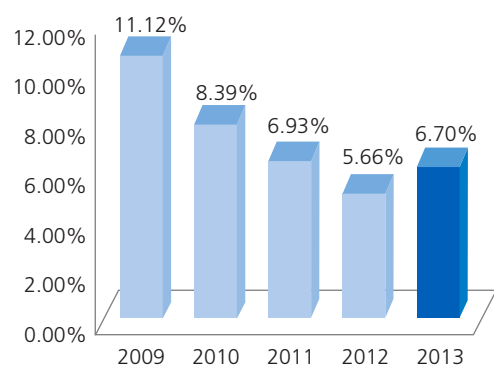
Total assets
(RMB in 100 million)



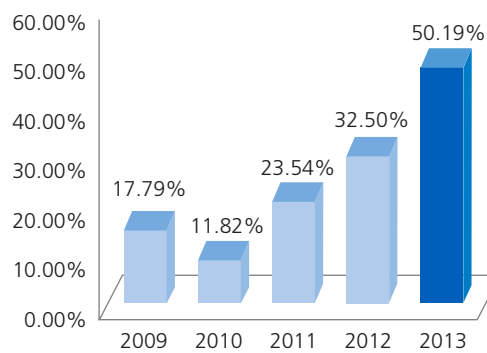
Equity attributable to owners of the Company (RMB in 100 million)



Weighted average returns on net assets



Gearing ratio



Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. DIFFERENCES BETWEEN IFRS AND PRC GAAP

The net profits for the year 2013 and 2012 and the net assets as at 31 December 2013 and 31 December 2012 as stated in the consolidated financial statements of the Company prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

III. THE NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 31 December 2013, the net capital of the Company was RMB39.041 billion, representing an increase of RMB363 million as compared to the net capital of RMB38.6777 billion as at the end of prior year. During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements

Unit: RMB'000

Items	31 December 2013	31 December 2012 After Adjustment	31 December 2012 Before Adjustment	Increase/ Decrease
Net capital	39,041,418	38,677,731	39,007,731	0.94%
Net assets	60,310,727	57,972,896	57,972,896	4.03%
Total of risk capital reserves	3,046,765	2,450,809	2,730,633	24.32%
Net capital/total reserves of risk capital	1,281.41%	1,578.16%	1,428.52%	Decrease by 296.75 percentage points
Net capital/net assets	64.73%	66.72%	67.29%	Decrease by 1.99 percentage points
Net capital/liabilities	91.93%	159.73%	161.10%	Decrease by 67.80 percentage points
Net assets/liabilities	142.01%	239.42%	239.42%	Decrease by 97.41 percentage points
Proprietary equity securities and securities derivatives/net capital	37.12%	39.59%	35.02%	Decrease by 2.47 percentage points
Proprietary fixed income securities/net capital	94.23%	66.35%	66.30%	Increase by 27.88 percentage points

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

(I) Overall operations of the Company

In 2013, though facing with complex and challenging market conditions, under the correct leadership of the Board, the Company's management team led all the staff to work hard and forged ahead. Major strategies were promoted steadily, including successful acquisition of UT Capital Group, and became the first domestic broker obtaining finance lease business license. Financing channels are further broadened. The Company has successfully issued US\$900 million corporate bonds, first batch of RMB12 billion corporate bonds and RMB3 billion short-term financing bonds. Pace of independent innovation is accelerated, some other innovative qualifications are required and basic functions, like corporate transactions, custody, payment, financing and investment etc, are further enhanced, as are the comprehensive service capabilities. Business scale of capital intermediary type, like securities margin trading, stock repo, stock pledge and buy-back and return swap etc witnesses significant growth, contributions in profits keep increasing. Research of market-oriented reforms gains effectiveness, company institutes rank first as Best Local Research Team in New Fortune Magazine's Comparison of Best Analysts in 2013. Measures are promoted simultaneously to enhance management efficiency by further promotion in human resources reform, construction of IT and strengthening risk management and control, thus to comprehensively improve the management efficiency.

At the end of 2013, the Group's total assets amounted to RMB169,124.0 million, among which, net assets attributable to owners of the listed company amounting to RMB61,507 million, profit for the year attributable to owners of the listed company amounting to RMB4,035 million and net capital of the Company amounting to RMB39,041 million. Total revenue and other income amounted to RMB12,803 million, among which, securities and futures brokerage business amounting to RMB6,460 million, representing 50.5%, proprietary trading amounting to RMB2,404 million, representing 18.8%, asset management business amounting to RMB611.0 million, representing 4.8%, investment banking business amounting to RMB716.0 million, representing 5.6%, income from direct investment business amounting to RMB278.0 million, representing 2.2%, income from overseas business amounting to RMB1,407 million, representing 11.0%, and income from management and others amounting to RMB2,771 million, representing 21.6%. Pace of independent innovation is accelerated, financing channels are constantly expanded, profit model becomes more diversified and capital intermediary business develops well and contributions in profits keep increasing. In 2013, the Group's total assets, net assets, operating income and net profit continue to rank forefront in the domestic securities industry.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

Statement of the Principal Business of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Securities and futures brokerage business	6,459,549	4,124,883	36.14%	49.79%	55.47%	Decreased by 2.33 percentage points
Proprietary trading	2,404,129	845,723	64.82%	38.36%	-27.40%	Increased by 31.86 percentage points
Asset management business	610,634	538,057	11.88%	-36.51%	-10.35%	Decreased by 25.71 percentage points
Investment banking business	715,539	482,852	32.52%	-4.09%	-2.25%	Decreased by 1.27 percentage points
Overseas business	1,407,294	960,881	33.17%	39.79%	30.53%	Increased by 6.30 percentage points
Direct investment business	278,079	46,196	90.25%	49.35%	31.56%	Increased by 12.35 percentage points

(II) Analysis of Our Principal Business Lines

1. Each Principal Business of the Company

(1) Securities and futures brokerage business

Retail business has a sound and solid basis. The Company has achieved a market share of 5.48% in terms of total trading volume in 2013, representing an increase of 0.03 percentage point over 2012 (5.45%), ranking second in the market. The market share in terms of stock-based trading volume was 4.73%, increasing by 0.19 percentage point, ranking fourth in the market. The Company accelerated the transformation of branch institutions, reduced the outlets operation areas of 24,500 square metres, improved the new network distribution, and completed the establishment of a total of 37 micro-sized outlets, which increased the total securities business departments to 240, further expanding the business of the Company.

Institutional business developed steadily. The Company continued utilizing the advantage of comprehensive resources, strengthening the all-round services provided to customers of large scale institutions, such as funds and insurance companies, etc. by centering on research services, and exploring multiple banks and securities cooperation model to enlarge the size of the business. In 2013, the market share of block trading accounted for 5.2%, ranking fourth in the market. We had ten new QFII customers, accounting for 8.2% of the market share for new account operating. We had 34 QFII clients. The total number of QFII customers and trading volume continue to rank top in the industry.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

Futures business grew rapidly. Customer interest per day generated from futures business was RMB7.9 billion, increased by 31%. The market share was 5.95%, increased by 1.55 percentage points; the trading volume and trading amounts of futures brokerage increased by 126% and 111%.

In 2013, securities and futures brokerage business achieved a total profit of RMB2.335 billion, accounting for 42.8%.

(2) *Proprietary trading*

The Company further deepened the transformation of investment business, exploring diversified profit model, which significantly enhanced its ability against the market risks. Under the circumstance of the downturn in the market that Shanghai Stock Exchange Composite Index dropped by 6.75%, the equity investment actively captured the opportunities in the market, and obtained a rate of return on investment of 18.7%. Passive hedging, active arbitrage, Alpha Strategy and such kind of quantitative investments obtained a rate of return on investment of 10.8%. Under the unfavorable environment with high climbed market interest rate and downturn in the bond market, fixed income investment resisted the market systematic risks well by optimizing options allocations.

In 2013, proprietary trading achieved a total profit of RMB1.558 billion for the year, accounting for 28.6%.

(3) *Investment banking business*

Investment banking further propelled the transformation of business structure. Under the IPO suspension in the whole industry, it strived to explore the refinancing business and drive the innovation of bond business, which recorded satisfactory results by completing 41 equity and bond projects, with a total underwriting amount of RMB69.4 billion. All of the equity financing projects under approval have passed the IPO financial verification conducted by SFC. Twelve non-public projects have been completed for the year, among which one was convertible bond project, with a total underwriting amount of RMB17.7 billion. Bond financing made a breakthrough on the issuance of state enterprises' bonds, which successfully underwrote the corporate bonds of certain central government-led enterprises including Huaneng Power International Inc and China Power Investment Corporation while an innovative bond, i.e. Wuhan-Guangzhou Railway Corporate Bond, the first renewable bond in China, was issued; 28 bond financing projects were completed in the whole year, with the underwriting amount of RMB51.7 billion. M&A financing business actively explored the businesses of assets contribution of the listed Company and fund raising for material assets reorganization and allocation. The total amount of asset transaction of projects which have influence on the market, including China Tungsten and Hightech Material Co., Ltd. (中鎢高新材料有限公司), Shanghai Chenghai Enterprise Development Co., Ltd. (上海澄海企業發展股份有限公司) and Wolong Electric Group Co., Ltd. (臥龍電氣集團股份有限公司), was RMB11,756 million.

In 2013, the total profits from investment bank business amounted to RMB233 million, representing 4.3%.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(4) *Asset management business*

The subsidiaries engaging in assets management continued to diversify their products, with a rapid growth in the management scope. 190 products in various kinds have been issued, with the management scope increased to RMB204.8 billion at the end of 2013 from that of RMB35.0 billion in 2012. The results of investment improved.

HFT Investment Management Co., Ltd. (“HFT Investment Management”) managed a scale of approximately RMB88.8 billion, among which RMB24.4 billion was public fund. Fullgoal Fund Management Co., Ltd. (“Fullgoal Fund Management”) managed a scale of RMB103.3 billion, among which RMB66.0 billion was public fund.

Investment fund managed for various industries amounted to RMB10.54 billion and the number of new investment projects was 21, with an increased investment amount of RMB750 million. The second phase of China-Belgium Direct Equity Investment Fund had commenced operation, with RMB1 billion entrusted assets newly added.

In 2013, the total profits generated from asset management business amounted to RMB73 million, accounting for 1.3% of the overall total profits.

(5) *Direct investment business*

Direct investment business was conducted prudently, mainly emphasizing on the management after investment. Haitong Capital Investment Co., Ltd. (“Haitong Capital Investment”) newly added five investment projects, with an increased investment amount of RMB227 million and five additional investment projects exited. The annualized return rate amounted to nearly 30%.

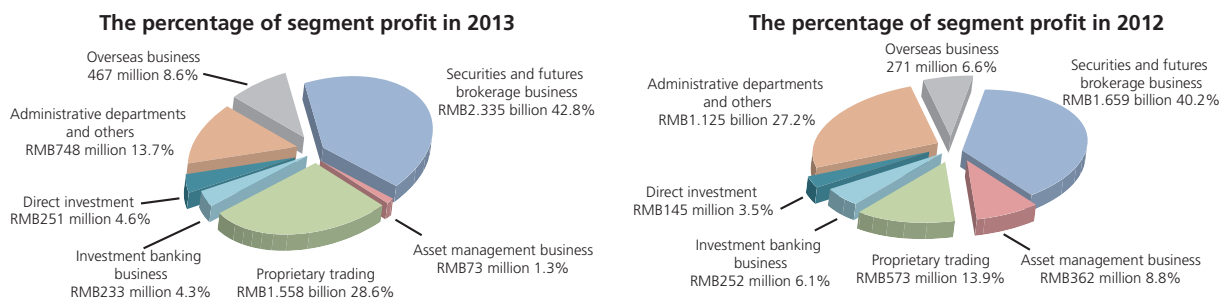
In 2013, total profits generated from direct investment business amounted to RMB251 million, accounting for 4.6%.

(6) *Overseas business*

Haitong International Holdings realized profit for the year attributable to the Company of HK\$370 million, increased by 79% as compared with the last corresponding period. Total trading volume under brokerage business for the whole year ranked 17 among type B securities traders, advancing by four places as compared with that of 2012; Large IPO projects such as Galaxy Securities Co. Ltd. and SINOPEC Engineering (Group) Co., Ltd. were successfully completed, ranking the second in Hong Kong in terms of IPO underwriting projects. The amounts approved accumulated to RMB5.7 billion in terms of RQFII. The Company is taking the opportunities of RQFII, QFII and RQFLP, to drive the design and innovation of various investment products., with the scope of investment and management amounting to HK\$11.27 billion which was increased by 74% as compared with the corresponding year. The over-seas distribution made a new improve, with a company in Singapore obtaining the trading license under the securities and futures and duly commencing operation.

In 2013, total profit generated from overseas business amounted to RMB467 million, accounting for 8.6% of the total profit.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS



Notes: the percentage are calculated by the total profit from segment share of the total profit after elimination

2. Details of principal projects in the consolidated statement of profit or loss

(1) Revenue and other income

In 2013, the revenue and other income realized by the Group totaled RMB12.803 billion, representing an increase of RMB2.059 billion or 19.17%. This was mainly due to the steady development of each traditional business. Meanwhile, with the promotion of innovation, the proportion of revenue generated from innovative business increasing year by year. In 2013, revenue generated from innovative business of the Group such as margin financing and securities lending, arbitrage and stock repo trading accounted for 23.3%, representing an increase of 8.9 percentage points as compared with that of 2012 (14.4%), of which:

- Commission and fee income amounted to RMB6.751 billion, representing 52.73%, increased by 29.59% as compared to the last corresponding period, which was mainly due to the increase of the Company's market share of stock funds and the slight increase of transaction amounts from the secondary market resulting in the huge increase of the revenue from brokerage charges as compared to the same period of last year;
- Interest income amounted to RMB3.671 billion, accounting for 28.67%, representing an increase of 27.52% as compared to the last corresponding period, which was mainly due to the Group's active promotion of the financing and securities lending and Hong Kong margin financing and securities lending business, as well as the increase in interest income from financial assets held under resale and held to maturity as compared to last year;
- Net investment gains amounted to RMB2.150 billion, accounting for 16.79%, representing a decrease of 10.58% as compared to the last corresponding period. The year-on-year decrease of net investment gains was mainly due to the decrease of the profit or loss arising from the change of the fair value of the financial assets held by the Group as impacted by the capital market.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The composition of the Group's revenue and other income during the Reporting Period is as follows:

Unit: RMB'000

Item	2013		2012		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	6,751,188	52.73%	5,209,672	48.45%	1,541,516	29.59%
Interest income	3,670,965	28.67%	2,878,805	26.80%	792,160	27.52%
Net investment gains	2,150,038	16.79%	2,404,312	22.38%	-254,274	-10.58%
Other income and gains	230,543	1.80%	250,558	2.33%	-20,015	-7.99%
Total revenue and other income	12,802,734	100.00%	10,743,347	100.00%	2,059,387	19.17%

(2) Total expenses

In 2013, total expense of the Group amounted to RMB7.465 billion, representing an increase of 11.72%, which was mainly due to the increase of interest expense and the staff cost, of which:

- The interest expenses amounted to RMB1.484 billion, representing an increase of 110.73% as compared to the last corresponding period, which was mainly due to the increase on the interest expenses incurred in the issuance of bonds, short-term financing debt and assets sold under repurchase;
- The staff costs amounted to RMB2.621 billion, representing an increase of 22.37% as compared to the last corresponding period, which was mainly due to an increase in performance bonus resulted from an increase in the net profit of the Group;
- Other expenses mainly comprised operating expenditure, business tax and surcharges, as well as impairment loss of assets, etc. Other expenses during the reporting period amounted to RMB2.203 billion, representing a decrease of 18.10% as compared to the corresponding period, which was mainly due to the operation saving of sub-branches in the process of transformation, and significant decrease of provision for impairment loss for available-for-sale investments.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The components of total expenses of the Group in 2013 are shown as below:

Unit: RMB'000

Total expenses	2013	2012	Increase/Decrease	
			Amount	Percentage
Staff costs	2,621,465	2,142,298	479,167	22.37%
Interest expenses	1,484,370	704,404	779,966	110.73%
Brokerage transaction fees and expenses of other services	514,208	569,299	-55,091	-9.68%
Commission to account executives	334,496	259,035	75,461	29.13%
Depreciation and amortization	307,319	316,841	-9,522	-3.01%
Other expenses	2,203,068	2,690,098	-487,030	-18.10%
Total	7,464,926	6,681,975	782,951	11.72%

3. Public welfare contributions

During 2013, the Group contributed RMB683,000 in total in public welfare areas like environmental protection projects, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions for 2013

Unit: RMB'000

Item	Amount during the period
Charity donations	217
Others	466
Total	683



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

4. Cash flows

In 2013, net increase of the cash and cash equivalents of the Group amounted to RMB4.208 billion, of which:

- (1) Net cash used in operating activities amounted to RMB18.842 billion, which was mainly due to the effect of cash outflow of RMB22.662 billion arising from the change of working capital of the Group. The major items suffered reduce in the working capital are:
 - The size of the loans and advances to customers was further enlarged with a cash outflow of RMB16.127 billion;
 - The financial assets measured at fair value through profit or loss was increased with a cash outflow of RMB15.172 billion.

Above cash outflow was partially offset by cash inflow of RMB10.407 billion due to the increase of financial assets sold under repurchase agreements.

- (2) Net cash from investing activities amounted to RMB559 million, which was mainly due to the cash inflow from disposal of available-for-sale investments.
- (3) Net cash from financing activities amounted to RMB22.491 billion, which was mainly due to issuance of bonds, short-term financial bills, which generated net cash inflow of RMB23.156 billion.

5. Research and Development Expenses

To promote innovation in securities business, adapt to new transaction types, and enhance the operating efficiency and management effectiveness, the Company invested RMB34.8158 million in the research and development and hardware of the information system management platform by way of self-development, cooperative development and commissioned development.

6. Others

- (1) *Details of material changes in the composition and sources of the Company's profits*

During the Reporting Period, there were no material changes in the composition and sources of the Company's profits, therefore, this provision is not applicable.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(2) *Analysis and description of various previous financing and significant asset reorganization events of the Company*

According to the approval issued by the CSRC (Zheng Jian Xu Ke [2011] No.1821), the Company issued overseas listed foreign shares (“H Shares”) on the Hong Kong Stock Exchange on 27 April 2012. As at 24 May 2012, the Company issued 1,356,900,000 H shares at the price of HK\$10.60 per share. The aggregate HK\$14.383 billion have been paid up in Hong Kong dollars in cash, and net proceeds of HK\$13.801 billion after deduction of issuing and listing fees have been deposited in the capital verification account opened by the Company. The above mentioned registered capital has been verified by Deloitte Touche Tohmatsu CPA LLP. (Special General Partnership) with capital verification report De Shi Bao (Yan) Zi (12) No. 0025. As at 31 December 2013, the proceeds raised from H shares had been gradually utilized according to the issuance plan.

Utilization of proceeds provided fund support for each business segment, strengthened the financial position of the Company, laid a solid foundation for its development, and further enhanced its competitiveness.

In 2013, the weighted average return on net assets of the Group was 6.70%.

(3) *Explanation on progress of development strategies and business plan*

In 2013, the domestic macroeconomic situation was severe and complicated. The main board market kept downturn, and the rise of the Internet-based finance accelerated the marketization of rate in the domestic financial market. Fluctuation in the bond market amplified, and IPO suspension brought some certain negative impact on the securities companies, investment banks and PE business. The traditional business model in the securities industry was facing greater challenges. Confronted with the complex operation environment, the Company accelerated transformation innovatively and while in the consolidation of position in the markets of traditional brokerage, investment banking and asset management business, expanded vigorously the capital intermediary business and innovated the investment-oriented business to constantly cultivate new profit growth points. The Company steadily carried on the implementation of key strategies, enriched the collectivized connotation and effectively broadened the Company’s business range by the acquisition of UT Capital Group. The Company continuously developed financing channels both domestically and abroad to provide a stable source of funding for the Company’s continuous development, and strengthened the construction of the four dominant fields, including information and technology and risk management and research, to safeguard the healthy development of the Company. Confronted with the penetration into the financial sector from the Internet industry, the Company stepped up research in the implementation programs of Internet-base finance, which was focusing on developing high net worth and institutional clients to enhance customer experience and strengthen the value-added services in order to further polish the Company’s financial service system.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(III) Analysis on principal components of consolidated statement of financial position

1. Overall situation of consolidated statement of financial position

In 2013, the total assets and the liabilities of the Group amounted to RMB169.124 billion and RMB105.018 billion, representing an increase of 33.71% and 58.99% compared with those at the beginning of the year respectively. The bank balance and cash and clearing settlement funds of the Group represented 34% of its total assets, financial assets at fair value through profit or loss, available-for-sale investments, loan and receivable investments and other financial assets represented 36% of its total assets, loans and advances to customers represented 16% of its total assets, financial assets held under resale agreements represented 5% of its total assets, while property and equipment represented 0.69% of its total assets only. Most of the assets were of good liquidity. The assets of the Group were in reasonable structure with stronger liquidity. Major items of the consolidated statement of financial position of the Group are as follows:

	2013		2012		Unit: RMB'000 Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Non-current assets	13,077,439		9,800,367		3,277,072	33.44%
Of which: Available-for-sale investments	4,720,906	2.79%	3,202,231	2.53%	1,518,675	47.43%
Investments accounted for using equity method	2,231,269	1.32%	1,727,890	1.37%	503,379	29.13%
Loan and receivable investment	1,829,199	1.08%	1,278,302	1.01%	550,897	43.10%
Property and equipment	1,171,604	0.69%	1,134,459	0.90%	37,145	3.27%
Loans and Advances to customers	934,200	0.55%	-		934,200	
Current assets	156,046,164		116,681,737		39,364,427	33.74%
Of which: Bank balance and cash	52,586,993	31.09%	52,000,241	41.11%	586,752	1.13%
Financial assets at fair value through profit or loss	47,590,047	28.14%	32,418,247	25.63%	15,171,800	46.80%
Loans and advances to customers	26,531,096	15.69%	11,338,687	8.96%	15,192,409	133.99%
Financial assets held under resale agreements	9,036,993	5.34%	2,234,569	1.77%	6,802,424	304.42%
Available-for-sale investments	4,951,872	2.93%	7,427,046	5.87%	-2,475,174	-33.33%
Loan and receivable investment	2,086,056	1.23%	1,894,100	1.50%	191,956	10.13%
Total assets	169,123,603		126,482,104		42,641,499	33.71%

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

	2013		2012		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Current liabilities	86,657,902		65,901,545		20,756,357	31.50%
Of which: Accounts payable to						
brokerage clients	40,429,567	38.50%	36,956,823	55.95%	3,472,744	9.40%
Financial assets sold under						
repurchase agreements	26,111,914	24.86%	16,040,561	24.28%	10,071,353	62.79%
Financial liabilities at fair value						
through profit or loss	6,506,512	6.20%	134,769	0.20%	6,371,743	4,727.90%
Borrowings	5,796,395	5.52%	8,626,314	13.06%	-2,829,919	-32.81%
Short-term Financing Bill						
Payables	3,000,000	2.86%	-		3,000,000	
Net current assets	69,388,262		50,780,192		18,478,966	36.64%
Non-current liabilities	18,360,543		149,963		18,210,580	12,143.38%
Of which: Bonds payable	17,939,628	17.08%	-		17,939,628	
Total liabilities	105,018,445		66,051,508		38,966,937	58.99%
Total equity	64,105,158		60,430,596		3,674,562	6.08%

* Percentages for assets and liabilities refer to the share of total assets and the share of total liabilities respectively.

Non-current assets

As at the end of 2013, the non-current assets of the Group increased by 33.44% to RMB13.077 billion as compared to the beginning of the year, mainly due to the increase in available-for-sale investment and loan and receivable investment held by the Company.

Current assets and liabilities

As at the end of 2013, the net current assets of the Group was RMB69.388 billion, representing an increase of RMB18.608 billion or 36.64% as compared to that of RMB50.78 billion at the beginning of the year, mainly because the growth of current asset was faster than that of current liabilities.

The increase in the Group's current assets was mainly because: 1) apart from the increase of current asset and current liability of the Company due to the structural combination, the Company further increased RMB8.919 billion of financial assets carried at fair value through profit or loss; 2) capital financing and security financing, Hong Kong margin financing and securities lending business increased in a large amount and in a fast speed, and also experienced significant growth in loans and advances to customers; 3) innovative businesses, such as stock repo trading and stock pledge repurchase increased the financial assets held under resale agreements as compared to last year.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The increase of the current liabilities of the Group was mainly due to the appropriate increase in financial assets sold under repurchase agreements and increase in short-term financing bill payables.

Non-current Liabilities

The increase of the non-current liabilities of the Group was mainly due to issued of US dollar bonds, corporate bonds and convertible bonds by the Group.

Borrowings and bond financing

As at 31 December 2013, the total borrowings of the Group amounted to RMB27.856 billion, set out below is the breakdown of borrowings and bond financing for the Group at the end of December 2013:

	31 December 2013	<i>Unit: RMB'000</i> 31 December 2012
Bonds payable	17,939,628	–
Borrowings	5,796,395	8,626,314
Short-term financing bill payables	3,000,000	–
Placements from other financial institutions	1,120,000	2,150,000
Total	27,856,023	10,776,314

For the information of interest rate and maturities of borrowings and bonds financing, please refer to notes 39, 40, 41 and 54 set out in the financial statements.

As at 31 December 2013, borrowings and bonds financing matured within one year amounted to RMB10.676 billion, the Group's own capital amounted to RMB19.159 billion, which was more than the interest-bearing borrowings including bonds payable matured over one year, borrowings and borrowing funds from other financial institutions. Therefore there was no liquidity risk.

Except for the liabilities disclosed in this Report, as at 31 December 2013, the Group had no outstanding mortgage, charges, bonds, other debt capital (issued or agreed to be issued), liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

2. Distributable Reserve

As at 31 December 2013, reserves of the Company distributable to shareholders of the Company amounted to RMB10.205 billion.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

3. *Explanations on change in the scope of consolidation of the statements*

- (1) As compared to the end of last year, the Group set up another 23 entities this year, which were two subsidiaries of the Haitong Capital Investment recently established (Haitong New Energy Equity Investment Management Co., Ltd. and Liaoning Haitong New Energy And Low-Carbon Industry Equity Investment Fund Co., Ltd.), a subsidiary of Haitong Futures Co., Ltd. (“Haitong Futures”), established during this year (Shanghai Haitong Resources Management Co., Ltd.), and five subsidiaries including Haitong Capital International Investment Co., Ltd. established by Haitong International Securities Group Limited (“Haitong International Securities”), and 15 asset management products produced by the Company due to execution of IFRS 10 Consolidated Financial Statements.
- (2) During the year, the Group totally reduced two entities, which were Grand Fortune Company Limited, deregistered by Haitong International Securities Group, and HFT China (New) FrontierNon-US Feeder Fund, deregistered by HFT Investment Management.

(IV) *Analysis on core competitiveness*

In the process of long-standing business operation, the Company has gradually formed its characteristic core competitiveness which is mainly embodied in:

1. *Leading capital strength in the industry*

The Company has taken the market opportunities and strengthened its capital strength through two strategic financing arrangements from 2007 to 2012; the Company successfully issued bond and short-term commercial papers in 2013 to further improve its capital strength. The Company ranked second among all securities firms in the PRC in terms of total assets and net assets of the Company from 2009 to 2013. Sufficient capital provided the Company with first-mover advantage with regard to implementing business transformation and accelerating business innovation.

2. *Excellent Integrated Business Platform*

The Company has strong basis in brokerage business, high market influence in investment banking business, rapid development in asset management business, and top market ranking in innovative business. The Company successfully acquired and integrated Taifook Securities Group Limited (“Taifook Securities”) in Hong Kong and acquired UT Capital Group. The Company has established a comprehensive industry chain of various businesses covering brokerage, investment banking, asset management, futures, PE investment, alternative investment and financing lease, which has formed strong scale effects and cross-selling potential, and has provided powerful support for its business development.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

3. Extensive branch network with a substantial and stable customer base

The Company has speeded up its network layout. As at 31 December 2013, the Company had 272 securities and futures business departments (including 240 securities business departments and 32 futures business departments) spanning across 28 provinces and 131 cities in the PRC, as well as 12 branches in Hong Kong, Macau and Singapore operated through our subsidiary, Haitong International Securities Group. According to the statistics published by the Securities Association of China, the Company ranked the first in terms of the number of securities business departments among all securities companies in China as at 31 December 2013. Leveraging its nationwide strategically branch network, the Company has built a large and stable customer base. As at 31 December 2013, the Company had over 4.7 million customers in China.

4. Leading innovation ability in the market

The Company always treats innovation as the key driving force in promoting strategic transition. In recognition of its strong capital position, effective risk management and internal controls and proven execution capabilities, the Company is frequently designated by the regulatory authorities as the first few securities firms to participate in pilot programs for new businesses. The Company has maintained its leading positions in innovation businesses such as margin financing and securities lending, and OTC business, etc. In addition, the Company accelerated the pace of self-independent innovation, and continuously provided innovative business solutions and enriched its serving methods for customers home and abroad. The proportion of revenue generated from innovative businesses continued increasing, and has passed 23.3% in 2013, which effectively offset the adverse effect by the revenue decrease in conventional businesses.

5. Comprehensive international business platform

After the Company successfully acquired and integrated Taifook Securities, the Company acquired UT Capital Group, which made the Company become the first domestic securities company which offers financial leasing services. Meanwhile, the Company has been approved to set up branches in Shanghai Free Trade Zone to further improve the cross boarder business. The Company will benefit from the comprehensive international business platform to capture the cross boarder business opportunities, meet the cross boarder business needs of the customers, and enhance the international influence of the Company.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

6. *Specified corporate governance and effective risk management and internal control systems*

With scientific and standardized corporate governance and high transparency, the “three committees with one operating layer” runs efficiently. The Company is included in the SSE Corporate Governance Index, SSE 50 Index, SSE 180 Index, CSI 300 Index, Hang Seng China H-Financials Index, Hang Seng Mainland 100 and Hang Seng China Enterprises Index and was awarded as Excellent Board of PRC Listed Company for the fifth consecutive year. The Company has navigated through regulatory reforms, industry developments and the cyclical changes over its 25 years of operating history. The Company has established prudent corporate governance, effective risk management and internal control systems to reduce its exposure to various risks in the securities markets. The Company is the only major PRC securities firm founded in the 1980s that remains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company has developed a comprehensive risk control system that effectively manages market risk, credit risk, liquidity risk and operational risk. The Company has also established effective Chinese walls and precautionary mechanisms across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system, which effectively control its operations and transactions.

(V) **Analysis on investments**

1. *External equity investments*

As at the end of the Reporting Period, the investments accounted for using equity method of the Group amounted to RMB2.231 billion, representing an increase of RMB503 million, or 29.11%, as compared with RMB1.728 billion as at the end of last year. The increase was mainly attributable to additional equity investments of Haitong International Holdings, Haitong International Securities Group and Haitong Capital Investment, among which, Haitong International Holdings increased RMB191 million, and Haitong International Securities Group increased RMB140 million and Haitong Capital Investment increased RMB123 million.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

2. Securities investment

No.	Type of securities	Stock code	Abbreviated name	Initial investment cost (RMB'000)	Number of shares held (share)	Carrying value as at the end of the period (RMB'000)	Percentage of total securities investment at the end of the period (%)	Profit and loss during the Reporting Period (RMB'000)
1	Treasury bonds	010213	02 Treasury bonds(13)	1,848,413.50	19,130,000.00	1,781,385.60	3.34%	-31,972.55
2	Treasury bonds	010107	21 Treasury bonds(7)	1,342,014.07	12,800,000.00	1,246,080.00	2.33%	-41,806.81
3	Corporate bonds	1080119	10 Wuxi City Investment Bond	961,937.17	9,800,000.00	930,428.66	1.74%	-26,394.09
4	Funds	511210	Boshi Corporate Bond on Shanghai Stock Exchange 30ETF	592,279.79	5,924,043.00	582,001.68	1.09%	-10,278.11
5	Funds	163820	BOC INTERNATIONAL MONETARY MARKET SECURITIES INVESTMENT FUND B	500,000.00	500,000,000.00	500,512.82	0.94%	512.82
6	Funds	380008	BOC 7-day Financial Management Bond B	500,000.00	500,000,000.00	500,088.56	0.94%	88.56
7	Corporate bonds	1180057	11 Small and medium-sized enterprise set bond of Changzhou	458,000.00	4,580,000.00	455,729.24	0.85%	21,046.02
8	Funds	485018	B Security B ICBC Credit Suisse Asset Management Co. Ltd.	423,312.90	423,312,904.69	426,689.71	0.80%	3,376.81
9	Funds	340005	Xinfquan Money Market Fund	400,000.00	400,000,000.00	400,123.05	0.75%	123.05
10	Funds	091005	Dacheng Money Market Fund B	400,000.00	400,000,000.00	400,060.80	0.75%	60.80
Other securities investment held as at the end of the period				46,822,807.69	/	46,166,822.49	/	1,376,120.50
Profit and loss for securities investment sold during the Reporting Period				/	/	/	/	450,560.25
Total				54,248,765.12	/	53,389,922.61	100.00%	1,741,437.24

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

Note 1: The sequence of this table is based on the percentage of the carrying value as at the end of the Reporting Period attributed to the total securities investment of the Group as at the end of the Reporting Period, and this table only shows the top ten securities of the Company as at the end of the Reporting Period;

Note 2: The securities investment of this table refers to the investment in stocks, warrant, convertible bonds, etc. Investment in stocks only shows the accounting part of financial assets listed in the consolidated statement of financial position carried at fair value through profit and loss of the Group;

Note 3: Other securities investment refers to investment in other securities, other than the top ten securities;

Note 4: Profit and loss during the Reporting Period includes investment gains and gain from the change of fair value from holding such securities by the Company.

As at the end of the Reporting Period, the initial investment cost for securities investment as stated in the table above amounted to RMB54.249 billion, representing an increase of RMB17.392 billion as compared to the end of 2012 (RMB36.857 billion), mainly due to an enlargement to the investment scale of bonds and funds at fair value whose changes through profit and loss.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

3. Shareholding in other listed companies

Unit: RMB'000

Stock Code	Abbreviated name	Initial investment cost	Shareholding in the company	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounting items	Source of shares
600221	海南航空	403,992.38	1.62%	395,487.91	42,983.68	-19,520.12	Available-for-sale investment	Non-public issuance of shares and purchase from secondary market
600705	中航投資	30,793.41	0.33%	86,332.04	3,590.74	-	Available-for-sale investment	Share Reform Restricted Shares and purchase from secondary market
002321	華英農業	65,100.00	3.29%	76,214.78	-	11,114.78	Available-for-sale investment	Non-public issuance of shares
000156	華數傳媒	75,379.80	0.45%	75,689.45	-	241.11	Available-for-sale investment	Non-public issuance of shares and purchase from secondary market
600036	招商銀行	82,475.71	0.03%	74,906.92	-3,983.68	-2,466.03	Available-for-sale investment	Purchase from secondary market
600016	民生銀行	63,328.44	0.03%	73,301.49	7,332.26	-	Available-for-sale investment	Purchase from secondary market
002578	閩發鋁業	27,900.00	3.49%	63,180.00	-	11,160.00	Available-for-sale investment	Listing with direct investment
601318	中國平安	66,184.89	0.02%	56,803.00	-4,182.46	-	-	Purchase from secondary market
300256	星星科技	49,691.00	1.82%	48,951.00	-	-555.00	Available-for-sale investment	Mergers and Acquisitions of Direct Investment
601166	興業銀行	49,682.31	0.03%	48,901.87	1,253.63	-	Available-for-sale investment	Purchase from secondary market
Shareholding of other listed companies		1,179,502.43		835,483.28	306,627.24	53,446.33		
Total		2,094,030.36		1,835,251.76	353,621.41	53,421.07		

Note 1: This table only shows the accounting shareholdings in other listed companies for available for-sale investments by the Group;

Note 2: Profit and loss during the Reporting Period refers to the effects of consolidated net profit of the Group during the Reporting Period caused by this investment.

As at the end of the Reporting Period, the initial investment cost for shareholding in listed companies as stated in the table above amounted to RMB2.094 billion, representing a decrease of RMB2.367 billion as compared to the end of 2012 (RMB4.461 billion).

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

4. Equity participation in non-listed financial companies

Name	Initial investment (RMB'000)	Number of shares held (Share)	Shareholding in the company (%)	Investment for the Period (RMB'000)	Carrying value as at the end of the period (RMB'000)	Profit and loss during the Reporting Period (RMB'000)	Changes in interests of owners during the Reporting Period (RMB'000)	Accounting items	Source of shares
Fullgoal Fund Management Co., Ltd.	92,907.38	49,995,000.00	27.78		306,368.00	77,483.04	27,488.04	Investments accounted for using equity method	Capital contribution for subscription
HFT Investment Management Co., Ltd.	67,000.00	76,500,000.00	51.00		76,500.00	60,193.70	868.03	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong-Fortis Private Equity Fund Management Co., Ltd.	63,650.00	13,400,000.00	67.00	50,250.00	63,650.00	38,848.23	1,347.11	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Futures Co., Ltd.	699,191.78	666,670,000.00	66.67		699,191.78	77,462.66	915.00	Investment in subsidiaries	Subsidiaries acquired through business combination not involving entities under common control
Haitong International Holdings Limited	3,494,038.00	4,000,000,000.00	100.00		3,494,038.00	291,395.22	-86,051.16	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Capital Investment Co., Ltd.	5,750,000.00	5,750,000,000.00	100.00		5,750,000.00	219,644.64	-17,870.71	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Innovation Securities Investment Co., Ltd.	3,000,000.00	3,000,000,000.00	100.00		3,000,000.00	225,918.41	19,864.06	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Shanghai Haitong Securities Asset Management Company Ltd.	1,000,000.00	1,000,000,000.00	100.00		1,000,000.00	-161,792.15	8,236.84	Investment in subsidiaries	Capital contribution for establishment of subsidiaries
Total	14,166,787.15	14,556,565,000.00	/	50,250.00	14,389,747.78	829,153.76	-45,202.79	/	

Note 1: Financial companies include commercial banks, securities companies, insurance companies, trust companies, and futures brokerage companies etc. This table only shows the shareholdings in non-listed financial companies held by the Company;

Note 2: Profit and loss during the Reporting Period refers to the effects of consolidated net profit on the Company during the Reporting Period caused by this investment;

Note 3: Changes in interests of owners during the Reporting Period refer to the effects of the consolidated interests of owners on the Company during the Reporting Period caused by this investment.

As at the end of the Reporting Period, the initial investment cost for equity participation in non-listed financial companies as stated in the table above amounted to RMB14.167 billion, representing an increase of RMB50 million as compared to the end of 2012 (RMB14.117 billion), mainly due to the Company increased contribution to Haitong-Fortis Private Equity Fund Management Co., Ltd. ("Haitong-Fortis Private Equity Fund Management").

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

5. Trading in shares of other listed companies

Buy or sell	Shares held at the beginning of the period (share)	Shares bought/sold during the Reporting Period (share)	Shares held at the end of the period (share)	Fund utilized (RMB'000)	Investment gains generated from disposal (RMB'000)
Buy shares	1,636,872,996.62	34,472,959,511.15	2,543,123,571.03	7,464,365.03	-818,799.00
Sell shares		33,566,708,936.74			
Sell Stock-index futures	10951 lot	253120 lot	9229 lot	948,159.08	2,158,234.89

The total investment gains generated from selling new shares obtained from application for subscription during the Reporting Period amounted to RMB0.

The shares bought/sold and fund utilized recorded an increase as compared to previous year during the Reporting Period, which was due to the Company's engagement in hedging and ETF arbitrages.

6. Use of proceeds

(1) Overall use of proceeds of H Shares

With the approval from CSRC, the Company had completed the issuance of H shares in 2012, and the raised funds had been certified by Deloitte Touche Tohmatsu Certified Public Accountants LLP. (Special General Partnership), which circulated a certification report, De Shi Bao (Yan) Zi (12) No.0025.

During the Reporting Period, HK\$1.381 billion of proceeds of the Company used for replenishment of the working capital have been settled and utilized. HK\$4.85 billion of proceeds of the Company used for overseas business has been transferred to Hong Kong for subscription of convertible bonds issued by Haitong International Holdings.

As at 31 December 2013, the proceeds raised by the Company from its H Shares listing had been utilized gradually according to the plan as follows:

- ① HK\$8.979 billion (65% of the proceeds) to be used onshore had been fully transferred from offshore to onshore and put into use according to the plan of use of proceeds.
- ② HK\$4.850 billion (35% of the proceeds) to be used overseas had been fully settled in Hong Kong to subscribe for the convertible bonds of Haitong International Holdings for overseas business.

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Note: According to the Proposal on Subscription of Convertible Bonds for Capital Contributions to Haitong International Holdings considered and approved at the thirteenth meeting of the fifth session of the Board on 24 August 2012, the Board permitted the Company to subscribe for HK\$4.85 billion of convertible bonds directly issued by its Hong Kong wholly-owned subsidiary Haitong International Holdings, to supplement the capital of Hong Kong subsidiary and further develop the overseas business, and to provide the fund support for the potential overseas merger and acquisition activities. In addition, the Board authorised the senior management of the Company to go through the approval process and deal with the matters on convertible bonds and redemption based on the need. During the Reporting Period, Haitong International Holdings had finished issuing HK\$4.85 billion of convertible bonds directly to the Company.

Unit: RMB'000

Year of fund raising	Fund raising methods	Total proceeds	Total proceeds used this year	Total accumulated proceeds used	Unutilized proceeds	Use and purpose of unutilized proceeds
2012	IPO (H Shares)	11,184,024	4,947,959	11,184,024	-	-

(2) Use of proceeds on committed projects

Unit: RMB'000

Name of committed project	Any changes in the project	Amount of proceeds scheduled to invest	Amount of proceeds invested in the year	Actual accumulated amount of proceeds invested	Whether in line with the schedule	Project progress	Expected revenue	Generation of revenue	Whether the expected revenue achieved	Explanations on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Proceeds used for strategic acquisitions of overseas securities firms and/or further expansion of our overseas securities business	No	3,813,215	3,813,215	3,813,215	Yes	100%	-	276,984	-	-	-
Proceeds used to expand our margin financing and securities lending business	No	2,265,411		2,265,411	Yes	100%	-	54,779	-	-	-
Proceeds used to develop our alternative financial products investment business and other businesses as permitted by the PRC regulatory authorities	No	2,269,805		2,269,805	Yes	100%	-	170,930	-	-	-
Proceeds used for capital contributions to Haitong Capital Investment and the expansion of our direct investment and private equity funds management businesses	No	1,700,849		1,700,849	Yes	100%	-	66,893	-	-	-
Proceeds used for working capital and general corporate purposes		1,134,744	1,134,744	1,134,744	Yes	100%	-	80,956	-	-	-

Note:* Exchange rate for the raised capital by issuing H shares is calculated by actual exchange rate for its settlement, while the raised capital denominated in HK\$ is calculated based on the exchange rate at the end of the year.



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(3) *Changes in fund-raising projects*

There is no change in fund-raising projects, so that this clause is not applicable.

7. *Investing activities of the Company incurred during the Reporting Period*

Capital increases to Haitong-Fortis Private Equity Fund Management. According to the Proposal on Capital Increase to Haitong-Fortis Private Equity Fund Management considered and approved at the nineteenth meeting of the fifth session of the Board, the Company increased capital contribution to Haitong-Fortis Private Equity Fund Management at the amount of RMB50.25 million. After the contribution, the registered capital of Haitong-Fortis Private Equity Fund Management increased from RMB20 million up to RMB100 million, with the shareholding ratio held by the Company remaining the same, namely 67%.

8. *Analysis on principal subsidiaries and non-controlling companies*

- (1) The registered capital of HFT Investment Management was RMB150 million, 51% of which was held by Haitong Securities. As at 31 December 2013, total assets and net assets (attributable to the Company) of HFT Investment Management amounted to RMB983 million and RMB820 million respectively. In 2013, its net profit amounted to RMB120 million.

The main business scope of HFT Investment Management includes fund raising, fund sale, asset management and other businesses permitted by the CSRC.

- (2) The registered capital of Fullgoal Fund Management was RMB180 million, 27.775% of which was held by Haitong Securities. As at 31 December 2013, total assets and net assets of Fullgoal Fund Management amounted to RMB1.385 billion and RMB1.098 billion, respectively. In 2013, its net profit amounted to RMB290 million respectively.

The main business scope of Fullgoal Fund Management includes fund raising, fund sale, assets management and other businesses permitted by the CSRC.

- (3) The registered capital of Haitong-Fortis Private Equity Fund Management was RMB100 million, of which 67% was held by Haitong Securities. As at 31 December 2013, total assets and net assets of Haitong-Fortis Private Equity Fund Management amounted to RMB205 million and RMB166 million, respectively. In 2013, its net profit amounted to RMB58 million.

The main business scope of Haitong-Fortis Private Equity Fund Management includes industrial investment fund management, investment advisory, and investment funds formation.

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- (4) The registered capital of Haitong Futures was RMB1 billion, of which 66.667% was held by Haitong Securities. As at 31 December 2013, total assets and net assets of Haitong Futures amounted to RMB9.933 billion and RMB1.232 billion, respectively. In 2013, its net profit amounted to RMB116 million.

The main business scope of Haitong Futures Co., Ltd. includes commodity futures brokerage, financial futures brokerage, futures investment consultation and assets management.

- (5) The registered capital of Haitong International Holdings was HK\$4 billion, of which 100% was held by Haitong Securities. As at 31 December 2013, total assets and net assets (attributable to the Company) of Haitong International Holdings amounted to HK\$36.519 billion and HK\$4.580 billion, respectively. In 2013, its net profit amounted to HK\$525 million.

Haitong International Holdings' main business scope includes investment holdings and engaging in brokerage, corporate financing, asset management and other businesses through establishment of various subsidiaries authorized by Hong Kong securities regulatory rules.

- (6) The registered capital of Haitong Capital Investment was RMB5.75 billion, of which 100% was held by Haitong Securities. As at 31 December 2013, total assets and net assets (attributable to the Company) of Haitong Capital Investment amounted to RMB6.878 billion and RMB6.156 billion, respectively. In 2013, its net profit amounted to RMB226 million.

The main business scope of Haitong Capital Investment includes using its own capital or establishing direct investment funds to make equity investments or debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory services, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC.

- (7) The registered capital of Haitong Innovation Securities Investment Co., Ltd. ("Haitong Innovation Securities Investment") was RMB3 billion, of which 100% was held by Haitong Securities. Haitong Innovation Securities Investment has total assets and net assets of RMB4.021 billion and RMB3.332 billion as at 31 December 2013, respectively. In 2013, its net profit amounted to RMB226 million.

The main business scope of Haitong Innovation Securities Investment includes financial products investment, securities investment, investment consultation and investment management.



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- (8) The registered capital of Shanghai Haitong Securities Asset Management Company Ltd. (“Haitong Asset Management”) was RMB1 billion, of which 100% was held by Haitong Securities. Haitong Securities Management had total assets and net assets of RMB8.245 billion and RMB856 million as at 31 December 2013, respectively. In 2013, its net loss amounted to RMB162 million.

The main business scope of Haitong Asset Management includes securities asset management.

9. *Newly establishment and disposal of business departments, branches and subsidiaries during the Reporting Period*

During the Reporting Period, the Company was permitted by the regulators to establish two securities branches (all of which were under preparation), 38 newly-set securities business departments which were in operation. As at the end of the Reporting Period, the Company had 24 branches and 240 securities business departments (for details, please refer to the table of securities business departments in appendix II) in total.

10. *Explanation on account standardization*

The Company has completed the work of account clean-up in April 2008 and was awarded with the title of “Advanced Group for Account Clean-up” by the CSRC. During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively avoided the setting up of nonstandard accounts by standardizing the processes and enhancing supervision, review and etc. The Company also made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been reserved separately. During the Reporting Period, the Company has totally cleaned up 146 unqualified capital accounts (including 88 unqualified cash-only accounts), 5,633 small-amount-dormant capital accounts (including 425 cash-only small-amount-dormant accounts), and 221 dormant accounts without risk management. As at 31 December 2013, the Company still had 26,733 unqualified accounts (including 23,404 unqualified cash-only capital accounts), 1,581,094 small-amount-dormant capital accounts (including 447,394 cash-only small-amount-dormant capital accounts) and 99,052 dormant accounts without risk management.

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11. *Development of innovative business*

Persisting in promoting transformation by innovation, the Company has obtained a number of innovative business achievements:

- (1) Giving great impetus to all innovative businesses launched by the regulatory authorities, the Company has become one of the first securities companies having qualification to engage in securities investment fund custodian business and stock-pledged repurchase transactions. The Company has obtained qualifications for many new businesses, including agency sales of financial products, equity return swap and OTC option business, consumption payment business, precious metal contract agency and proprietary trading and concurrent-business insurance, etc., The Company has made a breakthrough in asset securitization business, BT buy-back project of Shanghai Pudong Development (Group) Co., Ltd. being officially approved, and the "Over-the-Counter Market Construction Project" being granted the Third Prize of Shanghai Financial Innovation by Shanghai Government in 2013.
- (2) Continuously strengthen its independent innovation to provide innovative business solutions to customers. The Company has successfully issued the first domestic renewable corporate bond which opened up new pattern for bond issuance. The Company ranked within the first group among dealers in interest rate swap market and steadily promoted the development of equity return swap. The customer fine management system of the Company has been granted the Second Award of Securities and Futures Technology by CSRC.
- (3) Its innovative business maintained a leading position in the industry and the contribution to income by innovative business was significantly increased. The Company ranked the top in the industry in terms of the scale margin financing and securities lending, stock repo and stock-pledged repurchase. The Company possessed a leading position in terms of the number and scale of the over-the-counter market product offerings in the industry. The revenue generated from innovative business constantly increased with market share at 23.3% in 2013.

(VI) **Special purpose entities controlled by the Company**

As at 31 December 2013, there were three special purpose entities controlled by the Company, including Haitong Capital International Investment Co., Limited, Haitong International Finance Holdings Limited and Haitong International Strategic Investment Limited.

1. Haitong Capital International Investment Co., Limited is a wholly subsidiary of our wholly subsidiary Haitong International Holdings in HK, and was registered in Hong Kong on 24 April 2013, with a registered capital of HK\$10,000 and paid up capital of HK\$1.

Haitong Capital International Investment Co., Limited will become the platform to raise QFLP Funds overseas for Haitong Innovative Capital Management Co., Limited, one subsidiary of our direct investment subsidiary Haitong Capital Investment. The introduction of QFLP will enrich the capital source and promote the development of equity investment business.



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- Haitong International Finance Holdings Limited is a wholly subsidiary of our wholly subsidiary Haitong International Holdings in HK, and was registered in British Virgin Islands (“BVI”) on 19 September 2013, with a registered capital of US\$50,000 and paid up capital of US\$1.

Haitong International Finance Holdings Limited was established as the issuing body of the bond of US\$0.9 billion issued overseas by the Company on 29 October 2013. Using the special purpose entity as the overseas issuing body can realize the risk isolation.

- Haitong International Strategic Investment Limited is a wholly subsidiary of our wholly subsidiary Haitong International Holdings in HK, and was registered in British Virgin Islands (“BVI”) on 16 October 2013, with a registered capital of US\$50,000 and paid up capital of US\$1.

The Company will take the Haitong International Strategic Investment Limited as a platform to conduct cross border security investment business, manage the liquidation reserve, pay the investment income, enter into relevant business agreement and legal document with overseas customers and also form a firewall between our domestic business and the HK business conducted by our wholly subsidiary Haitong International Holdings in HK.

II. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY’S FUTURE DEVELOPMENT

(I) Competition patterns and development trends of the industry

Under the trend of financial reform and regulatory transformation, business innovation will continue. Securities companies will meet new development opportunities from capital market expansion, securities business and products enrichment, economic transformation and industry upgrading. On the other hand, with the penetration of the internet into the financial industry, the competition in securities industry will be intensified and the business patterns will face big changes.

In respect of brokerage business, with the relaxing of new transaction types such as individual stocks option and precious metal spot dealing, brokerage business will get new business opportunities. The rise of internet financing brings new challenge to the traditional brokerage business model of securities companies, and commission rates face downward pressure.

In respect of the investment banking business, with the issuance system reforming, the pricing power of investment banking fully reverts to securities companies, and big securities companies with research and development advantages benefit significantly. The IPO reopening and New OTC Board expansion will enhance results of operations for investment banking business. Bond issuance business will remain active and the pace of industrial integration and corporate M&A and reorganization are expected to be quickened, which will provide opportunities for securities companies’ domestic and overseas M&A financing businesses.

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In respect of the asset management business, with the substantial loosening of regulation on securities companies' asset management business, the cooperation channel between the asset management business and other businesses has been basically established, which has provided advantageous conditions for innovation and transformation of the asset management business. The gradual relaxing and deregulation of supervision on asset securitization, will bring incremental business gains.

In respect of the proprietary trading business, the reopening of IPO brings investment opportunities for subscription. The launch of various products including gold, treasury bonds futures and individual stocks brings incremental business gains from arbitrage, market-making business. In overall, the securities companies with leading proprietary fund scale will maintain their advantages in terms of proprietary trading.

In respect of the innovative business, with the gradual space expansion of over-the-counter transactions business, custody and payment, the securities companies which are allowed to engage in business pilots are expected to be benefited. The scales of margin financing and securities lending, stock repurchase, stock pledge repurchase and other credit trading businesses are expected to be continually expanded, which will bring clearer incremental gains for the large-scale securities companies with abundant capital and solid customer base. The reopen of the exit channel for primary market would provide securities companies the convenience to the exit and realization for direct investment projects.

(II) Development strategy of the Company

The Company has accumulated a certain competitive advantage in the past 25 years: firstly, it has established the leading capital strength. The Company has owned net assets of approximately RMB61.507 billion which has provided abundant capital for its business development; secondly, it has possessed a comprehensive business platform. Brokerage, investment banking, asset management, PE investment, other alternative investments and financing lease constitute a comprehensive industry chain with effects of strong scale and potential of cross-selling, which has provided powerful support for its business development; thirdly, it has an extensive network and customer base, the Company possesses over 300 security and future brokerage outlets domestically and overseas and more than 4,700,000 domestic retail clients as well as 15,000 institutional and high net worth clients to provide solid customer base; fourthly, with the market leading innovation ability, the Company has been designated by the regulatory authorities as one of the first few securities companies to participate in pilot programs for new businesses and regarding the new business conducted in recent years, the Company has taken the leading place in the market to continuously the customers innovative business solutions; fifthly, it is the matured overseas and cross border business platform. With acquiring and integrating Taifook Securities (now as Haitong International Securities Group) successfully, the Company has successfully established a comprehensive and international capital-markets platform and prepared to establish a branch in the Shanghai Free Trade Zone.



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In order to accelerate its transformation, the Company continues to carry out the development strategy of taking intermediary businesses as the core business, meanwhile, developing securities brokerage, investment banking business, asset management business, developing capital intermediary business and capital investment business, making the concept of innovation and internationalization as the driving force, enhancing the establishment of four main aspects, research, talent, IT and risk management. Meanwhile, we enhance our investment management ability, underwriting ability, institutional brokerage sales ability, wealth management and capital management ability in order to establish the Company as a domestic leading, globally influential financial service group with online securities, wealth management securities, small and medium-sized enterprises securities and institutional securities as the core.

(III) Business plan

The year of 2014 is the most important year to comprehensively deepen reform, speed up the business transformation and upgrade the core competitiveness. The Company will focus on the following works: speeding up the brokerage business transformation, strengthening the market position, enhancing the investment bank innovation to promote sustainable development of the business, strengthening the improvement of the capital management ability to promote the rapid growth of scale and efficiency, enriching the investment profit pattern to provide stable income; deepening cross-border communication to enhance international competitiveness; speeding up improvement of the basis function to enlarge the business scale; enhancing business integration to improve financing lease profit level and strengthening management support to provide solid guarantee.

(IV) Capital required by the Company to maintain existing businesses and complete the investment projects in progress

The Company's traditional channel businesses is being transformed to traditional and innovative businesses with equal emphasis, and the functions including payment, financing, custodian, investment, transaction and asset management will be constantly developed and improved. During this significant period of business transformation, the Company has substantial capital requirements.

Firstly, traditional businesses experience profound changes, and industry competition is anticipated to be further increased. Under such circumstance, more capital investment will be required by the Company to support its system development and staffing. Investment banking business is booming, and apart from traditional equity financing, bond underwriting surges which required more underwriting reserve to control the associated risks.

Secondly, capital requirements in innovative businesses are particularly remarkable. Margin financing and securities lending and stock repo as basic capital-consumed businesses required a large number of capital. Launch of the stock index futures business has provided good opportunities for risk-free arbitrage among various markets, in which the Company may allocate a large quantity of capital. As a multi-tiered capital market advanced, including regional equity markets and the New OTC Board etc. developed significantly, the Company will further invest in the emerging markets in respect of underwriting, transaction and capital intermediary, including personnel, system and market capital.

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Thirdly, development of subsidiaries requires more capital from the Company. Rapid developments of the businesses of domestic futures companies, direct investment companies, fund companies and innovative investment companies require more capital from the Company. Internationalization is a significant step of the Company's strategy of "division into three stages". Notable results have been achieved in respect of business and revenue internationalization, mainly including acquirement of qualifications of QFII and RQFII and merger and acquisition of overseas securities companies. In order to further boost the Company's internationalization strategy, the Company is going to step up efforts in internationalization investment, to expand the market share through new establishment or merger and acquisition, and to increase the proportion of internationalization revenue. Additional capital investment will also be needed to make the Company's brand recognized by international investors and international customers.

Overall, the Company is in face of historic opportunities from business transformation and has substantial financing requirements. Relaxation of financing channels has also provided benign conditions for the Company's appropriate financing. In addition to equity financing, the Company could also utilize short-term commercial papers, corporate bonds and subordinated bonds to ensure short-term, medium-term and long-term capital sources and achieve flexible matches of different assets, so as to improve the Company's revenue, constantly enhance its ROE and thereby increase shareholders' return.

(v) Possible risk factors and countermeasures

1. Risks exposed to the operating activities of the Company

The risks facing the Company's business operation activities mainly include: market risk, credit risk, liquidity risk and operational risk, etc. which, specifically speaking, are mainly represented in the following aspects:

(1) Market risk

- A. Price fluctuation risk of securities assets. Securities asset price risk mainly refers to the risk of changes in the market value of the Company's securities trading and securities invested will bring loss to the Company. Market risk includes security price risk, interest rate and exchange rate fluctuation risk and bulk commodity price risk involved in the Company's brokerage business, underwriting business, proprietary trading investment, asset management, derivative products and other business. The operation state of the Company highly relates to the environment of securities market and has great uncertainties.

In 2013, Shanghai and Shenzhen index kept weak after a short rebound started late last year, and the market maintained in depression. Shanghai Stock Exchange Composite Index started with point 2,289.51 at the beginning of year and at the end of December the closing quotation was point 2,115.98, 6.75% slightly lower than point 2,269.13 at the end of 2012. SZSE component index also dropped by 10.91%.



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For the management of market risk, the Company mainly implements diversified investment strategies, properly controls and timely regulates the equity security position, and uses stock index futures for hedging, thus effectively controlling the market risk. The Company regularly follows up the risk value changes of equity security position to monitor the market risk influence on equity security value. The ratio between value at risk and net assets maintains at a lower level at the end of each month in 2013 and presented a downward trend, therefore, the risk was controllable and acceptable. However, the use of these management tools was still influenced by the effectiveness of investment strategy and hedging strategy. The effectiveness of management methods was also restricted by the adverse changes of market liquidity, and the relevance between securities price and hedging derivative product price also has an influence on the effectiveness of hedging strategy.

- B. Interest rate risk. Interest rate risk refers to the risk resulted from market interest rate change, and the main part of the Company's assets which is relevant to interest rate risk mainly includes monetary deposits and bond investment, etc.

From the beginning of the 2013 to the middle of May 2013, the bond market capital was stable in overall, and since June 2013, the market interest rate grew rapidly, market liquidity got more intensified, yield rate of bonds subsequently increased, and the China bond composite full-price index presented continuous decreasing trend. At the end of 2013, the maturity yield of 5 year inter-bank corporate bonds (AAA) with fixed rate recorded an increasing of 1.32% as compared to that of the end of 2012. In 2013, the issue of Treasury bonds futures enriched the management tool to avoid interest rate risk. The China bond composite full-price index closed at point of 107.47 at the end of December, representing a decrease of 3.75% as compared to that of last year. For proprietary trading of the Company's non-equity securities, the investment scale displayed a growth trend based on the trend and judgment of bond market and under the support of liquidity. However, the overall portfolio duration was put under control and each-month-end duration was also relatively stable with little changes. At the end of December 2013, the duration was 3.44, slightly lower than 2012-year end 3.56. In 2013, market risk for the fixed-income investment of the Company was under proper control.

- C. Exchange rate risk. Exchange rate risk refers to the risk resulted from the foreign exchange rate changes. With the international expansion of the Company, the exchange rate risk is gradually revealed. The Company often conducts the follow-up study for foreign exchange market and supports the expansion of overseas business. It has established RMB account in Hong Kong, thus avoiding the risk from appreciation of RMB.

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(2) *Credit risk*

Credit risk refers to the risk that the Company's counter party or issuer of the securities the Company holds fails to perform the contract obligations, thus bringing loss to the Company or where the Company holds securities issued by a third-party, the deterioration of the party's credit quality brings loss to the Company. Credit risk has certain correlation with market risk. During the market fluctuation, the Company's credit risk exposure degree on some financial products and transactions will accordingly change. Therefore, some monitoring and preventive means of the Company against market risk can also play a role in the management of credit risk.

Generally speaking, credit risk faced by securities companies in the industry mainly involves counter party failing to perform the contract, thus leading to loss in the process of acting trading securities for customers, providing margin financing and securities lending business and stock pledged repo business, and bond investment. The present securities market transaction and settlement rules in China can moderately control credit risk in an effective manner, and the securities transactions conducted by securities companies on behalf of customers use full margin clearing form to avoid risks. For the margin financing and securities lending, the Company formulated and implemented various strict systems and measures to control the credit risk related to this business from credit investigation, credit granting, marking to market, close position and multiple links. For stock pledge repurchase business, the Company stimulated and conducted strict due diligence and project review procedures, and controlled the credit risk relating to the business through marking the market, tracking projects and closing the position. The Company focuses on the investment diversification for credit-class fixed income securities investment and closely follows up the operation condition of investees and credit rating changes. The invested credit products are mainly high credit rating products, and the credit risk of investment objects is controlled well.

(3) *Liquidity risk*

The liquidity risk mainly refers to the risk that the Company's core business can't ceaselessly generate income or that the Company brings about liquidity shortage due to the occupation of funds in such cases as industry or market facing great events. The liquidity risk will also come into being if securities companies are influenced by macro policy, market change, operation condition, credit degree and other factors in the business process or owing to the mismatching of structure of company assets and liabilities. In addition, the large-amount underwriting of investment banking business of securities traders, the oversize of investment scale of proprietary trading, the excessively high proportion of long-term assets and other factors can lead to the poor capital turnover and liquidity difficulties of securities companies.



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The Company's liquidity risk management focused on the overall financial situation, self-owned fund balance, long-term funds occupation and liquidity situation. After implementing third party custody, all the amounts for securities trading agency collected from securities brokerage will be supervised by custodian bank, and this part will not constitute the Company's liquidity risk. The Company controls long-term asset occupation proportion and scientifically operates funds by applying strict asset management and collective decision mechanism; carries out scale management for proprietary investment and pays attention to investments proportion in all tradable shares with investment diversification as principles, thus to avoid the liquidity risk of individual share investment. Bonds investment emphasizes the disperse position with interest rate product and bonds with high credit rating and with the reasonable distribution of residual maturity. The Company has also maintained cooperative relationship with many large commercial banks to reinforce the liquidity and made financing in the way of fund lending, stock-pledged loan, buy-back and other means approved by competent authority to satisfy the short-term fund demand.

On the whole, the Company holds plenty of reserve assets with strong liquidity and has good financial indices and lower liquidity risk.

(4) Operational risk

Operational risk usually includes the risks resulted from intra-company human-error in operation, imperfection of internal process, information system fault and imperfection, trading failure and other reasons, also includes the risks caused by fraudulent conduct outside the Company. Information technology risk is a main component of the present operational risks. Information technology is of importance for the business development and management of securities trading, settlement and service, etc. The unreliability of system, imperfection of network technology and data error will all bring losses to the Company. In addition, as the industry innovation goes deeper, the types of innovative business and products become increasingly rich. Policies, rules and regulations and business pattern are defective and immature at the beginning of the business, which will become the potential risks of the Company, and will expose gradually as the improvement of supervisory policies.

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The Company adheres to improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the accountability system, reducing the possibility of operational risks and actively and properly dealing with the adverse effects. At the preparation stage for innovative business, the Company carried out sufficient evaluation and verification process against the compliance and feasibility of the business, and formulated business management policies, specifies operational procedures, risk control measures and measures to protect the legitimate interests of our customers. However, although the Company formulates a relatively perfect internal control system in accordance with the provisions of Guidelines of Securities Company for Internal Control by the CSRC, it still can't guarantee to completely avoid the economic loss, legal disputes and violation risks likely resulted from operation error and subjective omission. Besides, the securities industry which the Company belongs to is an intelligence-intensive industry, therefore, the staff moral hazard is more severer than that of other industries, and staff moral crime will cause loss to the Company's assets and adverse effects to the Company's reputation. The Company will persist in implementation of refined management, constantly improve the business process and strengthen the professional integrity and professional ethics education of staff.

2. *Reflection of main risk factors in this Reporting Period*

During the Reporting Period, the main risk faced by the Company is market risk, embodied in available-for-sale investments and financial assets measured at fair value through profit and loss appearing fair value fluctuation due to the stock market price fluctuation. The Company adheres to standard operation and has no violation risk. It continues to strengthen the establishment and operation of information technology system and conduct regular and irregular inspection and maintenance in strict accordance with operation management procedure, thus to ensure the reliable, stable and safe operation of system. Consequently, there is no technology risk. The Company intensifies the executive force of various rules and regulations and focuses on improving each system and process, therefore, there is no management risk substantially influencing the Company. During the Reporting Period, the Company was steady in business, reasonable in assets allocation, good in financial situation and abundant in net assets.



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3. *Countermeasures and measures taken (or proposed to be taken) by the Company*

In response to the above mentioned risks, the Company has targetedly taken or is taking a variety of measures to prevent and control related risks according to the situation of domestic and international market.

- (1) Adhere to the development strategy of international development and innovation, actively explore ways to enhance capital strength through equity financing and debt financing, etc., strengthen control of global financial market and improve the competitiveness of enterprises and overall risk management capabilities.

Through the steady progress of internationalization strategy and international business expansion, the Company is aimed at raising the international brand awareness of Haitong, promoting the diversification of business development, enhancing the competitiveness of enterprises, and improving risk management capability by the complementarity and comovement of domestic and foreign financial markets. Since 2012, the international strategy achieved new progress, with H share issued smoothly, capital strength enhanced, corporate governance structure improved and shareholder structure optimized. In 2013, the Company again successfully issued corporate bonds, short-term commercial papers and overseas US bonds, which further enhanced the capital strength of the Company. And the issuance of foreign bonds further accelerated the internationalized process of the Company. The Company actively involved itself in innovative business, on the one hand, in order to achieve the strategic objective of transformation development, on the other hand, to accumulate experience, train the team and improve risk management capability through the interaction between business development and risk management.

By taking advantage of benefits brought by global development, the Company is trying to strengthen the cooperation between parent companies and subsidiary companies domestic and abroad, study and explore ways and tools of risk hedging.

- (2) Insist on improving corporate governance structure. Continue to regulate operation of the general meeting of shareholders, to ensure that all shareholders, especially minority shareholders enjoy equal rights; to standardize and improve operation of the Board, to give full play to the role of each special committee and independent non-executive directors, to give full play to the supervision role of the Supervisory Committee to the Board and manager-level officers.

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- (3) By focusing on institutional reform, team-building and marketing development, quality service and network construction, the Company is aimed at enhancing customer service and satisfaction comprehensively, and strong enough to withstand the impact of adverse changes in its market economic environment.

By strengthening the study of domestic and international macro-economy, industry economics and listed companies, the Company has improved control of market fluctuations; based on the judgment of the market, it has made real-time adjustments of proprietary trading scale, asset allocation structure, standardized the investment decision-making process, strengthened alternative library management of investment products, implemented strictly proprietary investment stop-profit and stop-loss system and guarded against market risk and counterparty credit risk.

- (4) Strengthen compliance and risk management. Continue to improve the management functions of various compliances and risk management standards; further strengthen anti-money laundering work and Chinese wall construction, compliance monitoring, and prevent violations such as inside trading, conflict of interest, and transfer of benefits.

The Company lays special stress on risk identification on new products and new business, and standardizes business operating procedures. It constantly improves the real-time monitoring system to carry out real-time monitoring of the business and risk pre-warning; increases the audit and inspection of various businesses to ensure that the system, procedures and risk management measures are effectively implemented; increases staff compliance training, publicizes and creates culture of comprehensive compliance and active compliance, increases employees' awareness of compliance and risk management capabilities, and builds corporate culture based on operation compliance.

- (5) Continue to improve net capital monitoring system, strengthen the net capital-oriented risk control indicator monitoring system, and optimize allocation between various businesses, so as to prevent and resolve the liquidity risk. At the same time, strengthen the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decisions in a timely manner. With Company's funds deposited in the state-owned holding banks and listed joint-stock banks, financial security can be guaranteed. Efforts to improve efficient use of funds should be made under the premise of ensuring the safety of funds.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

- (6) Increase system investment and strengthen the construction of IT governance. The Company fully reviews the information system framework, searches the blind spots in information management, strengthens system privileges management, and standardizes the network construction of branches. At the same time, the Company strengthens the upgrading and optimization of centralized trading, legal person settlement, marketing management, margin financing and securities lending, stock index futures, human resources management, OA (Office Automation) system of the Company, promotes customer relationship management systems and database construction and provides strong support for business development.
- (7) Adhere to investor education and appropriate management. The Company insists on investor education, works on customer and product management at different levels, and reveals the risks to investors in a timely manner. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities. The Company will make full use of the channels of customer service and the advantages of integration of resources, devotes to appropriate products and services for all types of customers.
- (8) Adhere to optimizing internal control system, fully implement the requirements of “Basic Standard for Enterprise Internal Control” and related guidelines, and build the risk management system in accordance with international standards.

According to the requirements of “Basic Standard for Enterprise Internal Control” and related guidelines, the Company completely carries out self-examination and assessment, streamlines the key risk points and internal control procedures of business lines, rectifies problems and defects discovered and improves the effectiveness of internal control. The Company continues to establish and improve the internal control measures of brokerage business, investment banking business, proprietary trading business, customer assets management, margin financing and securities lending,, agreed repurchase securities transactions, IB business, overseas business, etc., in order to strengthen the management and control of funds, accounting system, electronic information system, authorization, staff quality, subsidiary management, etc.. The overall risk management framework has been gradually improved, and the methods and procedures of risk management has been standardized.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(VI) Risk control indicators and establishment of net capital replenishment mechanism of the Company

1. *Dynamic monitoring of risk control indicators*

In order to establish and improve the dynamic monitoring mechanism of risk control indicators, strengthen risk monitoring, and carry out businesses under measurable, controllable and endurable risks, in accordance with the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》), Issuing the Circular concerning the Guidance (Interim) on Sensitivity Analysis of Financial and Capital Position and Stress Testing Mechanism of Securities Companies in Shanghai (Hu Zheng Jian Ji Gou Zi [2008] No. 606, the Guidance), and the Securities Companies Stress Testing Guidelines (Interim) issued by the Securities Association of China, the Company has set up the internal systems, organizational structures and corresponding technology systems in conformity with related requirements based on the former dynamic monitoring platform of risk control indicators and has carried out dynamic monitoring of risk control indicators. In strict accordance with the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》), the Company provided written reports to the regulatory authorities regarding risk control indicators and achievements on a regular basis; in the event that changes in risk control indicators reach a certain level, it made timely reports to the local securities regulatory bureaus. The Company constantly improved the system construction, process optimization and data system upgrade of the dynamic monitoring platform and has achieved reporting to the local securities regulatory bureaus about the Company's net capital calculation sheets, regulatory statements of risk control indicators and preparatory calculation sheets of risk capital within T+1 days. These measures were taken to ensure that various risk control indicators including net capital etc., are in line with regulatory requirements at any time point.

2. *Establishment of net capital replenishment mechanism*

The Company has established a net capital replenishment mechanism. When the Company's risk control indicators including net capital have reached the pre-warning standards, the Company will replenish net capital by reducing the variety or scale of proprietary investment products with high risks, transfer of long-term equity investments, disposal of tangible or intangible assets, issuance of subordinated debt or debt for equity swap, raising capital and improving profitability etc.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

3. *Monitoring of risk control indicators during the Reporting Period*

The Company always adheres to the philosophy of sound business, and focuses on risk management to maintain a reasonable capital structure. As at the end of Reporting Period, net capital of the Company was RMB39.041 billion, net asset was RMB60.311 billion and net gearing ratio was 64.73%. During the Reporting Period, the operating risks were controlled at a relatively low level with asset in high quality and standardized business operations, and its risk control indicators were in line with regulatory requirements.

4. *Sensitivity analysis and stress testing for risk control indicators*

In 2013, the Company conducted sensitivity analysis or stress testing on significant events including upper limitation of proprietary trading business scale, issuance of bills, scale of the margin financing and securities lending business, stock pledge business, development of treasury bonds future, construction of new branches in free trade area, investment banking underwriting projects and establishment of new securities business departments etc., and carried out the above-mentioned events under the pre-condition of analysis and testing conclusions satisfying the regulatory requirements. Meanwhile, in accordance with the requirements of the Guidance, stress testing has been conducted at the end of each month for all possible extreme cases. In 2013, the Company conducted a total of 92 sensitivity analysis and stress testing, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company.

(VII) Construction of the compliance management system of the Company

In May 2007, the CSRC issued the Circular on Issuance of Pilot Work Scheme for Guidance of Setup of General Compliance Officer and Establishment of Compliance Management System by Securities Companies. As one of the first seven pilot compliance securities companies, the Company took the lead in completing the compliance pilot program in March 2008. By establishing and improving the compliance management system and organizational system, the Company carried out compliance consultation, training, review, compliance monitoring, and real-time monitoring to penetrate the compliance work into various business sectors, which has been recognized by the regulatory authorities. Under the guidance of the CSRC and the Shanghai Securities Regulatory Bureau, the Company has established a sound compliance management system, covering various businesses and management aspects with compliance management. The philosophy of “compliance shall start from senior management; everyone shall be compliant voluntarily, and compliance creates value” has been deeply rooted, effectively safeguarding and facilitating the sustainable and healthy development of the Company.

In strict accordance with the requirements of the CSRC, and combined with the actual situation of the Company, the Company has established a scientific and rational compliance and risk management framework system with clear duties delegated. The system is composed of five layers: the Board and its Compliance and Risk Control Committee, General Compliance Officer and Chief Risk Control Executive, Compliance and Risk Control Department, Functional Management Department, relevant departments or positions in all business departments, all departments branches and subsidiaries.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

Compliance duties of the Board mainly include: deliberation and approval of the basic compliance management system; appointment and dismissal of the general compliance officer, and performance evaluation of the general compliance officer; deliberation and approval of the compliance reports submitted by the general compliance officer; supervision on the implementation of compliance policies. Main compliance duties of the Compliance and Risk Control Committee under the Board include: formulation of compliance management policies in accordance with laws, regulations and regulatory policies for the Board's review; listening to the work reports of the general compliance officers regularly or irregularly and proposing compliance improvements; review and supervision on scientificity, rationality, effectiveness and implementation of the compliance management system; other compliance management duties delegated by the Board.

The main duties of the general compliance officers include: review on compliance of the Company's internal management system, major decisions, new products and new business programs, and issuance of written compliance review comments; supervision on operation and management of the Company and its staff and compliance of their practice, and regular or irregular inspections in accordance with the requirements of the securities regulatory authorities and the requirements of the Company; organization of implementation of anti-money laundering and the Chinese wall system; provision of compliance consultation and compliance training for the senior management, and all departments and branches, and handling of complaints and reports in relation to illegal activities and irregularities of the Company and its staff; reporting to the Board in a timely manner once illegal behaviors and irregularities and compliance risks are discovered and meanwhile, to securities regulatory bureau in the domicile of the Company, and to the selfregulatory organizations in respect of the conducts in violation of industry standards and selfregulatory rules; making suggestions on curbing and handling illegal behaviors and irregularities and compliance risks to relevant organizations and departments of the Company and urging rectification; advising on changes in laws, regulations and standards in a timely manner to the Board or the senior management and procuring related departments to assess the effects on compliance management, and to modify and improve the management system and relevant business processes; maintaining communication with securities regulatory authorities and relevant self-regulatory organizations to cooperate with the securities regulatory authorities and relevant self-regulatory organizations; and other duties as required by laws, regulations, rules and regulatory documents and as delegated by the Board.

The compliance and risk management department has been set up to fulfill the compliance management duties, mainly including: assisting the general compliance officer in fulfillment of compliance management duties and development of compliance management policies and plans; compiling annual and semi-annual compliance reports; drawing up the compliance documents such as compliance management systems, compliance manuals and training materials, etc.; monitoring the potential compliance risks; reviewing, assessing and managing the qualifications of the compliance officers in all departments, branches and subsidiaries; implementing the Chinese wall system, anti-money laundering management and compliance risk management of foreign exchange; participating in significant lawsuits and non-lawsuit activities as a proxy and providing guidance.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The compliance duties of the compliance officers of various departments, branches and subsidiaries include implementing compliance policies, and performing compliance management schemes; conducting review, supervision and inspections on a variety of activities; conscientiously fulfilling the compliance reporting system; actively cooperating with regulatory authorities and the compliance department in the inspections and making appropriate implementation of rectification; communicating with the regulatory authorities to keep abreast of regulatory developments; organizing the staff of the department to learn the compliance system, carrying out education of compliance culture, and making records and management of files; other duties granted by the compliance department. The Company has appointed compliance officers for all departments, branches, business departments and subsidiaries. Most of the compliance officers are deputy general managers or assistants to general manager of the compliance and risk management departments, chief operating officers of the branches or inspectors of the funds. The compliance management personnel in position have strongly guaranteed the effective implementation of compliance management.

The compliance management department and the audit department conduct inspections on a regular basis including compliance inspections, regular inspections and management inspections in respect of main business lines, including brokerage, proprietary investment business, investment banking business and customer asset management business etc. The Company's internal control and management level has been enhanced greatly through inspections, compliance assessment and accountability of the implementation of laws, regulations and rules, and operation and management of various departments and branches.

III. EXPLANATIONS ON “NON-STANDARD AUDIT REPORT” OF ACCOUNTING FIRM OF THE BOARD

(I) Explanations on “Non-standard Audit Report” of accounting firm of the Board and Board of Supervisors

✓ N/A

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(II) Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates and accounting methods of the Board

Explanation for changes in accounting policies

According to Notice on issuance and amendment to Accounting Standard for Business Enterprises No. 33 – Consolidated financial statements Cai Kuai[2014] No. 10 issued, Notice on issuance and amendment to Accounting Standard for Business Enterprises No. 30-presentation of financial statement Cai Kuai[2014] No.7, Notice on issuance and amendment to Accounting Standard for Business Enterprises No. 39 -measurement of fair value Cai Kuai[2014] No.6, Notice on issuance and amendment to Accounting Standard for Business Enterprises No.9- remuneration of employee Cai Kuai[2014] No.8, Notice on issuance and amendment to Accounting Standard for Business Enterprises No.40-arrangement of joint venture Cai Kuai[2014] No.11 by the Ministry of Finance, all the business enterprises whose operation is under the Accounting standard for Business Enterprises shall begin to apply the revised standard since 1 July 2014 and enterprises listed overseas are encouraged to early adopt the same. The Company is a company of which both A shares and H shares are listed and the related international standard was effective on 1 January 2013. In order to eliminate the difference of financial report on A shares and H shares on Standard resulting from the different effective time, the Company decided to apply the revised Standard since 1 January 2013.

During the Reporting Period, the Company has adopted the amendments including IFRS 10 for its financial report (H Shares) and restated items in the relevant statements.

Based on the new standard, the Company will make the asset management subsidiaries as the manager and use its own capital to participate and meet the structured theme defined by the new revised requirement of “control” (mainly integrated assets management plan) to include in the scope of the consolidated statement; to make retroactive adjustment to the accounting data of the beginning of the period and comparable period to increase the investment revaluation reserve of RMB15,6184 million and to reduce the retained profit of RMB15,6184 million at the beginning of 2012; to decrease the investment revaluation reserve of RMB2.1481 million and to increase the retained profit of RMB2.1481 million at the end of 2012; to adjust and reduce other comprehensive income of RMB17.7665 million and adjust and increase profit attributable to owners of the Company of RMB17.7665 million and the accumulated impact on equity attributable to owners of the Company was nil for the year 2012 in accordance with the requirements of the standard.

(III) Analysis and explanation of the causes and effects of important corrections of early stage errors of the Board

✓ N/A



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

IV. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Establishment, execution or adjustment of cash dividend policy

The Company attaches great importance to providing reasonable investment returns to shareholders and adopts a continuous, stable and aggressive profit distribution policy.

Cash dividends of RMB6.498 billion (inclusive of tax) and stock dividends of 1.234 billion shares (inclusive of tax) were distributed to shareholders of the Company and share capital of 2.880 billion shares was transferred from capital reserve fund from 2007 to 2012. From 2007 to 2012, the percentage of dividends distributed each year in the profit available for distribution to investors exceeded 30%, amounting to 51.75%, 35.69%, 54.44%, 53.87%, 57.79% and 73.42%, respectively.

The Company has expressly stipulated the profit distribution policy in its Articles of Association, that "In the course of making specific dividend distribution plans, the Board and shareholders' general meeting shall fully consider the views of independent non-executive directors, Supervisory Committee and public investors, communicate with public investors through a variety of tunnels and accept the inspections on the corporate profit distribution from independent non-executive directors, Supervisory Committee and public investors. In principle, the Company shall distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, without exceeding the accumulated distributable profit and influencing continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not made any cash profit distribution proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the independent non-executive directors shall give an independent opinion in such regard. The accumulated cash distribution of profit for the last three years of the Company were not less than 30% of the average annual distributable profit. Specific percentages of dividend distribution for each year shall meet the needs of corporate operation and development and be resolved in accordance with the annual earnings conditions and future plans on usage of funds. If any of the following situations occurs, the Company can adjust the aforesaid cash dividend distribution percentages by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders' general meeting: 1. there are changes in, or adjustments to, the relevant laws and regulations; 2. the risk control indicators (such as net capital) reach the warning levels; 3. the Company's operating conditions deteriorate; 4. the Board proposes the adjustments. In the event that adjustments to the Company's profit distribution policy are necessary due to the needs of operation and long term development, the adjusted profit distribution policy shall comply with the relevant requirements of the regulatory authorities. Any resolution regarding the adjustments to the Company's cash dividend policy shall be approved by two-thirds of the voting rights of the shareholders attending the shareholders' general meeting and online voting shall be made available. The Company shall consider the views of public investors and timely respond the questions concerned by public investors."

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The Company established and implemented the profit distribution policy of 2012 strictly in accordance with the Articles of Association, which has been considered and passed by the Board and general meeting of the Company. Standard and percentage of bonus distribution was definite and clear. The Company has established relevant comprehensive procedure and system for decision making, and independent non-executive Directors have fully performed their obligation and played their appropriate role, and the legal interest of minority shareholders was adequately protected.

The implementation of the 2012 profit distribution plan of the Company was completed on 26 July 2013. On the basis of the total share capital of 9,854,721,180 shares of the Company, cash dividend of RMB0.12 (tax inclusive) per share and RMB1.20 (tax inclusive) per 10 shares were distributed to all the shareholders, with total cash dividend amounting to RMB1,150,166,541.60.

(II) 2013 Profit Distribution Proposal

As audited by the accounting firm, profit for the year 2013 attributable to owner of the Company in the consolidated financial statements of the Company for 2013 was RMB4,035,024,048.18 and the net profit of the parent company for 2013 was RMB3,466,158,149.71.

In accordance with the relevant requirements of the Company Law, the Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after appropriating statutory reserve fund and reserve fund. The Company appropriated statutory reserve fund, general risk reserve fund and transaction risk reserve, respectively, at 10% of the parent Company's net profit realized in 2013, each amounting to RMB346,615,814.97, totaling RMB1,039,847,444.91 and profit available for cash distribution to investors was RMB2,426,310,704.80. By adding the retained profits of RMB9,144,487,254.39 at the beginning of the year of the parent company, and deducting the dividends of RMB1,150,166,541.60 distributed on implementation of the profit distribution scheme for 2012, the parent company's retained profits amounted to RMB10,420,631,417.59 at the end of 2013. After taking into account the Company's long-term development and investors' interests, the Company's profit distribution proposal for 2013 is:

1. On the basis of the total share capital of A Shares and H Shares amounting to 9,584,721,180 shares as at 31 December 2013, cash dividends of RMB1.20 (inclusive of tax) for every 10 shares are to be distributed to shareholders of A Shares and H Shares whose names appear on the register of members of the Company as at the record date, totalling RMB1,150,166,541.60, accounting for 47.40% of the profits available for cash distribution by investors in 2013. The retained profits of the parent company of RMB9,270,464,875.99 following the cash dividends distribution will be carried forward to the next year.
2. Cash Dividends are denominated and declared in RMB and payable in RMB to A shareholders and in Hong Kong dollars to H shareholders. The actual amounts declared in Hong Kong dollars are converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China in five working days prior to the date of the 2013 annual general meeting.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

Cash dividends will be distributed within two months after the date of the annual general meeting, following the approval of the profit distribution proposal for 2013 by the annual general meeting.

(III) Profit distribution scheme or proposal and scheme or proposal on transfer of capital reserve fund into capital for the recent three years (including the Reporting Period)

Unit: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividends for every 10 shares (inclusive of tax) (Yuan)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Profit for the year attributable to owners of the Company in the consolidated financial statement during the year of distribution	Percentage of amount of cash dividends in profit for the year attributable to owners of the Company
2013	Nil	1.2	Nil	1,150,166,541.60	4,035,024,048.18	28.50
2012	Nil	1.2	Nil	1,150,166,541.60	3,019,776,384.79	38.09
2011	Nil	1.5	Nil	1,234,173,177.00	3,103,034,183.67	39.77

Note: The figures for the profit for the year attributable to owners of the Company in 2012 and the percentage of amount of cash dividends in profit for the year attributable to owners of the Company in 2012 contained in the above table are before retrospective adjustment.

In 2012, the profit for the year attributable to owners of the Company after adjustment was RMB3,037,542,867.95 and the percentage of amount of cash dividends in profit for the year attributable to owners of the Company after adjustment was 37.87%.

(IV) If the Company records profits and the parent company records positive retained profits during the Reporting Period but there is no proposal for cash dividends, the Company shall disclose the reasons and the usage of the retained profits and the usage plan in detail

✓ N/A

V. ACTIVE FULFILMENT OF SOCIAL RESPONSIBILITY

Please refer to "2013 Annual Enterprise Social Responsibility Report of Haitong Securities Co., Ltd." disclosed at the website of the Shanghai Stock Exchange on 28 March 2014.

VI. OTHER DISCLOSURES

(I) Pre-emptive Right Arrangement

Under the requirements of PRC laws and the Articles of Association, the Company's shareholders have no pre-emptive right.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(II) Sufficiency of Public Float

Based on the publicly available information and within the knowledge of the Directors, as at the latest practicable date before the printing of this annual report, the Directors believe that, the public float of the Company complies with the requirements for minimum public floats as prescribed in the Rule 8.08 of the Listing Rules.

(III) Directors' interest in the business competing with the Company

Mr. Zhou Donghui, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited ("Orient Securities") since May 2009, and Mr. Xu Chao, a non-executive Director of the Company, has been a non-executive director of Orient Securities since March 2011. As Orient Securities is mainly engaged in, among others, securities underwriting, proprietary trading, investment consultation, financial advisory, enterprise mergers and acquisitions and asset management, it competes or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Directors of the Company has any interest in the businesses which compete or is likely to compete, either directly or indirectly, with the Company's business.

(IV) Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors has a service contract with the Company or its subsidiaries (excluding agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(V) Directors' and Supervisors' Interests in Material Contracts

During the Reporting Period, the Directors or Supervisors of the Company did not have any material interests, whether directly or indirectly, in any material contract entered into by the Company or its subsidiaries.

(VI) Share Option Scheme

The Company does not operate any share option scheme. Haitong International Securities Group (listed on Hong Kong Stock Exchange, stock code: 665), a subsidiary of Haitong International Holdings, adopted a share option scheme (the "2002 Share Option Scheme") on 23 August 2002, which was valid and effective for a period of 10 years commencing from the date of adoption and expired on 22 August 2012. For further information, please refer to Note 60 of the Consolidated Financial Statements and 2013 annual report of Haitong International Securities Group.

(VII) Major Clients and Suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high net worth individuals and retail customers. Its clients are primarily located in the PRC. The improving network layout will help Company provide overseas services and expand its customers' source. In 2013, revenue attributable to the five largest clients of the Group accounted for 1.71% of its total revenue and other income.

The Company has no major suppliers due to the nature of its business.



SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(VIII) Tax Relief

Holders of A Shares

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (《財政部國家稅務總局證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2012] No. 85), for individual shareholders of the Company who hold shares for a period (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, 25% of their dividends are temporarily included in taxable income (effective tax rate is 5%). When distributing dividends, the listed company withholds individual income tax for its individual shareholders at a temporarily uniform tax rate of 5%. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements.

For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

For QFII, listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends.

Holders of H Shares

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No. 348), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to H shareholders who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

(IX) Connected Transactions

For related party transactions as defined by the relevant accounting standards by the end of the Reporting Period, please refer to Note 61 of the Consolidated Financial Statements for details. The transactions between the Company's subsidiary, HFT Investment Management and its shareholder BNP Paribas Investment Partners BE Holding SA and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements according to Rule 14A.31(9) and 14A.33(4) of the Hong Kong Listing Rules.

By order of the Board
Haitong Securities Co., Ltd.
Wang Kaiguo
Chairman

Shanghai, the PRC
28 March 2014

SECTION V SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

The Company was not involved in any material litigation and arbitration and did not have matters commonly questioned by media during the Reporting Period.

II. EMBEZZLEMENT OF FUNDS AND REPAYMENT OF DEBT DURING THE REPORTING PERIOD

There was no embezzlement of funds of the Company during the Reporting Period.

III. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company did not have bankruptcy and restructuring related matter during the Reporting Period.

IV. ASSETS ACQUISITION, DISPOSAL AND MERGER

Acquisition of UT Capital Group

On 25 September 2013, Haitong International Holdings, a wholly-owned subsidiary of the Company entered into a share sale and purchase agreement with UT Capital Holdings Co., Ltd. Haitong International Holdings agreed to purchase 100% equity interest in UT Capital Group from UT Capital Holdings Co., Ltd. in accordance with the relevant terms and conditions of such agreement.

In November 2013, the Company received the Receiving Letter Regarding Filing Documents on the Acquisition of 100% Equity Interest in UT Capital Group by the Hong Kong Subsidiary of Haitong Securities Company Limited (《關於海通證券股份有限公司香港子公司收購恒信金融集團有限公司100%股權備案檔收悉的函》) by CSRC (Ji Gou Bu Bu Han [2013] No. 866); in January 2014, the Company received the “Notice of Review Decision” (Shang Fan Long Shen Cha Han [2014] No.3) from the Ministry of Commerce, whereby the acquisition was allowed; in the same month, the Company received the Filing Letter From Shanghai Finance Services Office Regarding the Acquisition of 100% Equity Interest in UT Capital Group by the Hong Kong Subsidiary of Haitong Securities Company Limited (《上海市金融服務辦公室關於海通證券股份有限公司香港子公司收購恒信金融集團有限公司100%股權備案事宜的函》) (Hu Jin Rong Ban [2014] No.4) from the Shanghai Finance Services Office.

On 15 January 2014, both parties completed the share purchase closing procedures, the acquisition of UT Capital Group by Haitong International Holdings was formally completed. Haitong International Holdings holds 100% equity interest in UT Capital Group, and thus UT Capital Group becomes a wholly-owned subsidiary of Haitong International Holdings and an indirect wholly-owned subsidiary of the Company.

V. EQUITY INCENTIVES OF THE COMPANY AND ITS EFFECT

The Company has not operated any equity incentive scheme during the Reporting Period.

SECTION V SIGNIFICANT EVENTS

VI. MATERIAL RELATED PARTY TRANSACTION

On 23 January 2013, the Company convened the fifteenth meeting (extraordinary meeting) of the fifth session of the Board, during which Proposal on Establishment and Management of Liaoning New Energy and Low-Carbon Industry Equity Investment Fund was considered and approved. The wholly-owned subsidiaries of the Company, Haitong Capital Investment and Liaoning Energy Investment (Group) Limited Liability Company intended to establish Liaoning New Energy And Low-Carbon Industry Equity Investment Fund and its administration jointly. Such joint investment was a related party transaction, particulars of which are set out in the "Announcement on Related Party Transaction for the Joint Investment by the Wholly-owned Subsidiary of Haitong Securities and Related Party." issued on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on the same date.

Save as disclosed above, during the Reporting Period, the Company had no other significant related party transactions and there was no transaction of non-operating credit or indebtedness with related parties.

Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund Co., Ltd. obtained the business licence on 8 August 2013. Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund and Haitong New Energy Equity Investment Management Co., Ltd. have been established and come into operation.

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trust, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material trust, contracting or leasing matters.

(II) Guarantees

- 1 At the twelfth meeting of the fifth session of the Board, Proposal on Provision of Net Capital Guarantee Commitment to Haitong Securities Asset Management Company Ltd was considered and approved, according to which the Board approved the Company to provide a net capital guarantee commitment of not more than RMB1.5 billion to the asset management subsidiary at any time, to ensure the adequacy of its net capital. On 9 June 2013, Shanghai Branch of the CSRC issued No Comment Letter on the Provision of Net Capital Guarantee Commitment from Haitong Securities to Haitong Asset Management (Hu Zheng Jian Ji Gou Zi [2013] No.145), permitting the Company to provide the guarantee commitment of RMB800 million to the asset management subsidiary. The Company has deducted RMB800 million of the net capital and increased RMB800 million of the net capital of the asset management subsidiary correspondingly.

SECTION V SIGNIFICANT EVENTS

- 2 In October 2013, the Company issued the first phase of overseas bonds and the issuer is an indirect wholly-owned subsidiary of Haitong International Finance Holdings Limited. In order to ensure the repayment of debt service and lower the coupon rate, according to the authorization of the Company's first extraordinary general meeting in 2013, the authorized personnel of the Company confirmed to provide guarantee for the first overseas bond by the Singapore Branch of Bank of China in the way of opening stand-by L/C. Meanwhile, according to the resolution on the twenty-first meeting of the fifth session of the Board, the Company issued letter of counter-guarantee regarding the standby L/C of the issuance of first phase of overseas bond to Bank of China. The amount of counter-guarantee contains the principal, interest and other relevant expenses of the issued first phase of overseas bond. The way of guarantee is the one with joint and several liability and it ends on the date which is six months from expiry of the stand-by L/C.

(III) Other material contract

During the Reporting Period, there was no other material contracts of the Company which shall be disclosed.

VIII. PERFORMANCE OF UNDERTAKINGS

During the Reporting Period, the Company had no relevant undertakings.

IX. APPOINTMENT AND DISMISSAL OF ACCOUNTANTS AND THEIR REMUNERATIONS

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("BDO China") as its external auditor for 2013, who will be responsible for provision of relevant domestic audit services in accordance with the PRC GAAP, for a term of one year with auditing fees of RMB2.25 million. The Company appointed BDO China as its internal control auditor, with auditing fees of RMB400,000. In addition, Deloitte Touche Tohmatsu CPA LLP. (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP. (德勤華永會計師事務所) (Special General Partnership)) ("Deloitte Touche Tohmatsu") was reappointed as the Company's external auditor for 2013 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with the IFRS, with auditing fees of RMB2.60 million. In addition, the two accounting firms provided audit service for subsidiaries of the Group, with total service fee of RMB1.05 million. In addition, the two accounting firms provided verification service for domestic and overseas bonds issued by the Company, among which, capitalized service fee amounting to HK\$450,000 and RMB20,000. Deloitte Touche Tohmatsu Certified Public Accountants LLP. (德勤華永會計師事務所) (Special General Partnership)) also issued the specific audit report for fund raising for the Company with service fees of RMB10,000.

SECTION V SIGNIFICANT EVENTS

X. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WHO HELD MORE THAN 5% OF SHARES AND DE FACTO CONTROLLER

As at the end of the Reporting Period, the Company did not have any shareholder who held directly more than 5% of shares or de facto controller. During the Reporting Period, none of the Company, its Directors, Supervisors and senior management was subject to any examination, administrative punishment, criticism through notification by the CSRC and public censures by any stock exchanges.

XI. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company did not issue any convertible bonds

XII. CLOSURE OF REGISTER OF MEMBERS

The Company will announce in due course the date of convening the 2013 annual general meeting, and for the purpose of ascertaining the list of shareholders entitled to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed.

The Company will give further notice on the record date and book closure date for the dividend of H Shares.

XIII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) The Proposal on Issuance of Corporate Bonds was considered and approved at the 2012 annual general meeting on 27 May 2013. On 24 September 2013, the Company received Reply for public Issuance of Corporate Bonds issued by Haitong Securities from CSRC, which approved the Company to issue corporate bonds with nominal value not more than RMB23 billion to the public.

During the Reporting Period, the Company issued corporate bonds at the amount of RMB12 billion, all raised capital will be used for working capital. As at the end of the Reporting Period, the balance of the outstanding bonds of the Company is RMB12 billion.

(II) The Proposal on Issuance of Short-term Financing Bonds of Securities Companies was considered and approved at the 2012 annual general meeting on 27 May 2013. On 18 June 2013, the Company received Supervision Letter regarding the Application of Issuing Short-term Financing Bonds by Haitong Securities from CSRC. On 17 September 2013, the Company received Notice of Issuing Short-term Financing Bonds by Haitong Securities issued by the People's Bank of China, which approved the maximum short-term payable financing bonds of RMB14.9 billion.

During the Reporting Period, the Company issued first phase of short-term financing bonds, which raised capital in total of RMB3 billion. All raised capital will be used for the liquidity of the Company. As at the end of the Reporting Period, the balance of the outstanding financing bonds issued was RMB3 billion.

SECTION V SIGNIFICANT EVENTS

(III) Establishment of Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund

The Company convened the fifteenth meeting of the fifth session of the Board (extraordinary meeting) on 23 January 2013, considered and passed the resolution of establishment and management of Liaoning New Energy and Low-Carbon Industry Equity Investment Fund. The Company's wholly-owned subsidiary, Haitong Capital Investment and Liaoning Energy Investment (Group) Limited Liability Company planned to jointly establish Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund, and its management organization, Haitong New Energy Equity Investment Management Co., Ltd.

Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund Co., Ltd. obtained the business licence on 8 August 2013, whose registered capital is RMB1 billion, and its business scope includes, investment in unlisted enterprise, investment in unissued share of listed company and relevant consultancy service, general operation items, equity investment management, equity investment, debt investment relating to equity investment, industrial investment, venture capital investment, participation in establishment of equity investment entities, venture capital investment in entities and investment consultancy etc. The preparation and construction of Liaoning Haitong New Energy and Low-Carbon Industry Equity Investment Fund and Haitong New Energy Equity Investment Management Co., Ltd. has completed and these companies are officially put into operation.

(IV) Establishment of Shanghai Haitong Resource Management Co., Ltd.

In May 2013, Haitong Futures, a holding subsidiary of the Company, received Reply of Application of Business Trial Filing made by Haitong Futures For Proposing to Establish a Subsidiary to Carry out Main Business of Risk Management, Zhong Qi Xie Han Zi (2013) No.120, and conducted the filing procedure for such risk management service subsidiary.

Shanghai Haitong Resource Management Co., Ltd. was incorporated and obtained business license on 6 August 2013, with a registered capital of RMB100 million, and is a corporate owned enterprise, with Haitong Futures holding 100% equity. Business scope of Shanghai Haitong Resource Management Co., Ltd. includes management of mining products, warehouse service, cooperation hedge, pricing service and basis trading, carrying out import and export business of goods and technology, metal material and hardware products, chemical material and products, agricultural products, building material, sale of precious metal and investment management.

(V) Completion of Rights Issue and Capital Increase by Haitong International Securities Group

Haitong International Securities Group conducted rights issue on the basis of two shares for one at the share price of HK\$2.55 each in early March 2013. Total amount of shares which had been effectively accepted and applied is equivalent to 6.04 times of 457,671,353 rights issue shares available for subscription under the rights issue. The process of rights issue has been completed on 17 April 2013 which succeeded in the capital expansion of Haitong International Securities Group.

SECTION V SIGNIFICANT EVENTS

(VI) Issuance of Convertible Bonds by Haitong International Securities Group

Haitong International Securities Group issued 1.25% convertible bonds in the amounts of HK\$776 million and HK\$232 million in July 2013 and October 2013, respectively, which are due in July 2018, from which approximately HK\$1 billion was raised. The bonds can be convertible into ordinary shares of Haitong International Securities Group subject to various conversion terms set out in the issuance documents. Please refer to the 2013 annual report of Haitong International Securities Group for the details.

(VII) Capital contributions to Haitong Capital Investment

According to the Proposal on Capital Contribution of RMB2 billion to Haitong Capital Investment which was considered and approved at the eleventh meeting (extraordinary meeting) of the fifth session of the Board held on 14 June 2012, it was resolved to make capital contribution of RMB2 billion to Haitong Capital Investment. In 2012, capital contribution to Haitong Capital Investment by the Company reached RMB1.75 billion. On 13 March 2014, the Company resolved to further contributed RMB250 million to Haitong Capital Investment. Upon such capital contributions, the registered capital of Haitong Capital Investment changed to RMB6 billion.

(VIII) There has been no other significant events and subsequent events which should be disclosed by the Company during the Reporting Period.



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares for the Reporting Period

	Before the change		Changes (+,-)				After the change	
	Number of shares	Percentage (%)	New issuance (H Shares)	Transfer of state-owned shares		Sub-total	Number of shares	Percentage (%)
				Others				
<i>Unit: share</i>								
I. Shares subject to trading moratorium								
1. Shares held by state	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	-	-	-	-	-	-	-	-
Including: shares held by domestic non state-owned legal persons	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-
Including: shares held by foreign legal persons	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-
Total number of shares subject to trading moratorium	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium								
1. RMB denominated ordinary shares	8,092,131,180	84.43	-	-	-	-	8,092,131,180	84.43
2. Foreign shares listed in the PRC	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,356,900,000	14.16	-	-	-	-	1,356,900,000	14.16
4. Shares transferred to the NSSF and converted to H Shares pursuant to the regulations in the reduction of state-owned shares	135,690,000	1.42	-	-	-	-	135,690,000	1.42
Total number of circulating shares not subject to trading moratorium	9,584,721,180	100	-	-	-	-	9,584,721,180	100
III. Total	9,584,721,180	100	-	-	-	-	9,584,721,180	100

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

2. *Particulars about changes in shares*

During the Reporting Period, there is no change in shares of the Company. As at the end of the Reporting Period, there were 8,092,131,180 A Shares and 1,492,590,000 H Shares. The total number of the Company's A Shares and H Shares was 9,584,721,180.

3. *Effect of changes in shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period*

During the Reporting Period, there is no change in shares of the Company.

(II) **Changes in restricted shares**

All shares of the Company are circulating shares not subject to trading moratorium.

II. SECURITIES ISSUANCE AND LISTING

(I) **Historical issuances of securities for the past three years as at the end of the Reporting Period**

On 16 May 2011, the Company convened 2010 annual general meeting, at which Proposal on Issuance and Listing of H Shares in Hong Kong by the Company was considered and approved. On 19 April 2012, the Company has determined the final issue price for issuance of H Shares of the Company to be HK\$10.60 per share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%). On 27 April 2012, the Company conducted its initial public offering of 1,229,400,000 foreign shares listed overseas (H Shares), which were listed and traded on the Main Board of Hong Kong Stock Exchange, and the related over-allotment option was partially exercised on 19 May 2012 (an aggregate of 127,500,000 H Shares were placed and listed on 22 May 2012), resulting in the issuance of an aggregate of 1,356,900,000 H Shares. During the period, 25 state-owned shareholders of the Company, including SIIC Shanghai (Holding) Co., Ltd., transferred a portion of their shareholding (A Shares), based on 10% of H Shares actually issued in the IPO, to the National Council for Social Security Fund, and converted them to foreign H Shares listed overseas with an aggregate of 135,690,000 H Shares.

(II) **Total Shares of the Company and changes in shareholders structure and assets and liabilities of the Company**

During the Reporting Period, total shares of the Company has not changed. Details of changes in assets and liabilities of the Company are set out in analysis on principal components of consolidated statement of financial position of I, (III) of section IV in this Report.

(III) **Existing shares held by internal employees**

As at the end of the Reporting Period, there was no share held by employees.

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

III. SHAREHOLDERS AND THE DE FACTO CONTROLLERS

Total number of shareholders and their shareholdings

- As at the end of the Reporting Period, the total number of shareholders of the Company was 409,776, among which 409,603 were holders of A Shares and 173 were registered as holders of H Shares. The total number of shareholders at the end of the fifth trading day preceding disclosure of this Annual Report was 433,587, of which 433,419 were A Share holders and 168 were H Share registered holders.
- As at 31 December 2013, all of the Company's shareholders were not subject to trading moratorium. The table below sets out the shareholdings of the top ten shareholders of the Company:

Unit: share

Total number of shareholders as at the end of the Reporting Period: 409,776

Total number of shareholders at the end of the fifth trading day preceding the date of the Annual Report: 433,587

Shareholdings of the top ten shareholders

Name of shareholders	Nature of shareholders	Percentage (%)	Total number of shares held	Changes in the number of shares during the Reporting Period	Number of shares held subject to trading moratorium	Number of shares subject to pledge or freeze
Hong Kong Securities Clearing Company Nominees Limited	Foreign legal person	15.57%	1,492,155,600	-161,200	0	nil
Bright Food (Group) Co., Ltd.	State-owned legal person	4.40%	422,180,000	-28,040,026	0	210,000,000 (pledged)
Shanghai Haiyan Investment Management Company Limited	State-owned legal person	4.18%	400,709,623	0	0	nil
Shanghai Electric (Group) Corporation	State-owned shares	3.93%	376,465,258	-1,202,000	0	nil
Shenergy Group Company Limited	State-owned legal person	3.36%	322,162,086	0	0	nil
Shanghai Jiushi Corporation	State-owned legal person	2.45%	235,247,280	0	0	nil
Shanghai Friendship Group Incorporated Company	Domestic non-State-owned legal person	2.24%	214,471,652	0	0	nil
Shanghai Lansheng Corporation	State-owned legal person	1.96%	187,581,900	-3,368,100	0	nil
Wenhui-Xinmin United Press Group	State-owned legal person	1.89%	180,829,853	-6,800,000	0	nil
Liaoning Energy Investment (Group) Co., Ltd.	State-owned legal person	1.60%	153,126,585	0	0	nil

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type of shares (A, B, H or others)
HKSCC Nominees Limited	1,492,155,600	H shares
Bright Food (Group) Co., Ltd.	422,180,000	A shares
Shanghai Haiyan Investment Management Company Limited	400,709,623	A shares
Shanghai Electric (Group) Corporation	376,465,258	A shares
Shenergy Group Company Limited	322,162,086	A shares
Shanghai Jiushi Corporation	235,247,280	A shares
Shanghai Friendship Group Incorporated Company	214,471,652	A shares
Shanghai Lansheng Corporation	187,581,900	A shares
Wenhui-Xinmin United Press Group	180,829,853	A shares
Liaoning Energy Investment (Group) Co., Ltd.	153,126,585	A shares

- Notes:*
1. Among the H shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the holders who did not register such shares under their names.
 2. In the above table, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.
 3. The nature of the Company's A Shareholders represents that of accounts registered by such shareholders in Shanghai branch of China Securities Depository and Clearing Corporation Limited.

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Due to the diverse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held shares on behalf of H shareholders who did not register the H Shares under their names.



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

V. DISCLOSURE OF INTERESTS

1. Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As at 31 December 2013, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executives of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO.

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Approximate	Percentage	Long position
					percentage of total issued	of total issued A	(Note 3)/ short position (Note 4)/
					shares of the Company (%)	Shares of the Company (%)	interest in lending pool
1.	Bright Food (Group) Co., Ltd.	A Share	Beneficial owners (Note 1)	422,180,000	4.40	5.21	Long position
2.	Shanghai Haiyan Investment Management Company Limited	A Share	Beneficial owners (Note 1)	400,709,623	4.18	4.95	Long position
3.	NFFS	H Share	Beneficial owners	89,385,600	0.93	5.99	Long position
4.	JP Morgan Chase & Co.	H Share	Beneficial owners	8,228,639	0.09	0.55	Long position
			Beneficial owners	1,556,002	0.02	0.10	Short position
			Investment manager	11,524,000	0.12	0.77	Long position
			Custodian – corporation/ approved lending agent	72,373,370	0.76	4.85	Lending pool
5.	Capital Research and Management Company	H Share	Investment manager	75,000,000	0.78	5.02	Long position
6.	Pacific Alliance Group Limited	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
7.	PAG Asia Capital GP I Limited	H Share	Investment manager (Note 2)	130,704,400	1.36	8.76	Long position
8.	PAG Asia I LP	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
9.	PAG Capital Limited	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
10.	PAG Holdings Limited	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position

SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Approximate percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Company (%)	Long position (Note 3)/ short position (Note 4)/ interest in lending pool
11.	PAGAC Horseshoe Holding I SARL	H Share	Beneficial owners (Note 2)	130,704,400	1.36	8.76	Long position
12.	Roseworth Investments Limited	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
13.	Shan Weijian	H Share	Interests in controlled corporation (Note 2)	130,704,400	1.36	8.76	Long position
14.	Citigroup Inc.	H Share	Other	55,374,616	0.58	3.71	Long position
		H Share	Other	12,791,133	0.13	0.86	Short position
		H Share	Other	42,653,386	0.45	2.86	Lending pool
15.	BlackRock, Inc.	H Share	Interests in controlled corporation	96,091,537	1.00	6.44	Long position
		H Share	Interests in controlled corporation	1,308,800	0.01	0.09	Short position
16.	Nomura Holdings, Inc	H Share	Interests in controlled corporation	71,506,633	0.75	4.79	Long position
		H Share	Interests in controlled corporation	33,538,233	0.35	2.25	Short position
17.	GIC Private Limited	H Share	Investment manager	89,935,200	0.94	6.03	Long position
18.	Government of Singapore Investment Corporation Pte Ltd	H Share	Investment manager	89,895,200	0.94	6.02	Long position

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkex.com.hk), an aggregate of 482,686,582 A Shares are held by Bright Food (Group) Co., Ltd., and an aggregate of 416,420,568 A Shares are held by Shanghai Haiyan Investment Management Company Limited. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholdings submitted to Hong Kong Stock Exchange;

Note 2: Such 130,704,400 shares represent the same block of shares;



SECTION VI CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

Note 3: A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases; and

Note 4: A shareholder has a “short position” if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at 31 December 2013 required to be recorded in the register pursuant to Section 336 of the SFO.

2. Directors, Supervisors and chief executive’s interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations

As at 31 December 2013, according to the information obtained by the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall 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 is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed the securities of the Company, except for the case where such trading is conducted by the Company or any of its subsidiaries on behalf of its clients and acting as agencies.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Position	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares			Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Total remuneration received from shareholder entities during the Reporting Period (RMB0'000)
						held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year			
Directors											
<i>Executive Directors</i>											
Wang Kaiguo	Chairman, secretary of CPC	Male	55	16 May 2011	15 May 2014	0	0	0		247	0
Li Mingshan	Director, General Manager	Male	61	16 May 2011	28 March 2014	0	0	0		247	0
<i>Non-executive Directors</i>											
Qian Shizheng	Vice Chairman	Male	61	16 May 2011	26 March 2013	0	0	0		0	0
Zhuang Guowei	Director	Male	59	16 May 2011	15 May 2014	0	0	0		0	60
Zhou Donghui	Director	Male	44	16 May 2011	15 May 2014	0	0	0		0	0
He Jianyong	Director	Male	51	16 May 2011	15 May 2014	0	0	0		0	61
Zhang Jianwei	Director	Male	59	16 May 2011	15 May 2014	0	0	0		0	To be approved and granted by SASAC
Xu Chao	Director	Male	58	16 May 2011	15 May 2014	0	0	0		0	65
Wang Hongxiang	Director	Male	57	16 May 2011	15 May 2014	0	0	0		0	To be approved and granted by Shenergy Group Company Limited
Li Gewei	Director	Male	46	16 May 2011	15 May 2014	0	0	0		0	0
Feng Huang	Director	Male	42	16 May 2011	15 May 2014	0	0	0		0	0
<i>Independent non-executive Directors</i>											
Xia Bin	Independent non-executive Director	Male	62	16 May 2011	15 May 2014	0	0	0		12	0
Chen Qiwei	Independent non-executive Director	Male	61	16 May 2011	15 May 2014	0	0	0		12	0
Zhang Huiquan	Independent non-executive Director	Male	46	16 May 2011	15 May 2014	0	0	0		12	0
Zhang Ming	Independent non-executive Director	Male	55	16 May 2011	15 May 2014	0	0	0		12	0
Dai Genyou	Independent non-executive Director	Male	64	16 May 2011	15 May 2014	0	0	0		12	0



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number			Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Total remuneration received from shareholder entities during the Reporting Period (RMB0'000)
						of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year			
Liu Chee Ming	Independent non-executive Director	Male	62	28 November 2011	15 May 2014	0	0	0		12	0
Xiao Suining	Independent non-executive Director	Male	65	27 May 2013	15 May 2014	0	0	0		7	0
Supervisors											
Wang Yimin	Chairman of Supervisory Committee	Male	62	27 April 2011	23 January 2013 ¹	0	0	0		42	0
Yang Qingzhong	Vice Chairman of Supervisory Committee, secretary of the discipline inspection commission	Male	57	27 April 2011	15 May 2014	0	0	0		178	0
Li Lin	Supervisor	Male	51	27 May 2013	15 May 2014	0	0	0		0	52
Yuan Lingcai	Supervisor	Male	53	16 May 2011	26 March 2013	0	0	0		0	0
Dong Xiaochun	Supervisor	Male	49	16 May 2011	15 May 2014	0	0	0		0	50
Jin Yanping	Supervisor	Female	58	16 May 2011	15 May 2014	0	0	0		0	0
Wu Zhilin	Supervisor	Male	61	16 May 2011	15 May 2014	0	0	0		0	0
Xu Qi	Supervisor	Male	51	16 May 2011	15 May 2014	0	0	0		0	Please refer to 2013 annual report of Shanghai Oriental Pearl (stock code: 600832)
Hu Jingwu	Supervisor	Male	58	16 October 2013	15 May 2014	0	0	0		0	82
Xing Jianhua	Supervisor	Male	54	16 May 2011	15 May 2014	0	0	0		0	42
Wang Yugui	Supervisor	Male	62	16 May 2011	22 August 2013	0	0	0		0	65
Qiu Xiaping	Employee Supervisor	Female	53	27 April 2011	15 May 2014	0	0	0		93	0
Du Hongbo	Employee Supervisor	Male	50	27 April 2011	15 May 2014	0	0	0		93	0
Senior management											
Shen Degao	Deputy General Manager	Male	61	16 May 2011	23 January 2013	0	0	0		31	0
Ji Yuguang	Deputy General Manager	Male	56	16 May 2011	15 May 2014	0	0	0		179	0
Ren Peng	Deputy General Manager	Male	51	16 May 2011	15 May 2014	0	0	0		178	0
Wu Bin	Deputy General Manager	Male	40	14 March 2012	15 May 2014	0	0	0		168	0
Li Xunlei	Deputy General Manager	Male	50	14 March 2012	15 May 2014	0	0	0		166	0
Hiroki Miyazato	Deputy General Manager	Male	48	14 March 2012	15 May 2014	0	0	0		163	0
Pei Changjiang	Deputy General Manager	Male	48	22 August 2013	15 May 2014	0	0	0		71	0

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number			Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Total remuneration received from shareholder entities during the Reporting Period (RMB0'000)
						of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year			
Jin Xiaobin	Secretary to the Board	Male	59	16 May 2011	15 May 2014	0	0	0		168	0
Wang Jianye	Chief Risk Control Executive and General Compliance Officer	Male	53	16 May 2011	15 May 2014	0	0	0		168	0
Li Chuqian	Chief Financial Officer	Male	56	16 May 2011	15 May 2014	0	0	0		168	0
Li Jianguo	Assistant to General Manager	Male	50	14 March 2012	15 May 2014	0	0	0		434 (HK\$)	0
Chen Chungqian	Assistant to General Manager	Male	50	14 March 2012	15 May 2014	0	0	0		106	0

Notes:

1. Mr. Wang Yimin resigned from the Chairman of Supervisory Committee on 23 January 2013, but has still been an Employee Supervisor of the Company.
2. The Company did not implement any equity incentive scheme during the Reporting Period. None of the Directors, Supervisors and senior management of the Company holds any shares of the Company.
3. Mr. Li Mingshan resigned as a Director and the General Manager of the Company on 28 March 2014 because he has reached the age of retirement.
4. The remuneration of Mr. Li Jianguo was paid by Haitong International Holdings and Haitong International Securities Group.



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions in shareholder entities

Name	Name of shareholder entities	Positions taken in the shareholder entities	Tenure
Directors:			
Qian Shizheng	Shanghai Industrial Investment (Holdings) Co. Ltd. (上海實業(集團)有限公司)	Vice President	1998 to 2012
Zhuang Guowei	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2006 to date
Zhou Donghui	Shanghai Tobacco (Group) Co., Ltd. (上海煙草集團有限責任公司)	Deputy Director of Finance Management Division	2011 to date
He Jianyong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Chairman, Secretary of CPC Party Committee	2011 to date
Zhang Jianwei	Shanghai Jiushi Corporation Co., Ltd. (上海久事公司)	Deputy General Manager	2002 to date
Xu Chao	Shanghai Electric Capital Management Co., Ltd.* (上海電氣資產管理有限公司)	Director and Legal Representative	2011 to date
Wang Hongxiang	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Accountant	1998 to date
Li Gewei	Tibet Linzhi Fuxi Jewels & Gold Co., Ltd.* (西藏林芝福禧珠寶金行有限公司)	Deputy General Manager	2010 to date
Feng Huang	SIIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director, President	2012 to date
Supervisors:			
Yuan Lingcai	SIIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Chief Finance Officer, General Manager of the Planning and Finance Department	2002 to date
Li Lin	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	General Manager of Finance Department	2010 to date
Dong Xiaochun	Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司)	Chief Financial Officer	2011 to date
Wu Zhilin	Wenhui-Xinmin United Press Group (文匯新民聯合報業集團)	Member of CPC Party Committee, Secretary of the CPC Party Committee and Deputy Chief Editor of Xinmin Evening News	2008 to 2013

* For identification purpose only

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of shareholder entities	Positions taken in the shareholder entities	Tenure
Jin Yanping	Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司)	Assistant to President, General Manager of Strategic Planning Department and Investment Development Department	1998 to date
Xu Qi	Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司)	Chief Financial Officer	2004 to date
Hu Jingwu	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2013 to date
Xing Jianhua	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	Chief Investment Officer	2013 to date
Wang Yugui	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	1993 to 2013

(II) Positions in other entities

Name	Name of entities	Positions	Tenure
Xia Bin	Institute of Finance of Development Research Centre of State Council	Head (now Honorary Head)	2002 to December 2012
Chen Qiwei	Asia Business Development Group Co., Ltd.* (亞商發展集團有限公司)	Chairman	2004 to date
	Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司)	Independent Non-executive Director	2008 to date
	Private Equity Association Of Shanghai (上海股權投資協會)	Chairman	2012 to date
Zhang Huiquan	Union Best Partner (嘉誠泰和律師事務所)	Lawyer	2002 to date
Zhang Ming	Accounting college of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor and Doctoral Tutor	1997 to date
	Shanghai Shenda Co., Ltd. (上海申達股份有限公司)	Independent Non-executive Director	2010 to date
	SGSB Group Co., Ltd. (上工申貝(集團)股份有限公司)	Independent Non-executive Director	2009 to date
Dai Genyou	Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	Independent Non-executive Director	2010 to date
	Huishang Bank Corporation Limited (徽商銀行股份有限公司)	Independent Non-executive Director	2010 to date
	Agricultural Bank of China (中國農業銀行)	External Supervisor	2013 to date

* For identification purpose only



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions	Tenure
Liu Chee Ming	Platinum Holdings Limited (百德能控股有限公司)	Managing Director	1996 to date
	CIMC Raffles Shipyard (Singapore) Limited (中集來福士海洋工程(新加坡)有限公司)	Independent Non-executive Director	2005 to May 2013
	Starhub Ltd. (星和有限公司)	Independent Non-executive Director	2004 to date
	OUE Hospitality Trust Management Pte. Ltd	Non-executive Director	2013 to date
	Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司)	Independent Non-executive Director	2013 to date
Xiao Suining	Ping An Bank Co., Ltd. (平安銀行股份有限公司)	Advisor	2012 to date

(III) Profiles of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

1. Executive Directors (2):

Mr. Wang Kaiguo (王開國), aged 55, serves as the Chairman, an executive Director and the secretary of CPC party committee. Mr. Wang joined the Company in February 1995 as deputy general manager and has been the Chairman since May 1998. He was appointed as a Director on 23 August 1996. He has over 18 years of management experience in securities industry. Mr. Wang obtained a bachelor's degree in economics from Jilin University in July 1984, a master's degree in economics from Jilin University in July 1987, and a doctor's degree in economics from Xiamen University in July 1990. Mr. Wang is a senior economist recognized by Economics and Accounting Senior Professional and Technical Title Evaluating Committee* (經濟會計系列高級專業技術職務評審委員會) of Bank of Communications Co., Ltd. in December 1997. Mr. Wang previously served in various positions in Research Institute of National State-owned Assets Administration Bureau* (國家國有資產管理局科研所) from July 1990 to February 1995, including deputy head of this bureau. He was also director of policy research office of policy and regulation department of the same bureau from March 1992 to February 1994. Mr. Wang was deputy general manager of the Company from February 1995 to November 1997, secretary of Communist Party of China ("CPC") party group of the Company from November 1997 to December 1998 and general manager of our Company from November 1997 to May 2001. Mr. Wang has been secretary of CPC party committee of the Company since December 1998, director of the Shanghai Stock Exchange since April 1999 and vice president of Securities Association of China since July 2002. In addition, Mr. Wang was a non-executive director of Shanghai Shimao Co., Ltd. (上海世茂股份有限公司) from October 2000 to February 2009 (a company listed on the Shanghai Stock Exchange and its stock code is 600823). Mr. Wang has been a non-executive director of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000001 and it was renamed as Ping An Bank Co., Ltd. in August 2012) since June 2006 until January 2014 and an independent non-executive director of Shanghai Chlor-Alkali Chemical Co., Ltd. (上海氯鹼化工股份有限公司) ("Shanghai Chlor-Alkali") (a company listed on the Shanghai Stock Exchange and its stock code is 600618) since December 2009.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Mingshan (李明山), aged 61, serves as the General Manager and an executive Director. Mr. Li joined the Company in May 2001 and has been the General Manager since then. He has been a Director since 28 November 2002, fully responsible for the overall operation management. He has around 21 years of management experience in securities industry. Mr. Li graduated from East China Normal University with a master's degree in global economics in May 1998 and obtained a master's degree in business administration from Asia International Open University (Macau) in September 2000. Mr. Li is a senior economist recognized by Shanghai Professional Qualification Evaluation Centre* (上海市任職資格評價中心) in June 2001. Mr. Li previously worked at CPC Shanghai Committee and guard department of Shanghai Public Security Bureau from May 1978 to January 1993. Mr. Li was previously vice general manager of Shanghai Shenyin Securities Co., Ltd. (上海申銀證券公司, predecessor of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) ("Shenyin & Wanguo") from January 1993 to June 1996 and vice general manager of Shenyin & Wanguo from June 1996 to March 1998. Mr. Li was also deputy general manager of the Shanghai Stock Exchange from March 1998 to May 2001. Mr. Li was a non-executive director and chairman of Haitong International Securities Group from January 2010 to April 2011 and also chairman of Haitong International Holdings from August 2010 to March 2011. Mr. Li has been deputy secretary of CPC party committee of the Company since March 2002 and a director of Fullgoal Fund Management since 2005.

2. *Non-executive Directors (8 current Directors and 1 resigned Director):*

Mr. Zhuang Guowei (莊國蔚), aged 59, serves as a non-executive Director of the Company. Mr. Zhuang has been a Director since 16 July 2007. Mr. Zhuang obtained a bachelor's degree in economics from Party School of the Central Committee of the CPC* (中共中央黨校函授學院) in December 1994, graduated from Shanghai Academy of Social Sciences as a postgraduate in economics in January 1996, and obtained a master's degree in business administration from Arizona State University in May 2009. Mr. Zhuang is a registered manager* (註冊經理) of Chinese Registered Career Manager (中國註冊職業經理人) recognized by China Enterprises Evaluation Association (中國企業評價協會) in 2005. Mr. Zhuang previously served in various positions in Shanghai Wusi Farm* (上海市五四農場) and Shanghai NGS (Group) Wusi Corporation* (上海農工商集團五四總公司) from July 1984 to August 1999, including general manager and deputy secretary of its CPC party committee. He was manager of asset operation department of Shanghai NGS (Group) Corporation (上海市農工商(集團)總公司) from August 1999 to April 2001 and was deputy general manager of the same company from April 2001 to August 2006. He was deputy chairman of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from June 2001 to February 2003 and chairman of Shanghai HaiBo Co., Ltd. (上海海博股份有限公司) ("Shanghai HaiBo") (a company listed on the Shanghai Stock Exchange and its stock code is 600708) from February 2004 to April 2009. In addition, Mr. Zhuang has been vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2006, chairman of Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600597) since April 2010, a director of Shanghai HaiBo since April 2009 and chairman of NGS Real Estate (Group) Co., Ltd.* (農工商房地產(集團)股份有限公司) from December 2011 to June 2013, and chairman of supervisory committee of the NGS Real Estate (Group) Co., Ltd.* since June 2013 to date and chairman of supervisory committee of Shanghai Yangjiu (Group) Co., Ltd. since May 2013 to date.



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Mr. Zhou Donghui (周東輝), aged 44, serves as a non-executive Director of the Company. Mr. Zhou has been a Director since 8 May 2009. He has over ten years of financial management experience. Mr. Zhou graduated with a major in accounting from Adult Education College* (成人教育學院) of Fudan University in July 2001. Mr. Zhou is a senior accountant recognized by State Tobacco Monopoly Administration of PRC* (中國國家煙草專賣局) in December 2007. Mr. Zhou previously served in various positions in the finance and price department of Shanghai Tobacco (Group) Company* (上海煙草(集團)公司) ("Shanghai Tobacco") (predecessor of Shanghai Tobacco (Group) Co., Ltd.* (上海煙草(集團)有限責任公司)) from July 1991 to October 2000, including deputy section chief of finance section and deputy section chief of fund and price section. Mr. Zhou was also deputy manager of finance department of China Tobacco Shanghai Import & Export Co., Ltd.* (中國煙草上海進出口有限責任公司) from October 2000 to August 2003, manager of that department from August 2003 to October 2008 and was deputy director of investment management division of Shanghai Tobacco from October 2008 to May 2011. Mr. Zhou has been deputy director of finance management division of Shanghai Tobacco (Group) Co., Ltd.* since May 2011 and a non-executive director of Orient Securities since May 2009.

Mr. He Jianyong (何健勇), aged 51, serves as a non-executive Director of the Company. Mr. He has been a Director since 16 September 2011. Mr. He obtained a bachelor's degree in economics from Northeast Finance Institute in July 1986 and graduated from Liaoning University in December 1999 as a postgraduate (part time) with a major in accounting. Mr. He previously served in various positions in Liaoning Energy Development Corporation* (遼寧省能源開發公司) from August 1986 to December 1989, including assistant accountant of the finance department and deputy manager of the energy-efficient product distribution department. Mr. He worked with the Provincial "San Liao" Poverty Aid Taskforce at Kazuo County in Liaoning Province* (遼寧省政府駐喀左縣"三遼"扶貧工作隊) from December 1989 to December 1990 and served as head of the finance department of Liaoning Energy and Materials Company* (遼寧能源物資公司) from December 1990 to July 1995. He was deputy manager of Liaoning Energy Efficiency and Thermal Electricity Group Company* (遼寧節能熱電集團公司) from July 1997 to January 1999. He was deputy general manager and then executive deputy general manager of Liaoning Energy Corporation* (遼寧能源總公司) from January 1999 to December 2003. He joined Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) in December 2003 and served in various positions including general manager and vice chairman, and is currently the chairman and secretary of CPC party committee of this company.

Mr. Zhang Jianwei (張建偉), aged 59, serves as a non-executive Director of the Company. Mr. Zhang has been a Director since 28 November 2002. He has over eleven years of management experience in securities industry. Mr. Zhang obtained a junior college degree in industrial economic management from Fudan University in July 1986 and also graduated with a major in enterprise management from Fudan University (Evening School) in July 1995, respectively. He also obtained a master's degree in business administration from China Europe International Business School in May 1999. Mr. Zhang is a senior economist recognized by Shanghai Economics (Circulation) Senior Professional and Technical Title Qualification Evaluating Committee* (上海市經濟系列(流通領域)高級專業技術職務任職資

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格評審委員會) in May 2000. He previously served in various positions in Shanghai Jiushi Corporation Co., Ltd. from July 1994 to December 2002, including general manager of industry division and assistant to general manager. Mr. Zhang has been deputy general manager of Shanghai Jiushi Corporation Co., Ltd. since December 2002, a non-executive director of Shenyin & Wanguo Securities Co., Ltd. from January 2002 to September 2012, a director of Shanghai International Trust Corp., Ltd. (上海國際信託有限公司) since June 2005, a director of Shenergy Company Limited (申能股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600642) since May 2008, a director of Shanghai Highly (Group) Co., Ltd. (上海海立股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600619) from May 2008 to June 2012 and a supervisor of China Pacific Insurance Group Co., Ltd. (太平洋保險集團股份有限公司) (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange and its stock code is 02601 and 601601 respectively) since February 2011.

Mr. Xu Chao (徐潮), aged 58, serves as a non-executive Director of the Company. Mr. Xu has been a Director since 16 May 2011. Mr. Xu graduated with a major in Marxism-Leninism theory from Cadre Training College of Shanghai Municipal Party School (Junior College)* (上海市委黨校幹部專修科(大專)) in July 1985 and obtained a master's degree in business administration from China Europe International Business School in April 2000. Mr. Xu is a senior economist recognized by Shanghai Economics Senior Professional and Technical Title Qualification Evaluating Committee* (上海市經濟系列高級專業技術職務任職資格審定委員會) in December 2009. Mr. Xu successively served as deputy secretary of CPC party branch, secretary of CPC party branch and deputy director of reform office of Shanghai Turbine Works* (上海汽輪機廠) from 1986 to June 1994. He was director of financial division, head of financial department and chief financial officer of Shanghai Turbine Co., Ltd.* (上海汽輪機有限公司) from August 1996 to October 2004, and vice president of the same company from October 2004 to October 2006. He joined Shanghai Electric Capital Management Co., Ltd.* (上海電氣資產管理有限公司) in October 2006 and served in various positions including chief financial officer from March 2007 to October 2011 and vice president of the same company since May 2008. He was head of financial budget department of Shanghai Electric (Group) Corporation* (上海電氣(集團)總公司) from October 2010 to October 2011. He has also been the executive director and legal representative of Shanghai Electrical Industrial Investment Co., Ltd.* (上海電氣實業公司) from May 2010 to December 2012, a non-executive director of Orient Securities since March 2011 and chairman of supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) (a company listed on the Hong Kong Stock Exchange and its stock code is 02345) since May 2010 (vice chairman since December 2012), vice chairman of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) since June 2011 and chairman of supervisory committee of Shanghai Automation Instrumentation Co., Ltd. (上海自動化儀錶股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600848) since June 2011.

Mr. Wang Hongxiang (王鴻祥), aged 57, serves as a non-executive Director of the Company. Mr. Wang has been a Director since 16 May 2011. He has over 20 years of finance and accounting working experience since he graduated from university. Mr. Wang obtained a bachelor's degree in accounting from Xiamen University in July 1983 and an



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EMBA degree from Shanghai University of Finance and Economics in June 2006. Mr. Wang is a senior accountant recognized by Shanghai Accounting Senior Professional and Technical Title Qualification Evaluating Committee* (上海市會計系列高級專業技術職務任職資格評審委員會) in 1999. Mr. Wang was an associate professor at Shanghai University of Finance and Economics for a number of years. Mr. Wang has been deputy chief accountant of Shenergy Group Company Limited (申能(集團)有限公司) since December 1998.

Mr. Li Gewei (李葛衛), aged 46, serves as a non-executive Director of the Company. Mr. Li has been a Director since 16 May 2011. Mr. Li obtained a bachelor's degree in science from Lanzhou University in June 1989. Mr. Li is an economist recognized by Professional and Technical Title Qualifications Evaluating Committee of Nankai District, Tianjin* (天津市南開區專業技術任職資格評審委員會) in August 1998. Mr. Li was a director of Lingyun Industrial Corporation Limited (凌雲工業股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600480) from April 2007 to January 2012. He has been an executive director of New World Strategic Investment Limited (新世界策略投資有限公司) since June 2003, vice general manager of Tibet Linzhi Fuxi Jewels & Gold Co., Ltd.* (西藏林芝福禧珠寶金行有限公司) since October 2010, and an executive deputy general manager of Shenzhen Sunlong Communication Co., Ltd. (深圳市翔龍通訊有限公司) since March 2006, in charge of investment management for all of these three companies. Mr. Li has been an independent non-executive director of Orient Group Incorporation (東方集團股份有限公司) (a company listed on Shanghai Stock Exchange and its stock code is 600811) since June 2008. Mr. Li served as an independent non-executive director of Sichuan Direction Photo-electricity Co., Ltd. (四川方向光電股份有限公司) from April 2002 to April 2007.

Mr. Feng Huang (馮煌), aged 42, serves as a non-executive Director of the Company. Mr. Feng has been a Director since 16 May 2011. Mr. Feng obtained a bachelor's degree in engineering from Shanghai Jiao Tong University in July 1993, and a master's degree of business administration from Webster University in November 1998. Mr. Feng is an economist recognized by Ministry of Personnel of PRC in November 2001, and an in-house legal counsel recognized by Ministry of Personnel, Ministry of Justice and State-owned Assets Supervision and Administration Commission of the PRC in October 2007, qualification as the independent director for listing companies recognized by Shanghai Stock Exchange since June 2013. Mr. Feng joined SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) in January 1999 and served in various positions, and has been a director and president since December 2012. He has been a director and president of Shanghai SIIC Investment Management Consulting Co., Ltd.* (上海上實投資管理諮詢有限公司) since August 2007, a director of Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd.* (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, and a director of Shanghai Information Investment Inc. (上海市信息投資股份有限公司) since June 2011. Mr. Feng has also been the chairman of SIIC Investment Co., Ltd. (上海實業投資有限公司) and South Pacific Hotel Hong Kong Co., Ltd.* (南洋酒店(香港)有限公司) since April 2012. He has been a director of Shanghai SIIC Asset Operation Co. Ltd.* (上海上實資產經營有限公司) since December 2012 and a director of Shanghai Shenjiang Banks Investment Development (Group) Co. Ltd.* (上海市申江兩岸開發建設投資(集團)有限公司) since April 2013.

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Mr. Qian Shizheng (錢世政), aged 61, serves as the Vice Chairman and a non-executive Director. Mr. Qian has been the Director and the Vice Chairman since 30 May 2006. Mr. Qian obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1983, and a doctor's degree in management from Fudan University in July 2001. Mr. Qian lectured in accounting department of Fudan University from September 1983 to December 1997. Mr. Qian joined Shanghai Industrial Investment (Holdings) Co., Ltd. in January 1998 and has been vice president since then. He has been an executive director and vice president of Shanghai Industrial Holdings Limited (上海實業控股有限公司) (a company listed on the Hong Kong Stock Exchange and its stock code is 00363), which is an affiliate of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司), from January 2002 to May 2012, an independent non-executive director of Lonking Holdings Limited (中國龍工控股有限公司) (a company listed on the Hong Kong Stock Exchange and its stock code is 03339) since February 2005, an independent non-executive director of Zoomlion Heavy Industry Science & Technology Development Co., Ltd. (中聯重工科技發展股份有限公司) (a company listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange and its stock code is 000157 and 01157 respectively) since July 2010 and a professor of College of Management of Fudan University since July 2012 to date. Mr. Qian resigned as the Vice Chairman and a non-executive Director on 26 March 2013 due to personal career development.

3. *Independent Non-executive Directors (7):*

Mr. Xia Bin (夏斌), aged 62, serves as an independent non-executive Director of the Company. Mr. Xia has been a Director since 30 May 2006. He has over 30 years of management experience in banking and securities industry. Mr. Xia obtained a master's degree in economics from the Graduate School of PBOC in December 1984. Mr. Xia is a researcher recognized by PBOC Research Senior Professional and Technical Title Evaluating Committee* (中國人民銀行研究系列高級專業技術職務評審委員會) in November 1997. Mr. Xia served as director and deputy head of financial research institute of PBOC and director of trading department of CSRC from January 1982 to March 1993 and from March 1993 to July 1993, respectively, general manager of the Shenzhen Stock Exchange, deputy director of policy research office of PBOC from October 1996 to August 1998 and director of non-bank institution department of PBOC from August 1998 to September 2002. Mr. Xia was the head of Research Institute of Finance under Development Research Centre of the State Council from September 2002 to the end of 2012 and he now serves as an honorary head.

Mr. Chen Qiwei (陳琦偉), aged 61, serves as an independent non-executive Director of the Company. Mr. Chen has been a Director since 16 July 2007. Mr. Chen obtained a bachelor's degree in economics from East China Normal University in September 1982 and a doctor's degree in economics from East China Normal University in October 1988. Mr. Chen is a professor recognized by the Teachers' Senior Professional and Technical Title Qualification Evaluating Committee of Shanghai Jiao Tong University* (上海交通大學教師高級專業技術職務任職資格評審委員會) in October 1992. Mr. Chen has been the professor and doctoral supervisor of Antai College of Economics & Management, Shanghai Jiao



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Tong University (上海交通大學安泰經濟與管理學院) since August 1997, the chairman of Shanghai Asia Business Development Group Co., Ltd.* (上海亞商發展集團有限公司) since March 2004, an independent non-executive director of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司) (“Shanghai Oriental Pearl”) (a company listed on the Shanghai Stock Exchange and its stock code is 600832) since June 2008, an independent non-executive director of Guangzhou Development Industry (Holdings) Co., Ltd. (廣州發展實業控股集團股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600098) since July 2009, a director of China Entrepreneurs Forum (中國企業家論壇) and a rotating chairman of New Shanghai Businessman Federation (新滬商聯合會) since December 2008, and director-general of Private Equity Association Of Shanghai since April 2012.

Mr. Zhang Huiquan (張惠泉), aged 46, serves as an independent non-executive Director of the Company. Mr. Zhang has been a Director since 16 July 2007. He has around 17 years of working experience in legal compliance. Mr. Zhang obtained a bachelor’s degree in law from Nanjing Institute of Politics of the People’s Liberation Army* (中國人民解放軍南京政治學院) in July 1990 and a master’s degree in economic law from Peking University in July 2002. Mr. Zhang was granted the Certificate of PRC Lawyer by the PRC Ministry of Justice in September 1995. Mr. Zhang was previously an officer of political department of People’s Court of Shijingshan District, Beijing (北京市石景山區人民法院) from October 1996 to March 2000 and a director of research office and judge of the same court from April 2000 to December 2002. Mr. Zhang has been a lawyer of Union Best Partner (北京嘉誠泰和律師事務所) since December 2002.

Mr. Zhang Ming (張鳴), aged 55, serves as an independent non-executive Director of the Company. Mr. Zhang has been a Director since 5 May 2008. He has nearly 30 years of working experience in relation to accounting. Mr. Zhang obtained a bachelor’s degree in accounting, a master’s degree in accounting and a doctor’s degree in economics (accounting) from the accounting department of Shanghai University of Finance and Economics in June 1983, June 1988 and January 1996, respectively. Mr. Zhang lectured in Shanghai University of Finance and Economics since graduation in 1983 and has successively been deputy director, and now the professor and doctoral supervisor of the accounting college of the same university. Mr. Zhang has been an independent non-executive director of Shanghai Shenda Co., Ltd. (上海申達股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600626) since May 2010, and an independent non-executive director of SGSB Group Co., Ltd. (上工申貝(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange and with stock code 600843) since June 2009.

Mr. Dai Genyou (戴根有), aged 64, serves as an independent non-executive Director of the Company. Mr. Dai has been a Director since 16 May 2011. He has around 35 years of working experience in financial industry including over 25 years of management experience. Mr. Dai graduated with a major in political economics from Anhui Labor University (predecessor of Anhui University) in September 1977. Mr. Dai is a senior economist recognized by PBOC in 1989. He was granted a special allowance by the State Council in October 2000. Mr. Dai previously served in various positions in PBOC.

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He successively served as vice president of Anqing Branch of PBOC, director of the first economic analysis division of research and investigation department of PBOC, and head and deputy director of economic analysis division of survey and statistics department of PBOC from October 1983 to February 1993. He held a position at the finance and trade group of the Leading Group for Financial and Economic Affairs of the CPC Central Committee* (中央財經領導小組辦公室財貿組) from February 1993 to November 1997 and was a deputy leader thereof since September 1994 and concurrently was deputy director and inspector of survey and statistics department of PBOC. He was head of monetary policy department and secretary-general of monetary policy committee of PBOC from November 1997 to November 2003, director of credit information system bureau of PBOC from November 2003 to April 2004, and director of credit information center of PBOC from April 2004 to March 2010. Mr. Dai has been an independent non-executive director of Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600895) since April 2010. As independent non-executive of HUIHANG BANK (a company listed on the Hong Kong Stock Exchange with stock code 03698) since September 2010 and external supervisor of Agricultural Bank of China (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock code 01288 and 601288 respectively) since October 2013.

Mr. Liu Chee Ming (劉志敏), aged 62, serves as an independent non-executive Director of the Company. Mr. Liu has been a Director since 16 September 2011. Mr. Liu obtained a bachelor's degree in business administration from National University of Singapore in July 1976. He has been a member of the Takeovers Appeal Committee under the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會收購上訴委員會) since May 1995, and vice chairman of the Takeovers and Mergers Panel since April 2008. In addition, he established the Platinum Holdings Limited (百德能控股有限公司) in April 1996 and was in charge of stock brokerage, corporate financing and fund management business. He has been an independent non-executive director of Kader Holdings Company Limited (開達集團有限公司) (a company listed on the Hong Kong Stock Exchange and its stock code is 00180) since June 1998 to December 2013 and then served as non-executive director of Kader Holdings Company Limited, an independent non-executive director of CIMC Raffles Shipyard (Singapore) Limited (中集來福士海洋工程(新加坡)有限公司) from December 2005 to May 2013, and an independent non-executive director of Starhub Ltd. (a company listed on the Singapore Stock Exchange and its stock code is STH SP) since August 2004. He has been a non-executive director of OUE Hospitality REIT Management Pte. Ltd. since June 2013 and an independent non-executive director of Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司), an affiliated company of The Bank of East Asia, Limited (a company listed on the Hong Kong Stock Exchange and its stock code is 0023) since November 2013.

Mr. Xiao Suining (肖遂寧), aged 65, currently serves as a consultant at PingAn Bank Co., Ltd. (with its stock listed on Shenzhen Stock Exchange, stock code: 000001), was the electrician and team leader at the third subsidiary of Yunnan Hydropower Construction Company (雲南水利發電建設公司) from July 1968 to September 1971; the chief of mechanical and electrical drainage, electrical technician and engineer at the Penschuidong



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Industrial Zone at Hydropower Construction Company (水利發電建設公司噴水洞工區) from September 1971 to January 1975; the electrical designer, technician and engineer at Yunnan Electrical Power Design Institute (雲南電力設計院) from January 1975 to February 1984; the deputy director of the powerhouse of the power plant of Electric Power Design Institute (電力設計院) from February 1984 to August 1985; the general manager at Kunming Yinding Industrial Co., Ltd. (昆明銀鼎實業有限公司) from January 1985 to August 1987; the acting general economist and the acting general accountant at Yunnan Electrical Power Design Institute from August 1987 to September 1990; the director of personnel education division, the assistant to general manager and the general assistant at Bank of Communications Chongqing Branch, and the general manager, deputy general manager and member to the Party Committee of a real estate development company from September 1990 to November 1995; the President and the secretary to the Party Committee (deputy level) of Bank of Communications Zhuhai Branch from November 1995 to August 1999; the President and the secretary to the Party Committee (bureau level) of Bank of Communications Shenzhen Branch from August 1999 to February 2007; the President and the chairman of the headquarters of Shenzhen Development Bank from February 2007 to November 2012.

4. *Members of the Supervisory Committee (11 current Supervisors and 2 resigned Supervisors):*

Mr. Yang Qingzhong (楊慶忠), aged 57, serves as an employee Supervisor and the deputy chairman of the Supervisory Committee of the Company. Mr. Yang joined the Company in 1998 and was appointed as a Supervisor on 21 May 2004. He has around 15 years of working experience in the securities industry. Mr. Yang obtained a bachelor's degree in economic management from Party School of the Central Committee of the CPC in December 1995 and graduated as a postgraduate with a major in management science and engineering from Shanghai University in April 2001. Mr. Yang is a senior political officer recognised by the Shanghai Senior Professional and Technical Titles of Enterprise Personnel of Political Work Qualification Evaluating Committee (上海市企業思想政治工作人員高級專業職務任職資格評審委員會) in December 2000. Mr. Yang worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1974 to August 1998. He served in various positions in the Company, including as the deputy director of the CPC party committee office and a member of discipline inspection committee from August 1998 to November 2002, the deputy chief of organisation department of the CPC party committee from August 1998 to August 2003, the general manager of the training centre from May 2003 to April 2005, the director of the department of Party-civilian relationship from November 2002 to February 2013, the general manager of the human resources development department from August 2003 to April 2013, the head of the organisation department of the CPC party committee from August 2003 to April 2013. Mr. Yang has been the secretary of the discipline inspection commission since October 2008, the Labour Union Chairman since July 2013, deputy secretary of CPC party committee since February 2014.

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Mr. Li Lin (李林), aged 51, serves as a Supervisor of the Company. Mr. Li was appointed as a Supervisor on 27 May 2013. He is concurrently the general manager of the finance department of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司). Mr. Li obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1984 and obtained a master's degree in business administration from Nanyang Technological University in May 2005. From July 1984 to December 1996, Mr. Li was the lecturer of the Accounting Faculty of Shanghai University of Finance and Economics. He served as the deputy chief accountant of Shanghai Huahai Commercial (Group) Co., Ltd. during January 1997 to March 2001, the deputy financial controller of Shanghai NGS (Group) Corporation (上海農工商(集團)總公司) during April 2001 to June 2001, the director, the vice president and the chief financial officer of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) during February 2001 to August 2007, and the director, the vice president and the chief financial officer of NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司) during September 2007 to July 2010.

Mr. Dong Xiaochun (董小春), aged 49, serves as a Supervisor of the Company. Mr. Dong joined the Company on 16 July 2007 and has been a Supervisor since then. He has over 21 years of working experience in finance and over six years of experience as a Supervisor. Mr. Dong graduated with a major in accounting from Shanghai TV University in July 1989 and obtained a master's degree in business administration from Shanghai Jiao Tong University in July 2000. Mr. Dong is a senior accountant recognised by the Shanghai Accounting Senior Professional and Technical Title Qualification Evaluating Committee (上海市會計系列高級專業技術職務任職資格審定委員會) in April 2001. Mr. Dong served as the chief financial officer and secretary to the board of Hualian Supermarket Co., Ltd. (華聯超市股份有限公司) from October 1992 to August 2004, the chief financial officer of the department store division of Shanghai Bailian Group from August 2004 to April 2006 and a director of Shanghai Bailian Group Co., Ltd. from April 2010 to April 2011. Mr. Dong was the secretary to the board and chief financial officer of Shanghai Bailian Group Co., Ltd. from April 2006 to September 2011, and he is now the secretary to the board and the chief financial officer of Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600827).

Ms. Jin Yanping (金燕萍), aged 58, serves as a Supervisor of the Company. Ms. Jin joined the Company on 16 July 2007 and has been a Supervisor since then. She has over 31 years of working experience including over six years of experience as a Supervisor. Ms. Jin obtained a bachelor's degree in literature from Shanghai University of Technology in October 1982. Ms. Jin was a senior political officer recognised by the Propaganda Department of the CPC Shanghai Committee (上海市委宣傳部) in May 1992. Ms. Jin was previously a member of the CPC party committee and the deputy director of the CPC party committee office of Shanghai Foreign Trade Corporation (上海對外貿易總公司) from February 1986 to December 1987. Ms. Jin was previously the secretary of the CPC general branch of Shanghai Overseas Company (上海海外公司) from January 1988 to December 1990. Ms. Jin also served as the deputy secretary of the CPC party committee and the deputy general manager of Shanghai Advertising Co., Ltd. (上海廣告有限公司) from December 1990 to December 1994. Ms. Jin was the Shanghai office executive vice



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director and the secretary of the CPC general branch of Shanghai Industrial Investment (Holdings) Co., Ltd. from January 1995 to October 1998, the head of the research office of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) (“Shanghai Lansheng”) from October 1998 to March 2001, the manager of the general corporate business department of Shanghai Lansheng from March 2001 to June 2003, the general manager of the investment management department of Shanghai Lansheng from June 2003 to July 2013, a director of Shanghai Lansheng Corporation (上海蘭生股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600826) from May 2003 to May 2012. Ms. Jin has been an assistant to the president of Shanghai Lansheng since October 1998, the vice chairman of Soochow Asset Management Co., Ltd. (東吳基金管理有限公司) since April 2004 and the chairman of the supervisory committee of Shanghai CP Guojian Pharma Co., Ltd. (上海中信國健藥業股份有限公司) since February 2011.

Mr. Wu Zhilin (吳芝麟), aged 61, serves as a Supervisor of the Company. Mr. Wu joined the Company on 19 May 2010 and has been a Supervisor since then. He has around 40 years of working experience in the media industry. Mr. Wu graduated with a major in Chinese literature from Shanghai Education College (上海教育學院) in July 1986. Mr. Wu is a senior editor recognised by Shanghai Journalism Senior Professional and Technical Title Qualification Evaluating Committee (上海市新聞系列高級專業技術職務任職資格審定委員會) in January 1996. Mr. Wu served in various positions in Jiefang Daily (解放日報) from October 1973 to November 1994, including as an editorial committee member and the director of the literature and arts department. Mr. Wu was the deputy chief editor of People’s Daily East China Branch (人民日報社華東分社) and the deputy chief editor of Wenhui Paper (文匯報) from November 1994 to May 1998 and from May 1998 to July 2008, respectively. Mr. Wu was a member of the CPC party committee of Wenhui-Xinmin United Press Group (文匯新民聯合報業集團) from July 2008 to October 2013, the secretary of the CPC party committee and the deputy chief editor of Xinmin Evening News (新民晚報) from July 2008 to October 2013. Mr. Wu has been the chairman of the supervisory committee of Shanghai Oriental Sports Media Co., Ltd. (上海東體傳媒有限公司) since February 2010, the chairman of the supervisory committee of Shanghai Xinmin Channel Media Co., Ltd. (上海新民渠道傳媒有限公司) and Shanghai Xinmin Community Media Co., Ltd. (上海新民社區傳媒有限公司) since June 2012.

Mr. Xu Qi (許奇), aged 51, serves as a Supervisor of the Company. Mr. Xu joined the Company on 16 July 2007 and has been a Supervisor since then. He has around 21 years of extensive working experience in finance and accounting and over six years of experience as a Supervisor. Mr. Xu graduated with a major in economic management (junior college course) from Shanghai Normal University in July 1988. He graduated from East China Normal University as a postgraduate with a major in international enterprise management in November 1997. Mr. Xu is an accountant recognised by the Leading Working Group for Shanghai Professional Title Reform (上海市職稱改革工作領導小組) in July 1992. Mr. Xu was awarded China’s outstanding CFO of 2005 by the Selection Committee of Annual Figure of China CFO (中國CFO年度人物評選委員會) and Xinlicai Magazine (新理財雜誌社) in March 2006. He was a Chinese registered career manager (中國註冊職業經理人) recognised by the China Enterprise Evaluation Association (中國企業評價協會) in July 2006. He was a senior member of the Chinese Enterprise Operation and

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Management Talent Bank (中國企業經營管理人才庫成員(高級)) recognised by the National Talent Service Centre under the Ministry of Human Resources (人事部全國人才流動中心) in September 2006. He was also awarded the Annual Figure of China's Chief Financial Officer in November 2006 recognised by the Organising Committee of China CFO International Summit (中國CFO國際峰會組委會) and the China CFO Magazine (中國總會計師雜誌社). He is a qualified professional director and qualified director and supervisor (Senior) recognised by the China Institute of Directors (中國董事協會) and the Chinese Director and Supervisor Certification Experts Committee (中國職業董監事資格認證專家委員會) in May 2007. He is a senior international finance manager recognised by the China Association of Chief Accountants (中國總會計師協會), the Ministry of Labour and the Social Security (中國勞動和社會保障部) and International Financial Management Association (國際財務管理協會) in November 2007. Mr. Xu served in various positions in Shanghai Chlor-Alkali from April 1988 to June 2002, including as the deputy manager of the asset operation department and the deputy manager of the asset finance department. He also served as the deputy manager of the asset finance department of Shanghai Tianyuan Group Co., Ltd. (上海天原集團有限公司) from March 1996 to April 1997. Mr. Xu was also the manager of the planning and finance department and the vice chief financial officer of Shanghai Oriental Pearl from July 2002 to March 2003 and from March 2003 to March 2004, respectively. Mr. Xu has been the chief financial officer of Shanghai Oriental Pearl since March 2004.

Mr. Hu Jingwu (胡京武), aged 58, serves as a Supervisor of the Company. Mr. Hu was appointed as a Supervisor on 16 October 2013. Mr. Hu graduated with a major in ocean transport from Shanghai Maritime College (predecessor of Shanghai Maritime University (上海海事大學)) in January 1982 and obtained a bachelor's degree in economics. Mr. Hu served in various positions in China Ocean Shipping (Group) Company from January 1982 to February 1997, including as the deputy section chief and section chief of the insurance section under the commerce division, the deputy division chief and division chief of the commerce division under the transportation department, and the deputy general manager of the transportation department. Mr. Hu served as the director and the deputy general manager of China P & I Services (Hong Kong) Co., Ltd. from February 1997 to October 2000, and the executive deputy general manager of China Shipowners Mutual Assurance Association from October 2000 to May 2013. Mr. Hu has been the general manager of China Shipowners Mutual Assurance Association since May 2013.

Mr. Xing Jianhua (邢建華), aged 54, serves as a Supervisor of the Company. Mr. Xing joined the Company on 28 November 2002 and has been a Supervisor since then. He has over 10 years of experience as a Supervisor. Mr. Xing obtained a bachelor's degree in economics from East China Normal University in December 1992. Mr. Xing is a senior accountant recognised by the Shanghai Accounting Senior Professional and Technical Title Evaluating Committee (上海市會計系列高級專業技術職務任職資格評審委員會) in December 1998. Mr. Xing was clerk of the finance department of the Shanghai Chemical Industry Bureau (上海市化學工業局) from November 1986 to July 1989, and the deputy director of the finance department of Shanghai Fertilizer United Co., Ltd. (上海市化肥聯合公司) from July 1989 to April 1993. Mr. Xing was the deputy general accountant of Shanghai Rubber Belt Co., Ltd. (上海膠帶股份有限公司) from April 1993 to April 1995 and



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the director and deputy general manager of the same company from April 1995 to July 1996. Mr. Xing was also the manager of the asset department of Shanghai Huayi (Group) Company (上海華誼(集團)公司) from July 1996 to April 2001. He successively served as the deputy director and the director of the finance department of Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司) (“Orient International”) from April 2001 to November 2003, the director of the asset operation department of Orient International from April 2002 to December 2013, the deputy chief economist of Orient International from February 2009 to December 2013. Mr. Xing was the director of Orient International Enterprise Ltd. (東方國際創業股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600278) from April 2008 to April 2011. He has been the vice chairman of Shanghai Orient International Asset Management & Administration Co., Ltd. (上海東方國際資產經營管理有限公司) since April 2007, a director of Shanghai Silk (Group) Co., Ltd. (上海絲綢(集團)有限公司) since January 2003, the Investment Director of Orient International since December 2013.

Mr. Wang Yimin (王益民), aged 62, serves as an employee Supervisor of the Company. Mr. Wang joined the Company in January 2010 and was appointed as a Supervisor on 7 April 2010. He has around 20 years of experience as a director, supervisor and senior management of securities companies. Mr. Wang graduated with a major in economics by correspondence from Fudan University (undergraduate) in July 1992, and obtained a master’s degree in economics and a master’s degree in business administration from Shanghai University of Finance and Economics and China Europe International Business School in January 1997 and in April 2000 respectively, and a doctor’s degree in management from Tongji University in November 2001. Mr. Wang is a senior economist recognized by China People’s Construction Bank (predecessor of China Construction Bank) in February 1993. Mr. Wang served in various positions in China Construction Bank (Shanghai Branch) from September 1979 to September 1990, including section chief and deputy division chief. Mr. Wang served as vice president of China Construction Bank (Shanghai Pudong Branch) from September 1990 to October 1992, an executive director and deputy general manager of Guotai Securities Co., Ltd. (國泰證券有限公司) (predecessor of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (“Guotai Junan”) from October 1992 to August 1999, chairman of supervisory committee and secretary of discipline inspection commission of Guotai Junan from August 1999 to September 2004, and chairman of Orient Securities and secretary of its CPC party committee from September 2004 to January 2010. Mr. Wang served as a member of CPC party committee of the Company from January 2010 to October 2012, Chairman of the Supervisory Committee of the Company from April 2010 to October 2012.

Ms. Qiu Xiaping (仇夏萍), aged 53, serves as an employee Supervisor of the Company. Ms. Qiu joined the Company in November 1994 and has been a Supervisor since 16 July 2007. She has around 31 years of working experience in the banking and securities industry and over six years of experience as a Supervisor. Ms. Qiu graduated with a major in finance from Shanghai TV University (junior college degree) in July 1982 and obtained a bachelor’s degree in law from Correspondence Institute of Party School of Central Committee of the CPC (中共中央黨校函授學院) in December 2005. She graduated from Shanghai Academy of Social Sciences as a postgraduate with a major in economics in

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January 2002, and obtained a master's degree in business administration from Washington International University in July 2003. Ms. Qiu is an accountant recognised by the Industrial and Commercial Bank of China in September 1992, and a senior accountant recognized by Shanghai Municipal Bureau of Human Resources and Social Security in December 2012. She was an officer of the Yangpu branch of the Industrial and Commercial Bank of China from August 1980 to August 1992 and worked at the Pudong branch of the same bank from March 1993 to August 1993. She also worked at the Dongfang Road business department of Huaxia Securities Co., Ltd. from August 1993 to November 1994. She was an officer of the Company from November 1994 to August 1996, section chief of the finance and accounting department from August 1996 to April 1998. Ms. Qiu was an assistant to the general manager and has been the deputy general manager of the planning and finance department from April 1998 to July 2000 and since July 2000, respectively. Ms. Qiu has been a director of Haitong Futures Co., Ltd. since October 2005, a director of Haitong Capital Investment Co., Ltd. since October 2008, a supervisor of Fullgoal Fund since October 2008 and a supervisor of Haitong Jihe Private Equity Investment Fund Management Company Limited since November 2010.

Mr. Du Hongbo (杜洪波), aged 50, serves as an employee Supervisor of the Company. Mr. Du joined the Company in March 2002 and has been a Supervisor since 16 May 2011. He has around 17 years of working experience in the securities industry. Mr. Du obtained a bachelor's degree in industrial automation from Huazhong Institute of Technology (華中工學院) in July 1984. Mr. Du is an engineer recognised by Wuhan Personnel Bureau in December 1992. Mr. Du successively worked at the Wuhan Computer Application Institute (武漢市計算機應用開發研究所), the Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) and the Wuhan Software Research Centre (武漢軟件研究中心) from August 1984 to August 1996. Mr. Du worked at the information technology department of Guotai Junan from August 1996 to March 2002. He was the assistant to the general manager of the website management department and the brokerage business department of the Company from March 2002 to May 2005, the deputy general manager of the risk control headquarters of the Company from May 2005 to March 2011, the general manager of the compliance and risk management headquarters of the Company from March 2011 to January 2013, the general manager of OTC department of the Company from January 2013 to February 2014. Mr. Du has been the general manager of securities finance department of the Company since February 2014.

Mr. Yuan Lingcai (袁領才), aged 53, serves as a Supervisor of the Company. Mr. Yuan joined the Company on 16 May 2011 as a Supervisor. He has around 30 years of working experience in finance. Mr. Yuan graduated with a major in accounting from China Central Radio and Television University in July 2003. Mr. Yuan is a senior accountant recognised by Shanghai Accounting Senior Professional and Technical Title Qualification Evaluating Committee (上海市會計系列高級專業技術職務任職資格審定委員會) in March 2003. Mr. Yuan was manager of finance department of Shanghai Hardware Machinery Corporation Metal Material Company (上海五金機械總公司金屬原料公司) from August 1981 to October 1995, manager of finance department and chief financial officer in Hardware Company of Shanghai Friendship (Group) Co., Ltd. (友誼集團上海五金公司) from November 1995 to October 1999, assistant to the director of audit and supervision department of



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Shanghai Friendship Group (上海友誼(集團)有限公司) from October 1999 to August 2000 and manager of finance department of Haomeijia Decoration Co., Ltd. under Friendship Group (友誼集團好美家裝潢有限公司) from August 2000 to December 2001. Mr. Yuan was a supervisor of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) ("Shanghai SIIC") from August 2010 to March 2012. Mr. Yuan has been working at SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) since January 2002 and is currently the general manager of the planning and finance department and chief finance officer of the company. He has also been a director of Shanghai SIIC Zhentai Chemical Co., Ltd. (上海實業振泰化工有限公司) since March 2007, and a director of Shanghai SIIC since March 2012. Mr. Yuan resigned as a Supervisor of the Company on 26 March 2013.

Mr. Wang Yugui (王玉貴), aged 62, serves as a Supervisor of the Company. Mr. Wang joined the Company on 16 May 2011 as a Supervisor. He has around 30 years of financial working experience. Mr. Wang graduated with a major in English from Beijing Second Foreign Language Institute in February 1977. Mr. Wang is a senior economist recognised by Certification Committee of Specialized Technical Post of the Ministry of Communications (交通部專業技術職務評審委員會) in November 1994. Mr. Wang has been the general manager of China Shipowners Mutual Assurance Association (中國船東互保協會) from February 1993 to May 2013, and a non-executive director of China Minsheng Banking Corp., Ltd. (a company listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock codes 600016 and 01988 respectively) since December 1995. Mr. Wang resigned as a Supervisor of the Company on 22 August 2013.

5. **Other Senior Management (11 current senior management and 1 resigned senior management):**

Mr. Ji Yuguang (吉宇光), aged 56, joined the Company in November 1995 and has been the Deputy General Manager since November 1997. He is mainly in charge of proprietary trading and international business. He has around 25 years of working experience in banking and securities industry including over 16 years of management experience. Mr. Ji obtained a bachelor's degree in economics from Beijing Finance and Commerce College in July 1983 and graduated with a major in economy management as a postgraduate from Party School of Central Committee of the CPC (中共中央黨校) in June 1999. Mr. Ji is a senior economist recognized by Senior Professional and Technical Title Evaluating Committee* (高級專業職務評審委員會) of the Bank of Communications in April 1994. Mr. Ji was an officer of Finance Department of Beijing Planning Commission* (北京市計委財金處) from August 1983 to November 1988. Mr. Ji served in various positions in Bank of Communications (Beijing Branch) from November 1988 to November 1995, including deputy manager and manager of securities trading department of the same branch. He also served as head and general manager of Beijing Langjiayuan business department of Haitong Securities Company Limited from November 1995 to November 1997. Mr. Ji served as chairman of Jilin Investment Fund from December 2010 to May 2011. Mr. Ji has been a non-executive director of Haitong International Securities Group since January 2010 and chairman of board of directors of Haitong International Securities since March 2011, a director of Haitong International Holdings since August 2010 and chairman of board of directors of Haitong International Holdings since March 2011.

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Mr. Ren Peng (任澎), aged 51, joined the Company in March 1996 and has been the Deputy General Manager since November 1997. He is mainly in charge of investment banking business and direct investment business. He has around 30 years of working experience in banking and securities industry including over 16 years of management experience. Mr. Ren graduated with a major in finance from Fudan University in January 2004 and obtained a master's degree in business administration from China Europe International Business School in July 2006. Mr. Ren is an economist recognized by the Medium leveled Professional and Technical Title Evaluating Committee* (中級專業技術職務評審委員會) of Bank of Communications (Hangzhou Branch) in July 1989. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China from June 1982 to February 1988 and served in various positions in Bank of Communications (Hangzhou Branch) from March 1988 to March 1996 including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. from October 2008 to August 2011. He has been a director of China-Belgium Direct Equity Investment Fund since March 2011, and the chairman of Jilin Investment Fund since March 2011.

Mr. Wu Bin (吳斌), aged 40, joined the Company in July 1998 and has been the Deputy General Manager since March 2012. He is mainly in charge of asset management business, the Company's strategy development and information technology ("IT") and he has over 15 years of working experience in the securities industry including over 11 years in management. Mr. Wu obtained a bachelor's degree in law from East China Normal University in July 1995, a master's degree in economic law from East China College of Politics and Law in July 1998 and a doctor's degree in economics from Fudan University in June 2003. Mr. Wu obtained the lawyer qualification certificate of China which is recognized by the Ministry of Justice of the PRC (中華人民共和國司法部) in April 1997 and is an economist recognized by PRC Ministry of Personnel (中華人民共和國人事部) in November 2000. Mr. Wu served in various positions in the Company including a project manager in the investment bank department from July 1998 to March 2001, deputy section chief and section chief of the general manager office from March 2001 to October 2003, assistant to general manager in the international business division from October 2003 to May 2005, deputy director in the general manager office from May 2005 to January 2007, director in the general manager office from January 2007 to February 2013, and chief compliance director from July 2007 to August 2010, during which time he was working part-time as an inspector assistant in the Shanghai municipal government from January 2010 to January 2011. Mr. Wu has been a non-executive director of Haitong International Securities Group from January 2010 to August 2012, a director of Haitong International Holdings Limited since August 2010, the director of strategic development and IT management committee of Haitong Securities since March 2011, and a member of the investment banking committee of Haitong Securities since May 2011.



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Mr. Li Xunlei (李迅雷), aged 50, joined the Company in October 2011 and has been the Deputy General Manager and Chief Economist since March 2012. He is mainly in charge of research and institutional business. He has around 15 years of working experience in securities industry, including 11 years of management experience. Mr. Li obtained a bachelor's degree and a master's degree in economics from Shanghai University of Finance and Economics in July 1985 and in July 1991 respectively. Mr. Li was a librarian and assistant researcher of Institute of Economics and Finance in Shanghai University of Finance and Economics from July 1985 to September 1996. Mr. Li was deputy director of research institute of Junan Securities Co., Ltd. (君安證券有限責任公司) from September 1998 to August 1999. He was deputy director of the research institute, director of the research institute and general manager of sales and trading department, assistant to president, and chief economist in Guotai Junan Securities Co., Ltd. (國泰君安證券有限公司) from August 1999 to October 2011.

Mr. Hiroki Miyazato (宮里啟暉), aged 48, joined the Company in May 2009 and has been the Deputy General Manager since March 2012. He is mainly in charge of securities investment and transactions. He has around 20 years of working and management experience in banking and securities industry. Mr. Miyazato obtained a bachelor's degree in science from Fudan University in July 1986 and obtained a master's degree in biophysics and biochemistry from University of Tokyo in March 1993. Mr. Miyazato was a manager in fixed income department of Credit Suisse First Boston (currently known as Credit Suisse Group AG) from April 1993 to March 1994. He was head of Asia department of Tokyo branch of Deutsche Genossenschaftsbank AG (currently known as Deutsche Zentral-Genossenschaftsbank AG) from April 1994 to March 1998. Mr. Miyazato was the global market investment manager of proprietary investment department of Tokyo branch of J.P. Morgan from April 1998 to September 1999. Mr. Miyazato was a fund manager of global strategic asset management, a senior fund manager of alternative investment, general manager of the China Investment Department and president of the Greater China area of Nikko (Citi) Asset Management Co., Ltd. from October 1999 to March 2009. He was also a director and the shareholder representative of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from April 2007 to April 2009. He was a general manager of international business department, a commissioner of international business coordination committee and a commissioner of strategic development and IT management committee of the Company from May 2009 to March 2012.

Mr. Pei Changjiang (裴長江), aged 48, joined the Company in August 2013. And since then, he has been serving as Deputy General Manager of the Company. Mr. Pei was awarded a master's degree in political economics by Fudan University in June 1993. Mr. Pei has management experience in the financial industry for over 21 years. From July 1993 to August 1997, Mr. Pei successively held various positions in Shanghai Wanguo Securities Co., Ltd., including Research Fellow of Research department, and Assistant General Manager, General Manager of Zhabei Business Department. From September 1997 to October 2002, he held the position of Deputy General Manager of Zhejiang Management Headquarters and Deputy General Manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd., brokerage deputy general manager of the headquarters. From October 2002 to August 2013, he successively served as Investment Director of Fortune Trust & Investment Co., Ltd. and a director and General Manager of Fortune SGAM Fund Management Co., Ltd.

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Mr. Jin Xiaobin (金曉斌), aged 59, joined the Company in 1998 and has been the Secretary to the Board since May 2005, and also the joint company secretary (enjoying the Company's deputy general manager level benefits) and the authorized representative of the Company since November 2011 and the deputy director of the investment banking committee since March 2010. He is mainly in charge of the office of the Board and office of Supervisory Committee. He mainly assists in the management of investment banking business, including in the management of equity financing department, debt financing department and M&A financing department. He served as Chairman and Legal Representative of Haitong New Energy Equity Investment Fund Management Co., Ltd. since March 2013. He has 16 years of operating and management experience in securities industry. Mr. Jin had served in various positions in the Company and subsidiaries including deputy general manager of research and development center from August 1998 to March 2000, head of research institute from March 2000 to August 2004, general manager of brokerage business headquarters from May 2003 to April 2005, general manager of M&A financing department from January 2007 to March 2008. Mr. Jin has been the assistant to the general manager of the Company since July 2003 and chairman and legal representative of Haitong Jihe Private Equity Investment Fund Management Company Limited from June 2010 to May 2011. Mr. Jin obtained a bachelor's degree in political education from Shanghai Second Institute of Education (上海第二教育學院) in July 1988, a master's degree in economics from Fudan University in June 1993, a doctor's degree in economics from Fudan University in January 1997 and a postdoctoral degree in finance from Shanghai University of Finance and Economics in July 1999. Mr. Jin has been a deputy researcher (deputy professor level) recognized by Shanghai University of Finance and Economics since June 1998 and has been an expert with special allowance from the State Council since June 2002. Mr. Jin worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1972 to July 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from July 2000 to June 2011. He has been a professional evaluation expert of securities companies in the Securities Association of China since January 2011. He served as a member of Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange since November 2013.

Mr. Wang Jianye (王建業), aged 53, joined the Company in August 1994 and has been the General Compliance Officer since July 2010 and the Chief Risk Control Executive (enjoying the Company's deputy general manager level benefits) since May 2011. He is mainly in charge of compliance and risk management departments. He has around 25 years of working experience in banking and securities industry including over 16 years of management experience. Mr. Wang graduated with a major in finance from Shaanxi Institute of Finance and Economics (junior college degree) in June 1984 and graduated with a major in money and banking from Post-Graduate School of Xiamen University in January 1994. Mr. Wang has been a senior economist recognized by PBOC since July 1993. Mr. Wang was successively deputy director-level clerk* (副主任科員), trainee deputy director and deputy director of education department of financial administration division of PBOC Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities



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Company* (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, I.T. department, brokerage operations center, sales and transactions headquarters, customer asset management department and risk control department.

Mr. Li Chuqian (李礎前), aged 56, joined the Company in August 1994 and has been the Chief Financial Officer (enjoying the Company's deputy general manager level benefits) and general manager of planning and finance department since July 2007. He is mainly in charge of planning and finance department and assists in the management of equity management department. He has around 25 years of working experience in financial management including over 16 years of financial experience in securities industry. Mr. Li obtained a bachelor's degree in engineering from Hefei University of Technology in September 1982 and a master's degree in economics from Zhongnan University of Economics (predecessor of Zhongnan University of Economics and Law) in October 1988. Mr. Li is an accountant recognized by the PRC Ministry of Finance in December 1992 and a senior economist recognized by Job Title Qualification Evaluating Committee in the Department of Finance of Anhui Province* (安徽省財政廳機關職稱認定委員會) in April 1993. Mr. Li was previously deputy director clerk of Central Enterprise Department of Anhui Provincial Department of Finance* (安徽省財政廳中企處) from July 1988 to August 1991 and section chief of Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局) from August 1991 to July 1994. Mr. Li served in various positions of the Company including head of planning and finance department from August 1994 to March 1996, deputy general manager of finance and accounting department from March 1996 to April 1998, general manager of finance and accounting department from April 1998 to July 2001, and deputy chief financial officer and general manager of finance and accounting department from July 2001 to July 2007. Mr. Li has been chief supervisor of HFT Investment Management Co., Ltd. since April 2003, a director of Haitong-Fortis Private Equity Fund Management since June 2010, and a director of Shanghai Jielong Industry Group Corporation Limited (上海界龍實業集團股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600836) from May 2006 to May 2009.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Jianguo (李建國), aged 50, joined the Company in 1998. He obtained a doctoral degree in economics from Xi'an Jiaotong University and has over 20 years of experiences in securities industry. Mr. Li served as a general manager of 河南省證券有限公司 from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman and general manager of Fullgoal Fund Management from 1999 to 2008. Mr. Li has served as the assistant to general manager of Haitong Securities Co., Ltd. and the chairman of Haitong International Holdings since 2008. He has served as the vice chairman of Haitong International Holdings Limited since 9 August 2010. Mr. Li has been appointed as the executive director of Haitong International Securities Group since 13 January 2010 and was appointed as the vice chairman of Haitong International Securities Group on 10 March 2010. He is also a member of strategic development committee of Haitong International Securities Group.

Mr. Chen Chunqian (陳春錢), aged 50, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, a member of international business coordination committee, and a member of strategic development and IT management committee. He is also a member of Securities Brokerage Committee under the Securities Association of China. He has 16 years of working and management experiences in securities industry. Mr. Chen obtained a master's degree in economics from Anhui Institute of Finance and Trade in July 1988 and a doctorate degree in economics from Xiamen University in July 1995. From October 1997 to January 1998, he was the person-in-charge of the Shenzhen Branch of the Company. He was the deputy general manager of international business division from January 1998 to March 2000, and the deputy general manager of Shenzhen Branch from March 2000 to December 2000. Mr. Chen served as the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013. He was also the general manager of the business department during the period of November 2007 to March 2009.

Mr. Shen Degao (沈德高), aged 61, joined the Company in September 1991 and has been the Deputy General Manager since December 1991. He has over 20 years of management experience in securities industry. Mr. Shen graduated from the People's Liberation Army Air Force Political Science College* (解放軍空軍政治學院) with a major in economic management in July 1999 and obtained a master's degree in business administration from Asia International Open University (Macau) in March 2002. Mr. Shen is an economist recognized by Appraisal Committee of Intermediate Professional Technical Titles* (中級專業技術職務評審委員會) in the Bank of Communications (Shanghai Branch) in December 1992. Mr. Shen served in various positions in the People's Liberation Army Navy (中國人民解放軍海軍) from March 1968 to September 1989. He was a discipline inspector (section chief level) of Bank of Communications (Shanghai Branch) from March 1990 to September 1991. Mr. Shen served in various positions in the Company, including office director from September 1991 to June 1994, member of the CPC party group from June 1994 to December 1998 and secretary of the discipline inspection committee from May 2006 to October 2008. Mr. Shen was the deputy secretary of CPC party committee from December 1998 to January 2013. Mr. Shen resigned as the Deputy General Manager on 23 January 2013 due to reaching the retirement age.



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

III REMUNERATION OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

(I) Procedure for determining the remuneration of Directors, Supervisors and senior management

The remunerations of our independent non-executive directors are determined by the Board and proposed to the general meeting for consideration and approval. The allowance of the independent non-executive directors are provided monthly. The remuneration of our senior management are considered and determined by the Board. Procedures for determination of the remuneration of Directors and senior management are as follows: the nomination, remuneration and assessment committee of the Board is responsible for making recommendations to the Board on the remuneration and structure for all Directors' and senior management and on the establishment of standard and transparent procedures for developing remuneration policy. The Board decides the remuneration, reward and punishment matters for the senior management, and the shareholders' general meeting decides the remuneration of the Directors.

(II) Basis of determining the remuneration of Directors, Supervisors and senior management

Remuneration of our Directors and Supervisors (Non-Employee Supervisors) are determined by reference to factors including operating results of the Company, their functions and duties, performance and market environment. Remuneration of our independent non-executive directors are determined based on the average level of our listed competitors in the industry. Our non-executive Directors and External Supervisors do not receive any remuneration from the Company. Remuneration of our internal Directors, Employee Supervisors and senior management are determined based on the remuneration and assessment system of the Company and according to their positions and duties and the progress of achieving annual targets. Under the existing legal framework, the Company has an incentive scheme based on performance. The Board will offer and distribute incentives based on the Company's operating results in accordance with the established policy.

(III) Remuneration payable to Directors, Supervisors and senior management

For details, please refer to 'Changes in shareholding and remuneration of current and resigned Directors, Supervisors and Senior Management during the Reporting Period' of this section.

(IV) Actual remuneration received in aggregate for all Directors, Supervisors and senior management at the end of the Reporting Period

The remuneration received in aggregate for all Directors, Supervisors and senior management from the Company at the end of the Reporting Period is RMB25,450,000.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

(I) Changes in Directors

On 26 March 2013, the Resolution on the Resignation of Mr. Qian Shizheng as the Director and Vice Chairman of the Company and the Resolution on Nomination of Mr. Xiao Suining as the Candidate of independent non-executive director of the Company were passed at the sixteenth meeting of the fifth session of the Board. Mr. Qian Shizheng has tendered his resignation as the Director and Vice Chairman of the Company due to reason of work. In the meantime, the Board approved to nominate Mr. Xiao Suining as an independent non-executive director of the Company, and the nomination has been approved at the 2012 annual general meeting of the Company on 27 May 2013 and his qualification of serving as the independent non-executive director of the Company has also been approved by the regulatory authorities on the same day.

As at 31 December 2013, the Board of the Company was composed of 17 Directors, including two Executive Directors, namely Mr. Wang Kaiguo and Mr. Li Mingshan; eight non-executive Directors, namely Mr. Zhuang Guowei, Mr. Zhou Donghui, Mr. He Jianyong, Mr. Zhang Jianwei, Mr. Xu Chao, Mr. Wang Hongxiang, Mr. Li Gewei and Mr. Feng Huang; seven independent non-executive directors, namely Mr. Xia Bin, Mr. Chen Qiwei, Mr. Zhang Huiquan, Mr. Zhang Ming, Mr. Dai Genyou Mr. Liu Cheeming and Mr. Xiao Suining. The Directors were all elected by the Shareholders at the general meeting of the Company for a term of three years, which is subject to re-elections.

(II) Changes in Supervisors

On 23 January 2013, the Company convened the eighth meeting of the fifth session of the Supervisory Committee (the Extraordinary Meeting), during which the Resolution on Mr. Wang Yimin's Resignation as Chairman of the Supervisory Committee was considered and approved. Mr. Wang Yimin has resigned as the chairman of the fifth session of the Supervisory Committee due to reason of age. Mr. Wang Yimin will continue to act as the Employee Supervisor until the appointment of new Employee Supervisor by the employee representative congress of the Company in order to maintain the quorum of the Supervisory Committee.

On March 26, 2013, the ninth meeting of the fifth session of Supervisory Committee was convened, during which the Resolution on changes in Supervisors, namely Mr. Yuan Lingcai's resignation as the Supervisor of the Company due to the reason of work and nomination of Mr. Lilin as the Company's supervisor candidate was considered and passed. Such resolution was passed on the 2012 annual general meeting on 27 May 2013 and the qualification of Mr. Lilin has been approved by relevant regulatory authority and caused to be effective on the same date of the annual general meeting.



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

On August 22, 2013, the eleventh meeting of the fifth session of Supervisory Committee was convened, during which the Resolution on changes in Supervisors, namely Mr. Wang Yugui's resignation as the Supervisor of the Company for the reason of reaching the age of retirement and nomination of Mr. Hu Jingwu as the Company's Supervisor Candidate was considered and passed. Such resolution was passed on the 2013 first extraordinary general meeting on 16 October 2013 and the qualification of Mr. Hu Jingwu has been approved by the relevant regulatory authority and caused to be effective on the same date of the extraordinary general meeting.

As at 31 December 2013, the Supervisory Committee of the Company was composed of eleven Supervisors, including four Employee Supervisors, namely, Mr. Yang Qingzhong, Mr. Wang Yimin, Ms. Qiu Xiaping and Mr. Du Hongbo; seven Non-Employee Supervisors, namely Mr. Lilin, Mr. Dong Xiaochun, Mr. Wu Zhilin, Ms. Jin Yanping, Mr. Xu Qi, Mr. Xing Jianhua and Mr. Hu Jingwu. Except for the Employee Supervisors elected by the workers' congress, Non-Employee Supervisors were elected by our Shareholders at the general meeting of the Company for a term of three years, which is subject to re-elections.

(III) Changes in senior management

On 23 January 2013, the Company issued an Announcement on Mr. Shen Degao's Resignation as Deputy General Manager of the Company. Mr. Shen Degao, the deputy general manager, has resigned as the deputy general manager of the Company due to reaching the retirement age.

The Company convened the nineteenth meeting of the fifth session of the Board on 22 August, 2013 in accordance with the legal procedures. In this meeting, the Resolution on Appointment of Mr. Pei Changjiang as Deputy General Manager of the Company was considered and passed.

As at 31 December 2013, the senior management of the Company was composed of 12 members, namely, Mr. Li Mingshan, Mr. Ji Yuguang, Mr. Ren Peng, Mr. Wu Bin, Mr. Li Xunlei, Mr. Hiroki Miyazato, Mr. Pei Changjiang, Mr. Jin Xiaobin, Mr. Wang Jianye, Mr. Li Chuqian, Mr. Li Jianguo and Mr. Chen Chunqian.

V. THE CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

The Company has 471 senior professional technicians and 8 left in 2013. The minor change in its core technical team has no material impact on the Company's core competitiveness.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VI. PARTICULARS ABOUT STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Particulars about Staff

Number of existing employees of the Company	5,226
Number of existing employees of major subsidiaries	1,808
Total number of existing employees	7,034
Total number of retired workers the Company and its principal subsidiaries should bear costs for	0

Professional type	Professional	Number of persons
Research		204
Investment banking		488
Brokerage business		4,328
Asset management		118
Securities investment/Direct investment		128
Information technology		387
Finance and planning		495
Futures business		389
Risk-management compliance/Auditing		171
Administrative		326
Total		7,034

Education level	Educational Background	Education level
Doctor's degree		117
Master's degree		1,442
Bachelor's degree		4,215
Junior college graduate and below		1,260
Total		7,034



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration Policy

As at the end of the Reporting Period, the Group had 7,034 employees, of whom 5,226 were from the Company, and 1,808 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and use, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises basic salary, allowance, performance bonus, and staff benefits. Under the applicable laws and regulations of the PRC, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract contains the provisions relating to contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (endowment insurance, medical insurance, unemployment insurance, work related) injury insurance and maternity insurance) and established housing funds for its employees, and made social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection in accordance with applicable regulations.

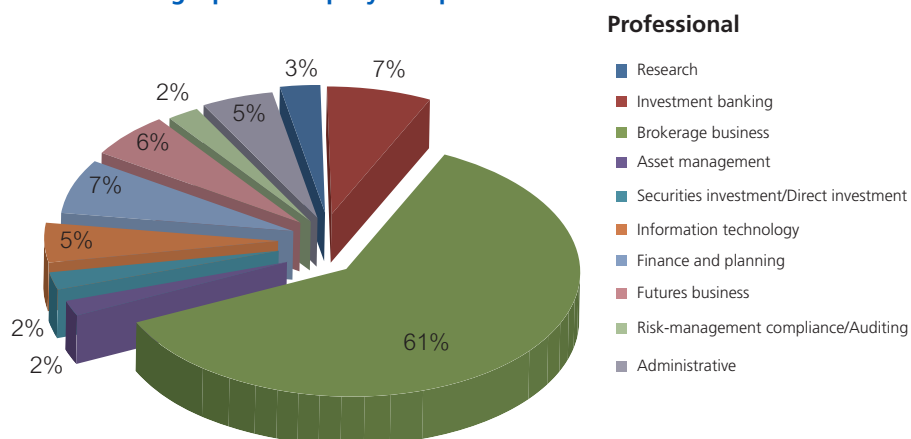
(III) Training Plan

Focusing on the Company's overall objectives of "Seizing Opportunities, Making Innovative Transformation, Being Enthusiastic and Further enhance the Company's Management" and forging closer ties between training and the Company's business development needs, we have successfully finished the training objectives set at the beginning of the year by multi-level, multi-channel and multi-form trainings. The Company held a total of 18 face-to-face coaching in various types with training attendance of 1,604, among which, 35 people in eight batches are sent to the overseas training; 96 employees are selected to attend the training organized by external professional institute; 22 web-based training tests are organized with 26,991 participants; 46 internal courses are newly developed; Visitors of the learning platform per month are 2,467; Learning time for the whole year is accumulatively up to 126,995 hours with 23.67 hours per person.

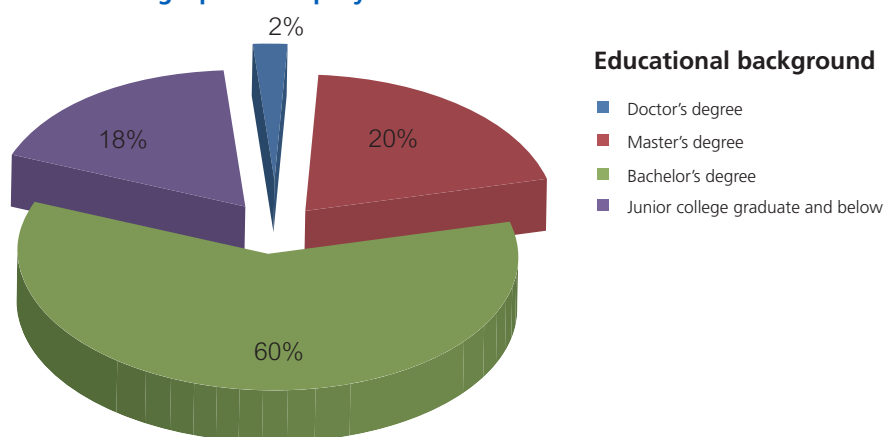
Annual training in 2014 will further strengthen the management of personnel and the training of internationalized talents, as well as the construction of internal teaching teams. To prepare well for the business development, learning platform will be integrated and construction of curriculum system will be strengthened and training effect will be quantified and followed up and evaluated to improve qualities of the Company's cadres and staffs.

SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(IV) The statistical graph of Employees' profession



(V) The statistical graph of Employees' Education



(VI) Particulars about Labor Outsourcing

Total labor hours involved in labor outsourcing
 Total compensation paid for labor outsourcing

752,640 hours
 RMB12,561,436.74



SECTION VII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(VII) Conditions of commissioning brokers engaging in soliciting customers and servicing customers

The year 2013 is the fifth year for the Company to acquire the securities brokerage qualification. In accordance with verification opinions and internal systems regulated in the Temporary Provisional Regulations on Management of Securities Brokers ([2009] No. 2) and On-site Verification Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No.302), the Company strictly and intensively manage securities brokers. Through the improvement of rules and regulations, internal control mechanisms, support system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As at the end of this Report, the Company has already had 175 securities business departments (increased by 10 compared to the same period of last report) having obtained approval from local CSRC and has got qualifications to do securities broker business. Totally there are 4,836 securities brokers, among which, 4,669 securities brokers have completed registration in Securities Association of China.

Securities brokers engaging in soliciting customers and servicing customers authorized by the Company are attached to the securities business department directly and must comply with the brokers' codes of conduct and the Company's governing system. Customers can go through and check brokers' occupational registration information through ways like visiting the company's website, check on-site information disclosed by the business department and calling 95533 unified customer service telephones. The Company has established risk monitoring platform to monitor, give early warning and track the transaction of broker's customers. As the chief management officer, director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and accept corporate headquarter's management, coordination, supervision and inspection. Securities business department will on a regular basis pay a return visit to customers to understand the particulars of broker's practice through face-to-face talk, phone calls, letters or other ways. In 2013, the Company continued to strengthen the training of broker's practice and standardize their occupational management and no customer complaints or disputes related to brokers had appeared.

SECTION VIII CORPORATE GOVERNANCE

I. DESCRIPTION OF CORPORATE GOVERNANCE AND INSIDER REGISTRATION MANAGEMENT

(I) Overview of Corporate Governance

As a listed public company in Mainland China and Hong Kong, the Company operates in strict accordance with laws and regulations and regulatory documents of, Mainland China and Hong Kong, the two places of its listing and is dedicated to maintaining and promoting its goodwill on the market. Pursuant to the Company Law, the Securities Law, relevant regulations of the CSRC, Hong Kong Stock Exchange Listing Rules and other relevant regulations, the Company has further established its sound compliance and risk management system and internal control management system and has formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee and the management separate from and check and balance each other, which makes them perform their respective duties within their terms of reference and ensures the Company's standard operation, scientific, standardized and transparent governance. The procedures and regulation for convening and holding the Company's general meetings, Board meetings, Supervisory Committee meetings and the voting mechanisms with respect thereto are legal and valid, with information disclosed in a true, accurate, complete, responsive and fair manner. The Company can, strictly according to relevant provisions of Corporate Insider Registration System, strengthen the management of the Company's inside information and well organise the insider registration, with professional regulation of investor relations management.

During the Reporting Period, according to the latest Securities Corporate Governance Guideline (Zheng Jian Hui Gong Gao [2012] No. 41) and Notice on Further Implementation of Cash Dividends of Listed Companies (Zheng Jian Zi [2012] No. 37) issued by CSRC, Notice on Further Improvement of Cash Dividends of Listed Companies Under Shanghai Jurisdiction (Hu Zheng Jian Gong Si Zi [2012] No.145) and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Company's actual situation, the Company made corresponding changes of Articles of Association and constantly improved the decision-making procedures and mechanisms of Company's profit distribution by the Board and the General Meeting of Shareholders and effectively safeguarded the legal rights of the shareholders. In order to accord with and implement the provisions regarding board diversity in the Listing Rules, the Company formulated the Policy on Board Diversity of Haitong Securities, in which the contents include the objectives, significance, policy statement, measurable goals, supervising and reporting so as to render a more scientific and reasonable composition of the Board. The policy is published on the website of the Company.

During the Reporting Period, the Company strictly observed all provisions of the Code and met the requirements of the most recommended best practices set out in the Code.

SECTION VIII CORPORATE GOVERNANCE

During the Reporting Period, the Company convened 28 meetings in total, including two general meetings, eight meetings of the Board, five meetings of the Supervisory Committee, two annual report work meetings of independent non-executive directors, five meetings of the Audit Committee, two meetings of the Nomination, Remuneration and Assessment Committee, two meetings of the Development Strategy and Investment Management Committee and two meetings of the Compliance and Risk Control Committee.

(II) Formulation and Implementation of Insider Management System

To further improve the internal management system, strengthen the management of the Company's inside information, secure confidentiality of the inside information and maintain the principle of fair information disclosure, the Company formulated an Insider Registration System of Haitong Securities Co., Ltd. in 2009, which defines the inside information, scope of insiders and procedure on insider registration filing pursuant to the Notice on Governance of Listed Companies in 2009 of the Shanghai Securities Regulatory Bureau. The said system was considered and approved at the twenty-third meeting of the fourth session of the Board of the Company. In 2011, the Company revised and improved the said system according to the Rules on Establishing an Insider Registration Management System in Listed Companies (announcement of CSRC [2011] No. 30) of CSRC, with the revised edition considered and approved at the seventh meeting of the fifth session of the Board. During the Reporting Period, the Company, as required by the Insider Registration System, performed well in inside information management and insider registration, and truly and completely recorded the list of all insiders involved in the reporting, delivery, preparation, audit and disclosure before publication of the inside information as well as relevant files concerning what and when insiders know about the inside information, to facilitate enquiry made by the Company and relevant regulatory institutions. During the Reporting Period, no violation of the Insider Registration System by the Company has occurred and the said system was well implemented.

(III) Corporate Governance Policies and Related Duties of the Board

The Company strictly complies with the Listing Rules, and takes all principles as set out in the Code as its corporate governance policies. The Board has the following duties in respect of corporate governance:

- (a) To formulate and review corporate governance policies and practices of the issuer, and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of the directors and senior management;
- (c) To review and monitor the policies and practices of the issuer in compliance with legal and regulatory requirements;
- (d) To formulate, review and monitor the code of conduct and compliance manual (if any) of employees and directors; and
- (e) To review the issuer's compliance with the Code and the disclosure in Corporate Governance Report.

SECTION VIII CORPORATE GOVERNANCE

II. GENERAL MEETINGS

During the Reporting Period, in the afternoon of May 27 2013, the Company held 2012 Annual general meeting of shareholders in Galaxy Hotel in Shanghai and ten ordinary resolution proposals were considered and passed, including Company's 2012 Annual Work Report of the Board, 2012 Annual Work Report of the Supervisory Committee, 2012 Annual Report, 2012 Annual Financial Report, 2012 Annual Policy of Profit Distribution, Proposal on Reappointment of Certified Public Accountant, Proposal on the Asset Allocation of Equities, Constant Returns and Derivatives Investment in 2013, Proposal on Nominating Mr. Xiao Suining as Candidate of the Company's independent Director, Proposal on the Replacement of Supervisors, Proposal on Deliberation those Related Parties Transaction or Connected Transactions which might be involved with Issuing Short-term Financing Bonds, Corporate Bonds and Other Domestic Debt Financing Instruments, and eight special resolutions considered and passed, including Proposal on the Modification of Articles of Association, Proposal on Enlarging Company's Business Scope, Proposal on Issuing Corporate Short-term Securities Financing Bonds, Proposal on General Mandate of Issuing Short-term Securities Financing Bonds, Proposal on Issuing Corporate Bonds, Proposal on General Mandate of Issuing Corporate Short-term Securities Financing Bonds, Proposal on General Mandate of Issuing Other Domestic Debt Financing Instruments and Proposal on the Scale of Customer-oriented Financing Operations. Relevant resolutions were published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company's own website (<http://www.htsec.com>) on the day of the relevant meeting and published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 28 May 2013.

In the afternoon of 16 October 2013, the Company's first extraordinary general meeting of 2013 was held at Shanghai Mingde Grand Hotel, and one ordinary resolution proposal, Proposal on the Replacement of Supervisors was considered and passed, and six special resolution proposals, Proposal on Developing Custody Business of Securities Investment Funds, Proposal on Developing Service Business of Securities Investment Funds, Proposal on Increasing Business in the Company's Business Scope in Contracting Agent Business of Prompt Goods of Precious Metal and Contracting Self-operated Business of Prompt Goods of Gold, Proposal on Enlarging Business Scope of Foreign Exchange Transaction, Proposal on General Mandate of Issuing Debt Financing Tools of Offshore Companies, Proposal on Submitting to the General Meeting of Shareholders for General Mandate to the Board in Approving, Allocating or Issuing A Share and/or H Share, etc. Relevant resolutions were published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company's own website (<http://www.htsec.com>) on the day of the relevant meeting and published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 17 October 2013.

SECTION VIII CORPORATE GOVERNANCE

III. PERFORMANCE OF DUTIES OF DIRECTORS

The Board exercises the powers and duties specified in the Articles of Association, and reports on its work on the general meeting, implements resolutions of the general meeting and is accountable for the general meeting in the best interest of the Company and shareholders.

Profiles of the Directors at the date of this Report are set out in Section VII “Particulars about Directors, Supervisors, Senior Management and Employees – Profiles of current Directors, Supervisors and Senior Management”. None of the Directors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is structurally scientific, and each director has adequate knowledge, experience and capacity relating to business operation and development of the Group. All Directors understand their joint and several liabilities to shareholders.

Since the listing of the Company, the Board has always complied with the requirement of the Listing Rules on appointment of at least three independent non-executive directors, who shall jointly account for at least one third in number of members of the Board. Seven independent non-executive Directors of the Company are fully qualified as specified in Rules 3.10 (1) & (2), Rule 3.10(A) of the Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Listing Rules.

(I) Attendances of Directors at Board Meetings and General Meetings

According to the Articles of Association, meetings of the Board shall be convened by the chairman at least four times a year. Notice of a regular meeting of the Board shall be issued at least 14 days prior to the meeting and shall include the date, venue, duration, reasons, topics for discussion and the date of issue of the notice.

A meeting of the Board shall be held only when over half of the members are present. Save as otherwise specified in the Articles of Association, resolutions made by the Board shall be passed by more than half of all members. If any Director has connection with the enterprise involved in the resolution made at a meeting of the Board, the said Director shall be abstained from voting on the said resolution for himself or on behalf of other Directors. Meetings of the Board may be held when more than half of the non-connected Directors attend the meetings. The resolution made at the meeting of the Board shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the matter shall be submitted to the general meeting for examination. Meetings of the Board shall generally be held onsite. If necessary, extraordinary meetings of the Board may be held via video, telephone or facsimile, or be held onsite and offsite simultaneously. A Director may attend the meeting of the Board in person or appoint another Director in writing to attend the meeting on his behalf.

SECTION VIII CORPORATE GOVERNANCE

Name of Director	Independent Non-executive Director	Attendance at the Board meetings					Attendance at the general meetings	
		Number of meetings attended this year	Number of Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence	Absence from two consecutive meetings	Attendance at general meetings
Wang Kaiguo	No	8	8	2	0	0	No	2
Li Mingshan	No	8	8	2	0	0	No	0
Qian Shizheng	No	2	2	0	0	0	No	0
Feng Huang	No	8	8	2	0	0	No	2
Zhuang Guowei	No	8	8	2	0	0	No	2
Zhou Donghui	No	8	7	2	1	0	No	2
Xu Chao	No	8	8	2	0	0	No	2
Wang Hongxiang	No	8	7	2	1	0	No	2
He Jianyong	No	8	8	3	0	0	No	2
Zhang Jianwei	No	8	8	4	0	0	No	1
Li Gewei	No	8	7	5	1	0	No	1
Xia Bin	Yes	8	7	4	1	0	No	0
Chen Qiwei	Yes	8	7	3	1	0	No	2
Zhang Huiquan	Yes	8	7	2	1	0	No	0
Zhang Ming	Yes	8	8	2	0	0	No	1
Dai Genyou	Yes	8	7	4	1	0	No	1
Liu Chee Ming	Yes	8	8	4	0	0	No	2
Xiao Suining	Yes	5	5	3	0	0	No	1

Number of Board meetings convened during the year	8
Including: number of meetings held onsite	2
Number of meetings held by communication equipment	2
Number of meetings held onsite and by means of communication equipment simultaneously	4
Number of General Meetings held during the year	2

The voting results of the deliberation on the motions by the Board were agreed by all Directors, with no waiver and opposition.

SECTION VIII CORPORATE GOVERNANCE

(II) Particulars of the Board Meeting

During the Reporting Period, the Board meeting was held for eight times, details of which are as follows:

1. On 23 January 2013, the Fifteenth Meeting of the Fifth Session of the Board was held on-site, Proposal on the Adjustment of the Company's Organizational Structure, Proposal on the Asset Allocation of Equities, Constant Returns and Derivatives Investment, Proposal on the Initiation of the establishment and management of equity investment funds in new energy and low-carbon industries of Liaoning, and Proposal on the Purchase of Office Occupancy for the Corporate Headquarter were passed.
2. On 26 March 2013, the Sixteenth Meeting of the Fifth Session of the Board was held on-site, in which the Company's 2012 Annual Report, 2012 Annual Financial Report, 2012 Annual Plan of Profit Distribution, Report on the Use of H Share fund-raising, Report on Self-evaluation of the Board's 2012 Annual Internal Control, 2012 Annual Compliance Report of the Company, Proposal on Reappointment of Certified Public Accountant, 2012 Annual Work Statement of the Board of the Company, 2012 Annual Work Report of the independent non-executive Directors, Report on 2012 Annual Corporate Social Responsibility, Proposal on 2012 Annual Business Performance Evaluation and Assessment and Motivation of the Operation Team, Proposal on Amendment to Articles of Association, Proposal on Issuing Short-term Securities Financing Bonds, Proposal on General Mandate of Issuing Short-term Securities Financing Bonds, Proposal on Issuing Corporate Bonds, Proposal on General Mandate of Issuing Corporate Bonds, Proposal on General Mandate of Issuing other Domestic Debt Financing Instruments, Proposal on Deliberation and Consideration of Related Transactions Involved with Issuing Short-term Financing Bonds, Corporate Bonds and Other Domestic Debt Financing Instruments, Proposal on the Scale of Customer-oriented Financing Operations, Proposal on Running Custody Business of Securities Investment Funds, Proposal on Mr. Qian Shizheng's Resignation as the Director and Deputy Chairman, Proposal on Nominating Mr. Xiao Suining as Candidate of the Company's independent Director, Proposal on Convening 2012 Annual General Meeting of Shareholders were examined and passed.
3. On 24 April 2013, the Seventeenth Meeting of the Fifth Session of the Board was held on-site and by telephone, Report on the First Quarter of 2013, Proposal on Commencement of Proprietary Trading of Commodity Futures were examined and passed in that meeting.
4. On 30 May 2013 the Eighteenth Meeting of the Fifth Session of the Board was held by voting through communications, Proposal on Participation in the Second Increase in Capital and Share of China Securities Finance Corporation Limited was examined and passed.
5. On 22 August 2013, the Nineteenth Meeting of the Fifth Session of the Board was held on-site and by telephone, the Board examined and passed Company's Interim Report of 2013, Company's Interim Compliance Report of 2013, Proposal on Conducting Service Business of Securities Investment Funds, Proposal on Participation in Treasury Bond Futures Business, Proposal on Participation in Regional Equity Transaction Market, Proposal on

SECTION VIII CORPORATE GOVERNANCE

Increasing Business within the Company's Business Scope in Contracting Agent Business of Prompt Goods of Precious Metal and Contracting Proprietary Business of Prompt Goods of Gold, Proposal on Enlarging Business Scope of Foreign Exchange Transaction, Proposal on General Mandate of Issuing Debt Financing Tools of Offshore Companies, Proposal on Submitting to the General Meeting of Shareholders for General Mandate to the Board in Approving, Allocating and Issuing A Share and/or H Share, Proposal on Increasing Capital in Haitong-Fortis Private Equity Fund Management, Proposal on Appointing Mr. Pei Changjiang as Deputy General Manager of the Company, Proposal on Adjusting Members of Professional Committee of the Board, Proposal on Convening the First Extraordinary General Meeting of 2013 of the Company.

6. On 25 September 2013, the Twentieth Meeting of the Fifth Session of the Board was held on-site and by telephone, Proposal on Acquisition of UT Capital Group by Haitong International Holdings, the Company's wholly-owned subsidiary was considered and passed.
7. On 16 October 2013, the Twenty-first Meeting of the Fifth Session of the Board was held by voting through communications, in which the Proposal on Issuing First Period of Offshore Bonds to indirectly Provide Guarantor with Counter Guarantee for Wholly-owned Subsidiary was considered and passed.
8. On 29 October 2013, the Twenty-second Meeting of the Fifth Session of the Board was held on site and by telephone, in which the Third Quarter Report of 2013 was considered and passed.

(III) Independent Non-executive Directors' Objections to Relevant Matters of the Company

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" of this Section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. Annual Work Report 2013 of independent non-executive Directors of Haitong Securities disclosed by the Company on the website of the Shanghai Stock Exchange on 28 March 2014 set out the details of the performance of duties of independent non-executive Directors.

(IV) Powers and Duties of the Board and the Management

Powers and duties of the Board and the management have been specified in the Articles of Association to ensure adequate check and balance for sound corporate governance and internal control.

The Board is responsible for deciding the Company's business plans and investment plans and the internal management structure of the Company, establishing the basic management system of the Company, resolving major business and administrative issues of the Company and supervising the management.

SECTION VIII CORPORATE GOVERNANCE

The management of the Company, under the leadership of the General Manager (also an Executive Director), is responsible for implementing various resolutions made by the Board and organising daily operation and management of the Company.

1. Chairman and General Manager

Positions of the Chairman and the General Manager (i.e. chief executive officer under relevant rules of the Listing Rules) of the Company are served by different persons to secure independence of their duties, accountabilities and balanced distribution of rights and authorisations. Mr. Wang Kaiguo serves as the Chairman and Mr. Li Mingshan serves as the General Manager. The Rules of Procedures for the Board Meetings and Work Rules for the General Manager considered and passed by the Board clearly define duties of the Chairman and the General Manager respectively.

Chairman Mr. Wang Kaiguo is responsible for leading the Board to determine the overall development strategy of the Company and ensuring the Board operates effectively, performing its statutory duties and responsively discussing all important appropriate issues. Mr. Wang has to ensure that the Company formulates sound corporate governance practices and procedures and the Board acts in the best interest of the Company and all shareholders. General Manager Mr. Li Mingshan is responsible for daily operation and management of the Company, including organizing and implementing the resolutions of the Board and daily decision making.

2. Directors' Appointment and Re-election

According to the Articles of Association, non-employee representative Directors shall be elected or replaced by the general meetings, and employee representative directors shall be elected or replaced by the workers' congress. A Director shall serve a term of office no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointment of new Directors. A list of candidates for Directors may be proposed by the Board as per the number of the Directors to be elected as specified in the Articles of Association. Candidates for Directors may also be nominated by shareholders severally or jointly holding more than 3% of the Company's shares and shall be elected at the general meetings or at the workers' congress. For specific procedures for shareholders to nominate candidates for directors, the Company has prepared the Procedures for Shareholders' Nomination of Candidates for Directors and has published the same on its website.

3. Term of Office of Non-executive Directors

Directors of the Company are all elected by the general meetings, with a term of office of three years, which is renewable upon re-election and reappointment.

4. Directors' Remunerations

For details, please refer to "Particulars about Directors, Supervisors, Senior Management and Employees – III. Remunerations of Directors, Supervisors and Senior Management" in Section VII of this Report.

SECTION VIII CORPORATE GOVERNANCE

5. *Directors' Training*

The Company highly emphasizes the continuous training for Directors to ensure that Directors have adequate knowledge of its operations and businesses and their duties imposed by CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, Directors shall not only participate in the regular trainings organised by local regulatory authorities to complete continued training as required, but also receive special trainings on compliance operation of Hong Kong-listed companies provided by overseas law firms, including continuous obligations after the company's listing, legal liabilities of directors, supervisors, senior executives and relevant employees, information disclosure of Hong Kong-listed companies, explanation of the Code, and connected transactions and discloseable transactions, etc. Various trainings help directors improve their ability and standard in decision-making. The office of the Board of the Company regularly compiles and delivers Newsletter of Directors and Supervisors and Regulations of Securities Market and Case Analysis to keep Directors timely informed of the latest policies, regulations and classic cases, builds multi-level information communication mechanisms and sets up information exchange platform to strengthen information sharing and exchange among directors, supervisors and the management and improve Directors' duty performance capability. During the Reporting Period, all our Directors attended the compliance training for Hong Kong listed companies held by Clifford Chance LLP on 29 October 2013. The training lasted for two hours. Apart from that, trainings for Directors are specified as follows:

SECTION VIII CORPORATE GOVERNANCE

Name of Director	Date	Duration	Organizer	Contents	Place
Zhou Donghui	11 September 2013	24 hours	Shanghai Municipal Finance Bureau	Senior Accountant Training	Shanghai
Feng Huang	2 to 6 June 2013	5 days	Shanghai Stock Exchange	Phase 26: Qualification Training Course of Independent Directors	Shanghai
	25 July 2013	4 hours	Shanghai Corporate Counsel Association	Operation Practice of Law Application of Corporate Governance and Corporate Capital Operation	Shanghai
Zhang Huiquan	18 February 2013	4 hours	Beijing Lawyers Association	Systems Strengthening, Institutions and Mechanisms Guarantee and Accelerated Transformation of Mode of Economic Development	Beijing
	1 April 2013	4 hours	Beijing Lawyers Association	Relevant Policies and Practices of Tax Adjustments of Beijing Lawyer	Beijing
	16 July 2013	4 hours	Beijing Lawyers Association	Legal Due Diligence – Corporate Restructuring and Reform and IPO Project as an Example	Beijing
	24 September 2013	4 hours	Beijing Lawyers Association	Explanations of Some Practical Problems in Criminal Procedure Explanation	Beijing
	15 November 2013	4 hours	Beijing Lawyers Association	Legal Risks in the Share Transferring Process	Beijing
	11 December 2013	4 hours	Beijing Lawyers Association	Basic Questions and Practical Problems of Judicial Authentication of Intellectual Property Rights and Commercialization	Beijing
Zhang Ming	June 2013	2 days	Shanghai University of Finance and Economics	Economic Environment and Corporate Governance	Shanghai
	October 2013	1 day	Associates of Listed Companies in Shanghai	Establishment of Internal Control System	Shanghai

SECTION VIII CORPORATE GOVERNANCE

IV. IMPORTANT OPINIONS AND SUGGESTIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

- (1) The fifth session of the Board of the Company sets up four special committees, with various committees and members set out as follows:
1. Development Strategy and Investment Management Committee: Wang Kaiguo (chairman), (Qian Shizheng), Xiao Suining, Chen Qiwei, Zhuang Guowei and Zhang Jianwei
 2. Compliance and Risk Control committee: Zhang Huiquan (chairman), Li Mingshan, Dai Genyou, Zhou Donghui and Feng Huang
 3. Nomination and Remuneration Assessment Committee: Xia Bin (chairman), (Qian Shizheng), Xiao Suining, Zhang Ming, Dai Genyou, Li Gewei, He Jianyong and Liu Chee Ming
 4. Audit Committee: Zhang Ming (chairman), Chen Qiwei, Dai Genyou, Zhang Huiquan, Zhou Donghui, Xu Chao and Wang Hongxiang

Note: On 26 March 2013, due to work reasons, Mr. Qian Shizheng rendered to the Board his resignation as the Director and Deputy Chairman and in the Proposal on Adjusting Members of the Professional Committee of the Board passed at the Nineteenth Meeting of the Fifth Session of the Board, independent non-executive Director Mr. Xiao Suining was elected a member of Development Strategy and Investment Management Committee and Nomination and Remuneration Assessment Committee.

(II). Duties of various special committees and their meetings

1. *Compliance and Risk Control Committee*

The primary duties of this committee are to formulate compliance management policies for review by the Board according to laws, regulations and regulatory policies; to review and monitor relevancy, rationality, effectiveness and implementation of the compliance management system of the Company; to formulate the risk management principles and define the major risks for the Company; and to review and supervise the implementation of the internal control system formulated by the management. For the specific duties of the Compliance and Risk Control Committee, please refer to the "Terms of Reference of the Compliance and Risk Control Committee under the Board" published on the websites of the Company and the Hong Kong Stock Exchange.

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During the Reporting Period, the Compliance and Risk Control Committee held two meetings in total, as specified below:

- The first 2013 meeting of the Compliance and Risk Control Committee of the fifth session of the Board convened on 22 March 2013 considered and approved Self-evaluation Report on Internal Control 2012 of the Company, Compliance Report 2012 of the Company and Risk Assessment Report 2012 of the Company.
- The second 2013 meeting of the Compliance and Risk Control Committee of the fifth session of the Board convened on 21 August 2013 considered and approved Interim Compliance Report of 2013 of the Company and Risk Assessment Report for the First Half of 2013 of the Company.

During the Reporting Period, attendances of members of the Compliance and Risk Control Committee are as follows:

Name	Number of actual attendances/number of scheduled attendances
Zhang Huiquan	2/2
Dai Genyou	2/2
Li Mingshan	2/2
Zhou Donghui	2/2
Feng Huang	2/2

2. **Audit Committee**

The primary duties of Audit Committee are to propose the appointment or replacement of the external audit institution and to approve remuneration and appointment terms of the external audit institution; to ensure the objectivity and independence of the external audit institution and the effectiveness of the audit process; to audit the Company's financial information and disclosure thereof, and to review, where necessary, major connected transactions; to review the financial monitoring, internal control system and risk management system of the Company and its subsidiaries and branches from the perspective of relevancy, rationality, effectiveness and implementation; and to review financial and accounting policies and practices of the Group. The committee will also perform the duties assigned by the Board. For the specific duties of the Audit Committee, please refer to the "Terms of Reference of the Audit Committee under the Board" published on the websites of the Company and the Hong Kong Stock Exchange.

SECTION VIII CORPORATE GOVERNANCE

The Audit Committee convened meetings to audit relevant matters according to relevant provisions of Terms of Reference of the Audit Committee and improved working efficiency and scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board. The Audit Committee fully communicated with Certified Public Accountants to jointly formulate audit project plans in 2013 for the Company. The audit work in 2013 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of audit and improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee held five meetings in total, as specified below:

- The first meeting of the fifth session of the Audit Committee under the Board in 2013 convened on 15 January 2013 listened to the Chief Financial Officer's brief financial report 2012 of the Company, discussed with the relevant Certified Public Accountants to formulate the annual audit work plans, and reviewed the financial statement of 2012 (of the parent company and unaudited) prepared by the finance department of the Company and provided written opinions.
- The second meeting of the fifth session of the Audit Committee under the Board in 2013 convened on 22 March 2013, considered and approved Financial Report and Special Report 2012 of the Company (Audited or Reviewed Draft), Opinions of the Audit Committee under the Board of the Company on BDO China's Engagement in Audit Work for the Year, Proposal on Reappointment of the Certified Public Accountants for 2013, Self-evaluation Report on Internal Control of the Company in 2012. In this meeting, the Board debriefed the Company's report on Annual Financial Accounts in 2012 and Report on Annual Preliminary Audit Results of Certified Public Accountants in 2012.
- The third meeting of the fifth session of the Audit Committee under the Board convened on 23 April 2013 (by means of telecommunications) considered and approved Report for the First Quarter of 2013 of the Company.
- The fourth meeting of fifth session of the Audit Committee under the Board in 2013 convened on 21 August 2013 considered and approved Financial Report for the First Half of 2013 of the Company (A+H) and Examination Report on Internal Control for the First Half of 2013 of the Company and listened to Financial Description for the First Half of 2013 of the Company (A+H).
- The fifth meeting of fifth session of the Audit Committee under the Board in 2013 convened on 28 October 2013 (by means of telecommunications) considered and approved Report for the Third Quarter of 2013 of the Company.

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During the Reporting Period, attendances of members of the Audit Committee are as follows:

Name	Number of actual attendances/number of scheduled attendances
Zhang Ming	5/5
Zhang Huiquan	5/5
Dai Genyou	5/5
Chen Qiwei	4/5
Zhou Donghui	5/5
Xu Chao	4/5
Wang Hongxiang	4/5

3. *Development strategy and investment management committee*

The primary duties of this committee are to conduct studies and submit proposals regarding mid-to-long-term development strategies and planning of the Company; to study and make suggestions to material plans on investment and financing which the Articles of Association has required to be approved by the Board; to conduct feasibility study and make suggestions to the major capital operation, asset operation and mergers and acquisitions which the Articles of Association has required to be approved by the Board; to study and make suggestions to major issues affecting the development of the Company; and to conduct inspection and supervision to the implementation of the above matters. Its duties also include other matters assigned by the Board.

During the Reporting Period, the Development Strategy and Investment Management Committee held two meetings in total, as specified below:

- On 25 March 2013, the Company held the first meeting in 2013 of Development Strategy and Investment Management Committee in the Fifth Session of the Board by means of telecommunications which considered and passed the Proposal on Issuing Short-term Financing Bonds of Securities Companies by the Company, Proposal on General Mandate of Issuing Short-term Financing Bonds of Securities Companies by the Company, Proposal on Issuing Corporate Bonds by the Company, Proposal on General Mandate of Issuing Corporate Bonds by the Company, Proposal on General Mandate of Issuing other Domestic Debt Financing Instruments by the Company, Proposal on the Scale of Customer-oriented Financing Operations and Proposal on Running Custody Business of Securities Investment Funds by the Company, etc.

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- On 21 August 2013, the Company held the second meeting in 2013 of Development Strategy and Investment Management Committee in the Fifth Session of the Board (by means of telecommunications which considered and passed the Proposal on the Company's Participation in Treasury Bond Futures Business, by the Company Proposal on the Company's Participation in Regional Equity Transaction Market, Proposal on Increasing Business within the Company's Business Scope in Contracting Agent Business of Prompt Goods of Precious Metal and Contracting Proprietary Business of Prompt Goods of Gold, Proposal on Enlarging the Company's Business Scope of Foreign Exchange Transaction, Proposal on General Mandate of Issuing Debt Financing Instruments of Offshore Companies by the Company, Proposal on Submitting to the General Meeting of Shareholders for General Mandate to the Board in Approving, Allocating and Issuing A Share and/or H Share, and Proposal on Capital Increase of Haitong-Fortis Private Equity Fund Management, etc.

During the Reporting Period, attendances of members of the Development Strategy and Investment Management Committee are as follows:

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Wang Kaiguo	2/2
Qian Shizheng	1/1
Zhuang Guowei	2/2
Zhang Jianwei	2/2
Chen Qiwei	2/2
Xiao Suining	1/1

4. *Nomination, Remuneration and Assessment Committee*

Main duties of the Nomination, Remuneration and Assessment Committee include: to study and make suggestions on criteria and procedure for selecting directors and managers; to extensively identify qualified candidates for directors and managers; to examine the qualifications of the candidates for directors and managers and make related suggestions; to review the structure, size and composition (including the skills, knowledge and experience) of the Board, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the general manager; to work out remuneration policies that include but not limited to performance evaluation standard and procedure, major evaluation system, principal award and punishment scheme and system; to examine how the Directors and managers of the Company fulfil their duties, evaluate their annual

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performance and make suggestions according to the annual audit result of the Audit Committee; to appraise the remuneration reform plan of the Company and approve the service terms of the executive Directors and supervise the implementation of the Company's remuneration system. For the specific duties of the Nomination, Remuneration and Assessment Committee, nomination of directors and managers and the performance appraisals and remuneration review procedure for directors and senior management, please refer to the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board" which was published on the websites of the Company and the Hong Kong Stock Exchange.

During the Reporting Period, the Nomination, Remuneration and Assessment Committee convened two meetings as follows:

- On 25 March 2013, the Company held the first meeting in 2013 of Nomination, Remuneration and Assessment Committee in the Fifth Session of the Board. The committee listened to the Company's Business Condition in 2012 and Operating Plan in 2013 and considered and passed the Proposal on the Annual Operating Performance Appraisal and Evaluation of and Award for the Operation Team of the Company and Proposal on Nominating Mr. Xiao Suining as a Candidate of the Company's independent non-executive Director.
- On 21 August 2013, the second meeting in 2013 of the Nomination, Remuneration and Assessment Committee of the fifth session of the Board was convened to consider Proposal on Appointing Mr. Pei Changjiang as Deputy General Manager of the Company.

Attendance of the meeting by Nomination, Remuneration and Assessment Committee members during the Reporting Period:

Name	Number of actual attendances/number of scheduled attendances
Xia Bin	2/2
Zhang Ming	2/2
Liu Chee Ming	2/2
Dai Genyou	2/2
Qian Shizheng	1/1
He Jianyong	2/2
Li Gewei	2/2
Xiao Suining	1/1

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V. INFORMATION ABOUT THE PERFORMANCE OF DUTY BY THE SUPERVISORY COMMITTEE

(I) Attendances of Supervisors at the Meetings of the Supervisory Committee

Name of Supervisors	Number of meetings this year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Absence	Absence from two consecutive meetings
Yang Qingzhong	5	4	0	1	0	No
Li Lin	2	2	0	0	0	No
Dong Xiaochun	5	5	0	0	0	No
Jin Yanping	5	5	0	0	0	No
Wu Zhilin	5	4	0	1	0	No
Xu Qi	5	3	1	1	0	No
Hu Jingwu	1	1	0	0	0	No
Xing Jianhua	5	4	1	0	0	No
Wang Yimin	5	1	2	2	0	No
Qiu Xiaping	5	5	0	0	0	No
Du Hongbo	5	5	0	0	0	No
Yuan Lingcai	2	2	0	0	0	No
Wang Yugui	4	4	0	0	0	No

The voting results of the deliberation on the motions by the Supervisory Committee during the Reporting Period were agreed by all Supervisors, with no waiver and opposition. No objection was made to the supervision.

(II) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened five meetings, and the details are as follows:

- On 23 January 2013, the eighth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Motion on the Resignation of Mr. Wang Yimin from the Position of Chairman of the Supervisory Committee was considered and passed.
- On 26 March 2013, the ninth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, 2012 Annual Report of the Company, Self-evaluation Report of the Board on the Company's 2012 Annual Internal Control, 2012 Annual Compliance Report of the Company, 2012 Annual Work Report of the Supervisory Committee of the Company, as well as Motion on Replacement of Supervisors were considered and passed.
- On 24 April 2013, the tenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Company's Report for the First Quarter of 2013 Report was considered and passed.

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4. On 22 August 2013, the eleventh meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Company's 2013 Interim Report, the Company's 2013 Interim Compliance Report, as well as Motion on Replacement of Supervisors were considered and passed.
5. On 29 October 2013, the twelfth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Company's Report for the Third Quarter of 2013 was considered and passed.

(III) EXPLANATION ON DISCOVERY OF COMPANY'S RISKS BY THE SUPERVISORY COMMITTEE

The Supervisory Committee has no objection to matters under supervision during the Reporting Period.

VI. EXPLANATION ON ABSENCE OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY ON BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE BY THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

The equity structure of the Company is relatively scattered. There is no controlling shareholder. The Company is completely independent from its shareholders in business, personnel, assets, institutions, finance, etc. The Board, the Supervisory Committee and other functional departments of the Company all function independently with independent and complete operation and self-standing businesses.

(I) Business Independence

According to the Companies Law and the Articles of Association and under independent operation within the scope of business as approved by the CSRC, the Company has obtained relevant permits for operations of securities business, by which it shaped its independent and complete business system with the ability to conduct independent operation. Therefore, its business operation is not controlled or influenced by shareholders or related parties. Instead, the Company is able to participate in market competition independently. There is no activity of any shareholder or any related party in violation with the Company's operational procedures or in interference with the Company's internal management and operational decision-making.

(II) Staff Independence

The Company has an established human resource department, with independent and complete labor, personnel and salary administration system. The Company appointed directors, supervisors and senior managements through statutory procedures. None of our senior management hold any position other than positions of director or supervisor at any shareholders, associates, or subsidiaries, nor do they hold any position in any enterprises that have the same or similar business with that of the Company. There is no occasion where the Company's shareholders act beyond their authority as delegated by the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointment of Directors, Supervisors, and senior management strictly complies with the Companies Law, Securities Law and Articles of Association, and is conducted in lawful procedures. The Company has established complete labor employment, personnel administration, payroll management and social security system, and all employees have signed labor contracts with the Company. The Company has the independent right to sign labor contract without interference of any shareholders.

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(III) Assets Independence

The Company operates independent and complete assets necessary to conduct securities business. There is no occasion where any shareholders or related parties occupy the Company's assets and infringe the lawful rights of the Company, other shareholders or clients of the Company. The Company operates and manages its assets according to law and has business licenses, properties, operating equipments and trademarks necessary to conduct business.

(IV) Organizational Independence

The Company has established a complete corporate governance structure. It operates general meeting, the Board, the Supervisory Committee, management and relevant management department in sound condition, with all divisions accountable for their own responsibilities. The Company has independent and complete securities operation and management system to independently conduct business operation, and its structure and operation of organizations comply with the relevant requirements of CSRC. The existing offices and premises are separate from our shareholders, and there is no mix of corporate structure or direct interference against operation of the Company by any shareholders.

(V) Financial Independence

The Company has set up independent financial department, with independent financial accounting system and financial management system. It makes independent financial decisions, and there is no occasion where any shareholder or related party interfere the Company's use of fund. The chief financial officer of the Company is appointed by the Board and works with independent dedicated financial officers to operate separate accounts at banks. There is no occasion where any shareholder or related party shares any bank account with the Company. As an independent tax payer, the Company pays various taxes according to requirements under financial and taxation system.

The Company has no business competitor resulting from shareholding system transformation, industrial characteristics, national policy, acquisition or merger, etc.

VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company appraised the performance of its senior management in accordance with the Administrative Measures on Remuneration and Performance Appraisal for Senior Management of Haitong Securities ("Measures") which was considered and approved at the first meeting of the fourth session of the Board. The Measures specified the performance appraisal methods and remuneration incentive scheme for senior management of the Company. According to the Measures, the Board will appraise the performances of senior management annually after the end of each fiscal year. The appraisal will focus on improvement of the Company's value mainly with the measurable performance indicators, covering execution, internal management, risk control, reform and innovation, personnel training, team building and operation team building. The Board will consider the annual operating performance awards for senior management based on the appraisal results. The Company enhanced the work initiative and awareness on dedication, responsibility and compliance risks of senior management through annual appraisal and performance-based award.

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VIII. OTHER RELATED MATTERS

(I) Company secretary

Mr. Jin Xiaobin and Ms. Mok Mingwai are Joint Company Secretaries of the Company. Ms. Mok Mingwai (a director of KCS Hong Kong Limited) is one of the Joint Company Secretaries and Mr. Jin Xiaobin, the Board Secretary of the Company, is one of the main contact persons between the Hong Kong Stock Exchange and the Company. According to Rule 3.29 of Listing Rules, Mr. Jin and Ms. Mok have both received no less than 15 hours of relevant professional training up to 31 December 2013.

(II) Compliance with codes on securities transaction

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rule as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirm that they have strictly observed standards specified in the Model Code. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in Listing Rules). The Company has not found any employee violating the said guidelines.

The Board will irregularly examine the corporate governance and operation of the Company in accordance with relevant provisions in the Listing Rules to protect shareholders' interests.

(III) Internal control

Please refer to "internal control" in Section IX of this Report for details.

(IV) Auditors and their remuneration

Deloitte Touche Tohmatsu and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) were appointed respectively as auditors preparing financial statements in accordance with the International Financial Reporting Standard and Generally Accepted Accounting Principles in the PRC as at 31 December 2013. During the Reporting Period, regarding the selection and appointment of external auditors, there was no disagreement from the Board to the opinions of the Audit Committee. For details of remuneration, please refer to "IX. APPOINTMENT AND DISMISSAL OF ACCOUNTANTS AND THEIR REMUNERATIONS" under Section V in this Report.

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(V) Directors' and Auditor's Responsibility for the Financial Statement

The Board submitted its responsibility of preparing the Annual Report for the year ended 31 December 2013 of the Group.

The Board is responsible for the clear and fair assessment report for annual reports, interim reports, price-sensitive information and other disclosures according to the Listing Rules and other regulatory rules. The Management has provided the Board with all necessary explanations and information for the Board to make an informed assessment of the Group's financial data and position and for the Board's consideration and approval.

The Company has not encountered with any significant uncertainties or situations that might cause material doubt to the ability of continuous operation of the Company. In addition, the Company has arranged suitable insurance coverage for the possible legal actions and liabilities of the Directors, the Supervisors and the senior management.

(VI) Communications with shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company shall hold general meetings in strict accordance with relevant regulations to ensure that all shareholders, especially the minority shareholders, enjoy equal status and can exercise their rights fully. Under the restriction imposed in the Articles of Association, the Company maintains orderly, stable and healthy development in the interest of the Company and shareholders.

Attaching great importance to the opinions and recommendations of its shareholders, the Company actively, proactively and ethically carries out various investor relation activities to keep in contact with shareholders and timely meet their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website www.htsec.com, which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines or directly send their letters to the Company's office address. The Company will properly and timely handle all enquiries.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings or directly express any concerns to the Board and the management. Usually, the chairman of the Company, the chairmen of respective committees, the management and the external auditor would attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Shareholders may convene an extraordinary general meeting and make proposals on the meeting in accordance with Articles 70 and 75 of the Articles of Association, which was published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

SECTION VIII CORPORATE GOVERNANCE

The Board, all the chairmen of respective committees and external auditors will be arranged to attend the Company's 2013 annual general meeting to answer the shareholders' enquiries.

Proposal on Detailed Procedures and Resolution for Voting will be published on the website of Shanghai Stock Exchange (for A Shares) and contained in the annual report and the circular to shareholders together with the annual report (for H Shares).

(VII) Investor relation activities

Standardized and specialized investor relationship management is not only a listed company's statutory responsibility, but also an effective means of managing the company's market value. The Board attaches great importance to the management of investor relations and strengthens communication services with investors through various platforms, such as hotlines set up specially for investors, E-mail, call centre, company's website, teleconferences, on-site reception, online interaction, meeting-and-greeting of investors, performance briefings, quarterly and semi-annual and annual roadshow and e interactive platform launched by Shanghai Stock Exchange etc. The Board communicated with nearly 1,000 investors, particularly received and visited more than 700 domestic and foreign fund managers and analysts on site and survey within this year. Meanwhile, the Company successfully held, jointly with Shanghai Stock Exchange, a large-scale activity "I'm a shareholder – Medium and small sized investors in Haitong Securities" for the interaction and interchange with investors. This activity not only further enhances investors' recognition of the Company's growth, but also promotes the Company to continue to firmly build the awareness of respecting for shareholders, rewarding shareholders and protecting shareholders' equity, which receive wide acclaim of regulators and investors.

(VIII) Other matters to be reported

Pursuant to the requirements regarding board diversity in the Listing Rules of Hong Kong Stock Exchange, the company formulated the Policy on Board Diversity of Haitong Securities Company Limited, of which the contents include the objective, significance, policy statement, measurable goals, supervising and reporting to ensure a more scientific and reasonable composition of the Board. The policy is published on the website of the Company. The Company has confirmed that the composition of the Board accords with the requirements regarding board diversity in the Listing Rules as well as the policy of diversity formulated by the Company.

During the Reporting Period, the Articles of Association was amended once, which was approved and passed at the annual general meeting held on 27 May 2013. The updated Articles of Association was approved by Shanghai Securities Regulatory Bureau on 22 August 2013 and became effective on the same date, which was published on the websites of Hong Kong Stock Exchange and the Company on 6 September 2013.

SECTION IX INTERNAL CONTROL

I. ESTABLISHMENT AND EXECUTION OF INTERNAL CONTROL SYSTEM

(I) Statement of the Board

To establish, improve and effectively implement internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organizing and leading daily operation of the Company's internal control.

Objectives of the Company's internal control: To reasonably ensure compliance with laws and regulations of business operation, assets safety, truthfulness and completeness of financial reporting and relevant information, to improve operating efficiency and facilitate the achievement of development strategy of the Company. As internal control bears inherent limitations, it can only provide reasonable assurance for achieving the said objectives.

The Board has assessed the internal control according to the requirements of the Basic Norms for Enterprise Internal Control and deemed it valid on 31 December 2013.

(II) The Setting of Internal Control Institution

The Company has established a scientific and efficient internal control structuring system, which consists of the Board, Supervisory Committee, Managers, Functional Management and Business Operations Departments, each with its definite functions and duties.

The Board of the Company has established the Audit Committee, the Compliance and Risk Control Committee, the responsibilities of which include reviewing the Company's internal control system, supervising the overall effective implementation and self-assessment of internal control; the Compliance Officer is responsible for enforcing the strategies and policies of the compliance management and submitting compliance reports for the Board of Directors; Supervisory Committee is responsible for supervising the establishment and implementation of internal control by the Board; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of internal control and enforcing the strategies and policies of the risk management of the Company; the Functional Department, consisting of compliance and risk management headquarters, audit department, planning & finance department, IT department, operating centre and human resources department, shall be responsible for the specific implementation of internal control work and assessing the soundness and effectiveness of each internal control system; the Business Operations Department internally designated a person who is responsible for formulating and implementing the internal control system of the relevant units and also checking on the implementation of regulations and conducting front-line supervision on business risk.

SECTION IX INTERNAL CONTROL

(III) Establishment and Improvement of Internal Control System

During the Reporting Period, the Company kept strengthening its internal control system, improving its internal control mechanism, standardizing its business process, and improving its management system of its businesses (including the innovative business) to ensure that the internal control covers the whole process of decision-making, implementation and supervision and covers the entire business and management of the Company.

1. Traditional Business Management

In respect to compliance and risk management, the Company formulated or revised to improve systems, such as Detailed Implementing Rules of Management of Customer Risk Grading in the Company's Anti-money Laundering (Revised in December 2013) and Interim Procedures of Warning in the Customers' high-risk Securities Trading etc.

In respect to operational control, the Company formulated or revised to improve systems, such as Administrative Measures of Customer Account in Brokerage, Operation Specification of Financing Securities Business, Administrative Measures of Opening Accounts on Witnessing Credentials, Joint Implementation Measures of Haitong Securities Providing Intermediary Business for the Haitong Futures and Administrative Measures of Loan Transaction of Bonds etc.

In respect to funds management and financial management, the Company formulated or revised to improve the systems such as Accounting Methods of Relevant Financing Securities Business.

In respect to information system control, the Company formulated or revised to improve systems such as Administrative Measures of Proprietary Business Systems, Administrative Measures of Anti-money Laundering System and Administrative Measures of Independent Management System of Listed Company's Stock Ownership Incentive (Provisional).

2. Innovative Business Management

The Company formulated the Interim Procedures of Innovation Management and established the assessment and review mechanism of innovative business to conduct adequate assessment and demonstration of innovative business in the preparatory stages of the compliance, feasibility and risk of the business, and formulated measures like relevant management systems, operational processes, risk control measures and protection of customers' legitimate rights and interests etc.

The Company had formulated appropriate management system and risk control programs including systems like Management Methods of Pledge-Style Repo Trading Business in Stock (Provisional), Management Methods of Remote Agency of Securities Registration of Pledge Business, Management Method of Information Isolation of Pledge-Style Repo Trading in Stock, Settlement Management Methods of Offering Bond Repurchase Pledge Business, Accounting Methods of Offering Bond Repurchase Pledge Business, Management Methods of Customer Appropriateness of Offering Repurchase Pledge Business, Interim Procedures of OTC Trading Business Management, Management Methods of OTC

SECTION IX INTERNAL CONTROL

Trading Products (Provisional), Settlement Management Methods of OTC Trading Business (Provisional), Interim Procedures of Management in Custody Business of Partnership's Asset, Management Methods of Third-Party Assessment Business, Management Methods of Authority in Trading Systems of Quantification Platform and Instruction on Establishment of micro-sized outlet to Prepare for Financial Accounting Management Matters etc at the early stage of its innovative business.

(IV) Basis of Building Internal Control over Financial Reporting

The establishment of internal control over financial reporting is based on documents such as Basic Norms for Enterprise Internal Control and guidelines thereof jointly issued by Ministry of Finance, CSRC, National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission, Guidelines for Internal Control of Securities Companies issued by CSRC, and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by Shanghai Stock Exchange.

During the Reporting Period, the Company formulated or revised and perfected such financing and accounting management systems and other internal control system, such as Accounting Method for Financing Securities Business, Accounting Method of Offering Bond Repurchase Pledge Business in strict accordance with the Company Law, Accounting Law, Accounting Standard for Business Enterprise, Standardization of Basic Work of Accounting, Financial Rules of Financial Entities, Basic Standards of Enterprise Internal Control. The Company employed scientific financial accounting structure, financial accounting staff, normative and precise financial accounting management systems and appropriate accounting policies and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, exact and complete view on its financial position, operating results, cash flow and relevant information. According to Articles of Association and relevant provisions, the Company's Supervisory Committee and external audit institutions effectively inspected and supervised the Company's financial position and external auditors delivered professional audit opinions on its financial reports.

During the Reporting Period, the sound system of internal control over financial reporting of the Company ran well and could ensure the quality of financial reports and high reliability of financial information. During the Reporting Period, the Company did not have any significant defect in internal control over financial reporting and its annual financial reports are true, exact and complete.

(V) Operations of Internal Control System

The Company's Internal Control System is sound enough to address the risks in business activities, and the Company implements the internal control measures of "Before, During and After Conducting Business".

SECTION IX INTERNAL CONTROL

Before conducting business, the Company formulated appropriate management systems and processes for each business; during conducting business, the Company has established a real-time monitoring system, realizing dynamic monitoring of risk control indicators and automatic warning, establishing a complementation mechanism of net capital to ensure that the risk control indicators, like net capital, conform to the requirements of supervision department continuously; in respect of aftermath control, timely supervision and rectification will be made to the problems found in the monitoring, and the audit department formulates an annual auditing plan to proceed on-site examination of the company's relevant departments and branches and supervises and rectifies the identified problems.

During the Reporting Period, in accordance with supervision requirements, the Company has combed and troubleshooted situations like coverage, operational risks and the liquidity risk management of the internal control system, and self-examined internal departments involving transaction businesses, such as Equity Investment and Transaction Department, Constant Return Department, Financing Securities Department, International Business Department and Haitong Innovation and Securities Investment, and information technical management and system security. Through self-examination, the Company's internal control system has covered all departments, branches and businesses of the Company, and no departments and businesses have been separated from the Company's unified internal control system. The Company has established and implemented appropriate administrative measures including strict separation of incompatible duties of its proprietary business, complete investment procedures, optimized internal reporting mechanism, front-end controlling system for equity proprietary business and system authority management.

(VI) Internal Supervisions of the Establishment and Implementation of Internal Control

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The establishment of the internal control system is to regulate leading groups, working groups and internal control evaluation groups. The office meeting among general managers has appointed the compliance and risk management headquarters, which is mainly responsible for guiding the establishment and implementation of internal control, as the department taking the lead for regulating and determining the working groups of internal control; and audit department responsible for the self-assessment work of internal control and providing reports on the evaluation of internal control as the department taking the lead for evaluation of internal control. The Compliance and Risk Management Headquarters and the Audit Department must respectively and independently perform their functions of construction and implementation of internal control and validity evaluation.

SECTION IX INTERNAL CONTROL

(VII) Defects in Internal Control and Identification Thereof

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, namely, significant defects, important defects and common defects to the extent of impact of defects, according to requirements in identifying significant defects, important defects and common defects under Basic Norms for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies, as well as the Company scale, industrial features and risk level.

Significant defects refer to a combination of one or more control defects which may cause the enterprise to deviate from control objectives severely. Important defects refer to a combination of one or more control defects with impacts and economic consequences less severe than those of significant defects but may still cause the enterprise to deviate from control objectives. Common defects refer to any defect other than significant defects and important defects.

(VIII) Evaluation of Effectiveness of the Company's Internal Control

The Company self-evaluated the effectiveness of the design and implementation of its internal control up to 31 December 2013 pursuant to the requirements of the relevant laws and regulations of the Basic Norms for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies, and the 2013 Internal Control Evaluation Report was issued by the Company. During the Reporting Period, the Company set up internal control systems for businesses and issues involving evaluation scope, and put them into effect earnestly, with relevant goals achieved without any significant defects in respect of the design and implementation of the internal control. From the reporting base date to the date of issuance of internal control evaluation report, there were no major changes in internal control that may have a substantive influence on evaluation results.

During the Reporting Period, the external Certified Public Accountants of the Company independently audited the design and implementation of its internal control. They considered that the Company had maintained effective internal control on financial reports pursuant to the Basic Standard for Enterprise Internal Control and relevant regulations in material aspects and did not discover any significant defect in internal control over financial reporting.

SECTION IX INTERNAL CONTROL

(IX) Work plan of internal control in 2014

The internal control should be appropriate according to the company's scale of operation, business scope, competition situation and risk level and adjustments should be made in a timely manner as circumstances change. In 2014, the annual work plan of internal control mainly includes further improvement of the Company's internal control, especially the innovation of the business system, which should be updated timely according to business development needs, and constant establishment and improvement of the "Before, During and After Conducting Business" control system, policies and processes of the Company, and continuous identification and assessment of risks actively based on the risk points in the risk matrix to perfect risk control and management strategies in time, and amendment of internal control and evaluation handbook to improve the efficiency and effectiveness of internal control in accordance with the existing problems identified during the implementation of internal control and evaluation and running conditions of all kinds of new businesses, and further enhancement of propaganda and training of internal control to comprehensively upgrade the internal control and risk management level.

II. RELEVANT INFORMATION OF AUDIT REPORT ON INTERNAL CONTROL

The Company's internal control audit institution BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) produced a standard and thorough audit report on internal control of the Company.

For details of audit report on internal control, please refer to relevant announcements dated 28 March 2014 on the websites of the Shanghai Stock Exchange on www.sse.com.cn and www.htsec.com of the Company.

III. INFORMATION ABOUT RESPONSIBILITY INVESTIGATION SYSTEM ON MAJOR ERRORS IN ANNUAL REPORTS AND RELEVANT IMPLEMENTATION

To further improve the internal control system and the quality and transparency of disclosure of annual reports and enhance the awareness of responsibility for information disclosure, the Company, according to requirements and relevant regulations of regulatory authorities, revised Administrative Measures of Information Disclosure of Haitong Securities Co., Ltd., which optimized identification and handling procedures and responsibility investigation of major errors in annual reports, intensified efforts in accountability against relevant responsible persons for disclosure of annual reports, and increased the quality and transparency of disclosure of annual reports. The revised draft of the system was considered and approved at the twenty-sixth meeting of the fourth session of the Board of the Company. During the Reporting Period, the system was well implemented, and the Company did not have any correction for its significant accounting errors, supplement to significant omission and revision in the performance forecast.

SECTION X FINANCIAL AND ACCOUNTING REPORTS

- (I) The 2013 Financial Report (H Shares) of the Company has been audited by Deloitte Touche Tohmatsu, which has issued a standard unqualified audit report.
- (II) Financial statements (H Share) (Appendices).
- (III) Notes to financial information (H Share) (Appendices).

SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION

- I. Texts of annual reports bearing the signature of legal representative of the Company.
- II. Texts of annual financial reports (H Share).
- III. Texts of audit report issued by Deloitte Touche Tohmatsu.
- IV. Original copies of all documents and notices disclosed on newspapers appointed by CSRC during the Reporting Period.
- V. Annual reports disclosed in other securities markets.
- VI. Other relevant materials.

SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(I) Administrative Licensing of Branches and Business Departments during the Reporting Period

New branches	New business departments	Relocation of business departments
0	38	16

1. Administrative Licensing of Set-up of Branches during the Reporting Period

No.	Branch office	Address	Approval document No.	Approval date	License obtained date
1	2	Under development	Hu Zheng Jian Ji Gou Zi [2013] No.173	8 July 2013	Conducted after the period

2. Administrative Licensing of New Business Departments during the Reporting Period

No.	Business Department	Address	Approval document No.	Approval date	License obtained date
1	Business department of Haitong Securities Co., Ltd. in Jinxiu Road, Wenzhou	1/F, Ruikang Business Center, Jinxiu Road, Lucheng District, Wenzhou, Zhejiang	Hu Zheng Jian Ji Gou Zi [2012] No. 510	29 November 2012	23 May 2013
2	Business department of Haitong Securities Co., Ltd. in Xiyi Road, Bozhou	NO.442, Xiyi Road, Bozhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
3	Business department of Haitong Securities Co., Ltd. in Bianhe Road, Suzhou	(4/F Southwest of the Centre Square Building), Northwest of cross of Bianhe Road and Huaihai Road, Yongqiao District, Suzhou, Anhui	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
4	Business department of Haitong Securities Co., Ltd. in Hongjun Road, Jinzhai	Hongjun Road, Meishan Town, Jinzhai, Luan, Anhui	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
5	Business department of Haitong Securities Co., Ltd. in Jingting Road, Yicheng	NO.299 Jingting Road, Yicheng, Anhui	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
6	Business department of Haitong Securities Co., Ltd. in Shennan Road, Shenzhen	Room 1208 Building A, Vocation Square, No.9030 of Shennan Road, Nanshan District, Shenzhen	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013



SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Business Department	Address	Approval document. No.	Approval date	License obtained date
7	Business department of Haitong Securities Co., Ltd. in East Genta Road, Zhuji	NO.24 East Genta Road Jiyang Street, Zhuji	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
8	Business department of Haitong Securities Co., Ltd. in Qilin Road, Liupanshui	Shop 16 of 1/F in Mingdu Shopping Mall, Northeast of the Cross of Middle Zhongshan Road and Qilin Road, Zhongshan District, Liupanshui Guizhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	28 November 2013
9	Business department of Haitong Securities Co., Ltd. in Biyang Road, Bijie	2-4a#, 2-4b#, 2/F Yu Jing Hua Ting, Hongnan Road, Qixinguan District, Bijie (Lin Lang Dalan Community)	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	29 November 2013
10	Business department of Haitong Securities Co., Ltd. in South People Road, Leshan	NO.419 and 421, South People Road, Shizhong District, Leshan	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	29 November 2013
11	Business department of Haitong Securities Co., Ltd. in South Tanghu Road, Shuangliu	NO.244, 3/F Tianma Building, Second South Tanghu Road, Dongsheng Street, Shuangliu, Chengdu	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	29 November 2013
12	Business department of Haitong Securities Co., Ltd. in Jinger Road, Baoji	NO.45 Jinger Road, Weibing District, Baoji	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
13	Business department of Haitong Securities Co., Ltd. in Tianhan Road, Hanzhong	Zhongyin Building, Tianhan Road, Hantai District, Hanzhong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
14	Business department of Haitong Securities Co., Ltd. in West Zhongshan Road, Shangrao	2-1 NO.65, West Zhongshan Road, Xinzhou District, Shangrao, Jiangxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
15	Business department of Haitong Securities Co., Ltd. in Middle Park Road, Pingxiang	NO.123 Middle Park Road, Pingxiang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013

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No.	Business Department	Address	Approval document. No.	Approval date	License obtained date
16	Business department of Haitong Securities Co., Ltd. in Gandong Road, Fuzhou	NO.1533, South Extension of Gandong Road, Fuzhou, Jiangxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
17	Business department of Haitong Securities Co., Ltd. in Dangui Street, Zigong	R6 NO.508, Dangui Street, Ziliujing District, Zigong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
18	Business department of Haitong Securities Co., Ltd. in East Xinhe Road, Puning, Jieyang	7th from South of the West-ward Shop, Zhong Xin Hua Fu, East Xinhe Road, Liusha, Puning, Jieyang, Guangdong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	5 December 2013
19	Business department of Haitong Securities Co., Ltd. in Huanghua Street, Jincheng	Shop 3, Bottom Hoor of NO.5 Hongxiang Community, Huanghua Street, urban area of Jincheng, Shanxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 December 2013
20	Business department of Haitong Securities Co., Ltd. in East Jiushui Road, Qingdao	NO.9 East Jiushui Road, Licang District, Qingdao	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 December 2013
21	Business department of Haitong Securities Co., Ltd. in South Lvyan Road, Lianyungang	NO.48-3, South Lvyan Road, Lianyungang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 December 2013
22	Business department of Haitong Securities Co., Ltd. in Fazhan Road, Suqian	NO.64 Fazhan Road, Suqian	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 December 2013
23	Business department of Haitong Securities Co., Ltd. in South Jiubin Road, Yixing	NO.63, 65, and 67 Jiubin Road, Yicheng Street, Yixing	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	19 December 2013
24	Business department of Haitong Securities Co., Ltd. in Chaoyang Road, Jiangyin	NO.55(1/F) Chaoyang Road, Jiangyin	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 December 2013
25	Business department of Haitong Securities Co., Ltd. in South People Road, Taicang	Room 107, NO. 168 South People Road, Chengxiang, Taicang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 December 2013

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No.	Business Department	Address	Approval document. No.	Approval date	License obtained date
26	Business department of Haitong Securities Co., Ltd. in West Ring Road, Zhoushan	NO.96 West Ring Road, Dinghai District, Zhoushan	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 December 2013
27	Business department of Haitong Securities Co., Ltd. in Chengshan Road, Pudong District, Shanghai	NO.1250 Chengshan Road, Pudong District, Shanghai	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 December 2013
28	Business department of Haitong Securities Co., Ltd. in East Xinhua Street, Hohhot	3/F Hecheng Information Complexity, NO.395 Dongfeng Road, New Urban Area, Hohhot	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
29	Business department of Haitong Securities Co., Ltd. in East North Two Ring Road, Cixi	Room 108 NO.204-206 East North Two Ring Road, Gutang Street, Cixi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
30	Business department of Haitong Securities Co., Ltd. in West Shaoxi Road, Huzhou	1/F and 2/F NO.265 West Shaoxi Road, Shaoxi Business Building, Wuxing District, Huzhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
31	Business department of Haitong Securities Co., Ltd. in North Dongling Road, Guali, Hangzhou	NO.160 North Dongling Road, Guali, Xiaoshan	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
32	Business department of Haitong Securities Co., Ltd. in Nanling Road, Binzhou	1/F Zijing Hotel NO.63 Nanling Road, Beihu District, Bingzhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
33	Business department of Haitong Securities Co., Ltd. in Wulan Street, Songyuan	2/F NO.2299 Wulan Street, Ningjiang District	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
34	Business department of Haitong Securities Co., Ltd. in West Guangdian Road, Changzhou	NO.310 West Guangdian Road, Wujin District Changzhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	23 December 2013
35	Business department of Haitong Securities Co., Ltd. in Middle Yanshan Road, Liyang	A1009-A1012 1/F Futian Center, NO.28 Middle Yanshan Road, Licheng Town, Liyang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 December 2013
36	Business department of Haitong Securities Co., Ltd. in Donghuan Road, Zhangjiagang	NO.123 Donghuan Road, Yangshe	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 December 2013

SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Business Department	Address	Approval document. No.	Approval date	License obtained date
37	Business department of Haitong Securities Co., Ltd. in South Erhe Road, Dali	Aa2-11-Aa2-13 2/F Zhongmin City Square, Xiaguan, Dali	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 December 2013
38	Business department of Haitong Securities Co., Ltd. in Kunyang Street, Jinning	Room 13 2/F First Building Zhenghe Business Square Kunyang, Jinning	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 December 2013

3. Administrative Licensing of Relocation of Business Departments during the Reporting Period

No.	Name of business department before relocated	Name of business department after relocated	New address	License obtained date
1	Business department of Haitong Securities Co., Ltd. in Beisidao Street, Anda, Suihua	Business department of Haitong Securities Co., Ltd. in Niujie Street, Anda, Suihua	No. 235 Niujie Street, Anda, Suihua, Heilongjiang	27 February 2013
2	Business department of Haitong Securities Co., Ltd. in West Tianshan Road, Shanghai	Business department of Haitong Securities Co., Ltd. in West Tianshan Road, Changning District, Shanghai	1/F and 2/F, No. 169 West Tianshan Road, Changning, Shanghai	27 February 2013
3	Business department of Haitong Securities Co., Ltd. in Zhongbei Road, Wuhan	Business department of Haitong Securities Co., Ltd. in Zhongbei Road, Wuhan	No. 259, Zhongbei Road, Wuchang	27 February 2013
4	Business department of Haitong Securities Co., Ltd. in Chengfeng Street, Daqing	Business department of Haitong Securities Co., Ltd. in Chengfeng Street, Daqing	No.126, Chengfeng Street, Ranghu Road, Daqing, Heilongjiang	27 March 2013
5	Business department of Haitong Securities Co., Ltd. in South Zhongzhi Road, Suihua	Business department of Haitong Securities Co., Ltd. in Kangzhuang Road, Suihua	No. 16 Building, Shijifangzhou, Kangzhuang Road, Bei Lin District, Suihua, Heilongjiang	15 May 2013
6	Business department of Haitong Securities Co., Ltd. in Zaoyang Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Zaoyang Road, Putuo District, Shanghai	3F, No.1 Building, No. 182, Zaoyang Road, Putuo District, Shanghai	23 May 2013
7	Business department of Haitong Securities Co., Ltd. in Xinhua Road, Tianshui	Business department of Haitong Securities Co., Ltd. in Dazhong Road, Tianshui	1F, in home appliance area, Lantian City Square, Dazhong Road, Qinzhou Tianshui, Gansu	21 August 2013

SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Name of business department before relocated	Name of business department after relocated	New address	License obtained date
8	Business department of Haitong Securities Co., Ltd. in Dongan Street, Mishan City, Jixi	Business department of Haitong Securities Co., Ltd. in Dongan Street, Mishan City, Jixi	No.75 Dongan Street, Mishan City, Jixi, Heilongjiang	29 August 2013
9	Business department of Haitong Securities Co., Ltd. in Zhuhui Road, Suzhou	Business department of Haitong Securities Co., Ltd. in North Nanyuan Road, Suzhou	No. 31, North Nanyuan Road, Suzhou	3 September 2013
10	Business department of Haitong Securities Co., Ltd. in Xingan Street, Daqi District, Jiage	Business department of Haitong Securities Co., Ltd. in People Road, Daqi District, Jiage	No.168, People Road, Daqi District, Jiage, Greater Khingan region, Heilongjiang	10 September 2013
11	Business department of Haitong Securities Co., Ltd. in Tongchuan Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Tongchuan Road, Putuo District, Shanghai	Room 102,125, 335-345, No. 1601-1613, Tongchuan Road, Putuo District, Shanghai	10 September 2013
12	Business department of Haitong Securities Co., Ltd. in West Yanchang Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Yichuan Road, Putuo District, Shanghai	1F, 2F, No.363, Yichuan Road, Putuo District, Shanghai	17 September 2013
13	Business department of Haitong Securities Co., Ltd. in Laohumin Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Fuhai Road, Jiading District, Shanghai	1F, No. 758, Fuhai Road, Jiading District, Shanghai	22 October 2013
14	Business department of Shenzhen Branch of Haitong Securities Co., Ltd. in South Hongling Road	Business department of Shenzhen Branch of Haitong Securities Co., Ltd. in South Hongling Road	Shop No. B, 3F, 4-5 buildings, Hongling Building, South Hongling Road, Futian District, Shenzhen	25 October 2013
15	Business department of Shenzhen Branch of Haitong Securities Co., Ltd. in Qingpu District, Shanghai	Business department of Haitong Securities Co., Ltd. in Qinghu Road, Qingpu District, Shanghai	No. 780 Qinghu Road, Qingpu District, Shanghai	16 December 2013
16	Business department of Shenzhen Branch of Haitong Securities Co., Ltd. in Baiguan, Shangyu	Business department of Haitong Securities Co., Ltd. in Citizen Road, Shangyu	1-3F, No. 678 Citizen Road, Baiguan Street, Shangyu	28 December 2013

SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

(II) Inaugural Administrative License Matters of Directors, Supervisors and Branch Managers

Serial Number	Time	Contents
1	February 2013	Hubei Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Bai Lili Securities Company" (E Zheng Jian Ji Gou Zi [2013] No.6), approving qualification of Bai Lili branch manager in Bai Lili Securities Company.
2	March 2013	Jilin Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liyong Securities Company" (J Zheng Jian Xu Zi [2013] No.3), approving qualification of Liyong branch manager in Liyong Securities Company.
3	March 2013	Sinkiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Hequn Securities Company" (X Zheng Jian Ju [2013] No.22), approving qualification of Hequn branch manager in Hequn Securities Company.
4	March 2013	Hubei Supervision Bureau of China Securities Regulatory Commission issued "The no-action letter of branch manager taking office in Tu Huimin Securities Company" (E Zheng Jian Ji Gou Zi [2013] No.15), approving qualification of Tu Huimin branch manager in Tu Huimin Securities Company.
5	March 2013	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The decision on qualification of branch manager in Gaomin Securities Company" (L Zheng Jian Xu Ke[2013] No.7), approving qualification of Gaomin branch manager in Gaomin Securities Company.
6	March 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Panwei Securities Company" (Z Zheng Jian Xu Ke [2013] No.20), approving qualification of Panwei branch manager in Panwei Securities Company.
7	March 2013	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Chenjie Securities Company" (W Zheng Jian Han Zi [2013] No.71), approving qualification of Chenjie branch manager in Chenjie Securities Company.
8	April 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Wangxin Securities Company" (Z Zheng Jian Xu Ke [2013] No.32), approving qualification of Wangxin branch manager in Wangxin Securities Company.



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Serial Number	Time	Contents
9	April 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of supervisor in Lilin Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.84), approving qualification of Lilin supervisor in Lilin Securities Company.
10	April 2013	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The decision on approved qualification of branch manager in Jiao Xuefu Securities Company" (L Zheng Jian Xu Ke [2013] No.15), approving qualification of Jiao Xuefu branch manager in Jiao Xuefu Securities Company.
11	April 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhao Jianxiang Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.145), approving qualification of Zhao Jianxiang branch manager in Zhao Jianxiang Securities Company.
12	May 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of independent director in Xiao Suining Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.100), approving qualification of Xiao Suining independent director in Xiao Suining Securities Company.
13	June 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of senior management personnel in Li Jingwei Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.137), approving qualification of Li Jingwei senior management personal in Li Jingwei Securities Company.
14	June 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of senior management personnel in Pei Changjiang Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.142), approving qualification of Pei Changjiang branch manager in Pei Changjiang Securities Company.
15	August 2013	Liaoning Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liuna Securities Company" (L Zheng Jian Xu Ke[2013] No.32), approving qualification of Liuna branch manager in Liuna Securities Company.
16	August 2013	Hei Longjiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Dongtao Securities Company" (H Zheng Jian Xu Ke Zi [2013] No.15), approving qualification of Dongtao branch manager in Dongtao Securities Company.

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Serial Number	Time	Contents
17	September 2013	Hebei Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Ma Xiaoyong Securities Company" (J Zheng Jian Fa [2013] No.66), approving qualification of Ma Xiaoyong branch manager in Ma Xiaoyong Securities Company.
18	October 2013	Guangdong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Cai Zhiqiang Securities Company" (G Dong Zheng Jian Xu Ke [2013] No.129), approving qualification of Cai Zhiqiang branch manager in Cai Zhiqiang Securities Company.
19	October 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Supervisor in Hu Jingwu Securities Company" (H Zheng Jian Ji Gou Zi[2013] No.283), approving qualification of Hu Jingwu Supervisor in Hu Jingwu Securities Company.
20	October 2013	Guangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Duan Guangjun Securities Company" (G Zheng Jian Xu Ke [2013] No.21), approving qualification of Duan Guangjun branch manager in Duan Guangjun Securities Company.
21	October 2013	Sichuan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Lang Yanyan Securities Company" (C Zheng Jian Ji Gou[2013] No.90), approving qualification of Lang Yanyan branch manager in Lang Yanyan Securities Company.
22	October 2013	Sichuan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Chen Ling Securities Company" (C Zheng Jian Ji Gou[2013] No.91), approving qualification of Chen Ling branch manager in Chen Ling Securities Company.
23	October 2013	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Ni Shixu Securities Company" (W Zheng Jian Han Zi [2013] No.265), approving qualification of Ni Shixu branch manager in Ni Shixu Securities Company.
24	October 2013	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Hou Yundong Securities Company" (W Zheng Jian Han Zi [2013] No.266), approving qualification of Hou Yundong branch manager in Hou Yundong Securities Company.



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Serial Number	Time	Contents
25	October 2013	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Haibo Securities Company" (W Zheng Jian Han Zi [2013] No.267), approving qualification of Zhang Haibo branch manager in Zhang Haibo Securities Company.
26	October 2013	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zheng Xiaohong Securities Company" (W Zheng Jian Ji Gou [2013] No.268), approving qualification of Zheng Xiaohong branch manager in Zhen Xiaohong Securities Company.
27	October 2013	Sichuan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Yangyan Securities Company" (C Zheng Jian Ji Gou [2013] No.94), approving qualification of Yangyan branch manager in Yangyan Securities Company.
28	October 2013	Qingdao Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liu Hongshun Securities Company" (Q Zheng Jian Xu Ke [2013] No.20), approving qualification of Liu Hongshun branch manager in Liu Hongshun Securities Company.
29	October 2013	Shenzhen Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liu Danji Securities Company" (S Zheng Ju Xu Ke Zi [2013] No.156), approving qualification of Liu Danji branch manager in Liu Danji Securities Company.
30	October 2013	Ningbo Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Cao Jingbo Securities Company" (Y Zheng Jian Xu Ke [2013] No.21), approving qualification of Cao Jingbo branch manager in Cao Jingbo Securities Company.
31	November 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Sang Jialei Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.302), approving qualification of Sang Jialei branch manager in Sang Jialei Securities Company.
32	November 2013	Guizhou Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zouyang Securities Company" (Q Zheng Jian Fa [2013] No.181), approving qualification of Zouyang branch manager in Zouyang Securities Company.

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Serial Number	Time	Contents
33	November 2013	Guizhou Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Yang Xiaoqi Securities Company" (Q Zheng Jian Fa [2013] No.182), approving qualification of Yang Xiaoqi branch manager in Yang Xiaoqi Securities Company.
34	November 2013	Jilin Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Maming Securities Company" (J Zheng Jian Xu Zi [2013] No.28), approving qualification of Maming branch manager in Maming Securities Company.
35	November 2013	Hunan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhou Haibo Securities Company" (C Zheng Jian Ji Gou [2013] No.96), approving qualification of Zhou Haibo branch manager in Zhou Haibo Securities Company.
36	November 2013	Shanxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Chen Jianfei Securities Company" (S Zheng Jian Xu Ke Zi [2013] No.61), approving qualification of Chen Jianfei branch manager in Chen Jianfei Securities Company.
37	November 2013	Guangdong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Huang Lelin Securities Company" (G Dong Zheng Jian Xu Ke [2013] No.161), approving qualification of Huang Lelin branch manager in Huang Lelin Securities Company.
38	November 2013	Shanxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Danni Securities Company" (S Zheng Jian Xu Ke Zi [2013] No.62), approving qualification of Zhang Danni branch manager in Zhang Danni Securities Company.
39	November 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Chen Xintian Securities Company" (Z Zheng Jian Xu Ke [2013] No.144), approving qualification of Chen Xintian branch manager in Chen Xintian Securities Company.
40	November 2013	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liyong Securities Company" (G Zheng Jian Xu Ke [2013] No.42), approving qualification of Liyong branch manager in Liyong Securities Company.



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Serial Number	Time	Contents
41	November 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Xujun Securities Company" (H Zheng Jian Ji Gou Zi [2013] No.315), approving qualification of Xujun branch manager in Xujun Securities Company.
42	November 2013	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Yuli Securities Company" (G Zheng Jian Xu Ke [2013] No.43), approving qualification of Yuli branch manager in Yuli Securities Company.
43	November 2013	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhong Jinying Securities Company" (G Zheng Jian Xu Ke [2013] No.44), approving qualification of Zhong Jinying branch manager in Zhong Jinying Securities Company.
44	November 2013	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Renci Securities Company" (H Zheng Jian Ji Gou Zi[2013] No.316), approving qualification of Zhang Renci branch manager in Zhang Renci Securities Company.
45	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liangzheng Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.564), approving qualification of Liangzheng branch manager in Liangzheng Securities Company.
46	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Tao Ye Securities Company" (S Zheng Jian Ji Gou Zi[2013] No.565), approving qualification of Taozhi branch manager in Tao Ye Securities Company.
47	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liang Liang Securities Company" (S Zheng Jian Ji Gou Zi[2013] No.566), approving qualification of Liang Liang branch manager in Liang Liang Securities Company.
48	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Wang Jianguo Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.567), approving qualification of Wang Jianguo branch manager in Wang Jianguo Securities Company.

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Serial Number	Time	Contents
49	November 2013	Yunnan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Liang Securities Company" (Y Zheng Jian Xu Ke [2013] No.49), approving qualification of Zhang Liang branch manager in Zhang Liang Securities Company.
50	November 2013	Yunnan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Dushuai Securities Company" (Y Zheng Jian Xu Ke [2013] No.50), approving qualification of Dushuai branch manager in Dushuai Securities Company.
51	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Huang Yingda Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.576), approving qualification of Huang Yingda branch manager in Huang Yingda Securities Company.
52	November 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Shenpei Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.577), approving qualification of Shenpei branch manager in Shenpei Securities Company.
53	November 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Qianhang Securities Company" (Z Zheng Jian Xu Ke [2013] No.155), approving qualification of Qianhang branch manager in Qianhang Securities Company.
54	December 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Fugui Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.601), approving qualification of Zhang Fugui branch manager in Zhang Fugui Securities Company.
55	December 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhanglei Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.609), approving qualification of Zhanglei branch manager in Zhanglei Securities Company.
56	December 2013	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Jiangyi Securities Company" (S Zheng Jian Ji Gou Zi [2013] No.610), approving qualification of Jiangyi branch manager in Jiangyi Securities Company.



SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

Serial Number	Time	Contents
57	December 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhou Zheren Securities Company" (Z Zheng Jian Xu Ke[2013] No.161), approving qualification of Zhou Zheren branch manager in Zhou Zheren Securities Company.
58	December 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Miaomiao Securities Company" (Z Zheng Jian Xu Ke[2013] No.162), approving qualification of Miaomiao branch manager in Miaomiao Securities Company.
59	December 2013	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Liqun Securities Company" (L Zheng Jian Xu Ke [2013] No.90), approving qualification of Liqun branch manager in Liqun Securities Company.
60	December 2013	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Zhang Minhua Securities Company" (Z Zheng Jian Xu Ke [2013] No.180), approving qualification of Zhang Minhua branch manager in Zhang Minhua Securities Company.
61	December 2013	Shenzhen Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Chenxiao Securities Company" (S Zheng Ju Xu Ke Zi [2013] No.200), approving qualification of Chenxiao branch manager in Chenxiao Securities Company.
62	December 2013	Hubei Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Li Xiaozhong Securities Company" (E Zheng Jian Ji Gou Zi [2013] No.103), approving qualification of Li Xiaozhong branch manager in Li Xiaozhong Securities Company.
63	December 2013	Hebei Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of branch manager in Guyue Securities Company" (J Zheng Jian Fa [2013] No.94), approving qualification of Guyue branch manager in Guyue Securities Company.

SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

(III) Other administrative permissions

<u>Date</u>	<u>Business qualification</u>	<u>Approval organization</u>	<u>Title of approval document</u>	<u>No. of approval document</u>
16 September 2013	Issuance of short-term financing bonds business	People's Bank of China	Notice from People's Bank of China on Issuance of Short-term Financing Bonds by Haitong Securities Co., Ltd.	(Yin Fa[2013]No.220)
15 July 2013	Distribution Of Financial Products	CSRC Shanghai supervision bureau	Approval for Qualification of Distribution Of Financial Products by Haitong Securities Co., Ltd.	(Hu Zheng Jian Ji Gou Zi [2013]No.180)
29 September 2013	Pilot qualification of conducting capital consumption payment services for client securities	CSRC	Letter of No Objection on Conducting Capital Consumption Payment Services Trials for Client Securities by Haitong Securities Co., Ltd.	(Ji Gou Bu Bu Han [2013] No.741)
16 October 2013	Qualification for recording military confidential business consultancy services in a secured and confidential condition	SASTIND	Conformation Letter of Record Filing of Military Confidential Business Consultancy Services in a Secured and Confidential Condition	Certificate Number: 00132029
12 December 2013	Qualification for insurance and agency	CIRC Shanghai supervision bureau	Approval for Qualification of the Eleventh Bath of Concurrent-business Insurance Agency in 2013	(Hu Bao Jian Xu Ke[2013] No.204)
19 December 2013	Precious metal spot contract such as gold and proprietary trading for gold spot contract	CSRC	Letter of No Objection on Distributing Precious Metal Spot Contract such as Gold and Proprietary Trading for Gold Spot Contract by Haitong Securities Co., Ltd.	(Ji Gou Bu Bu Han [2013] No.959)

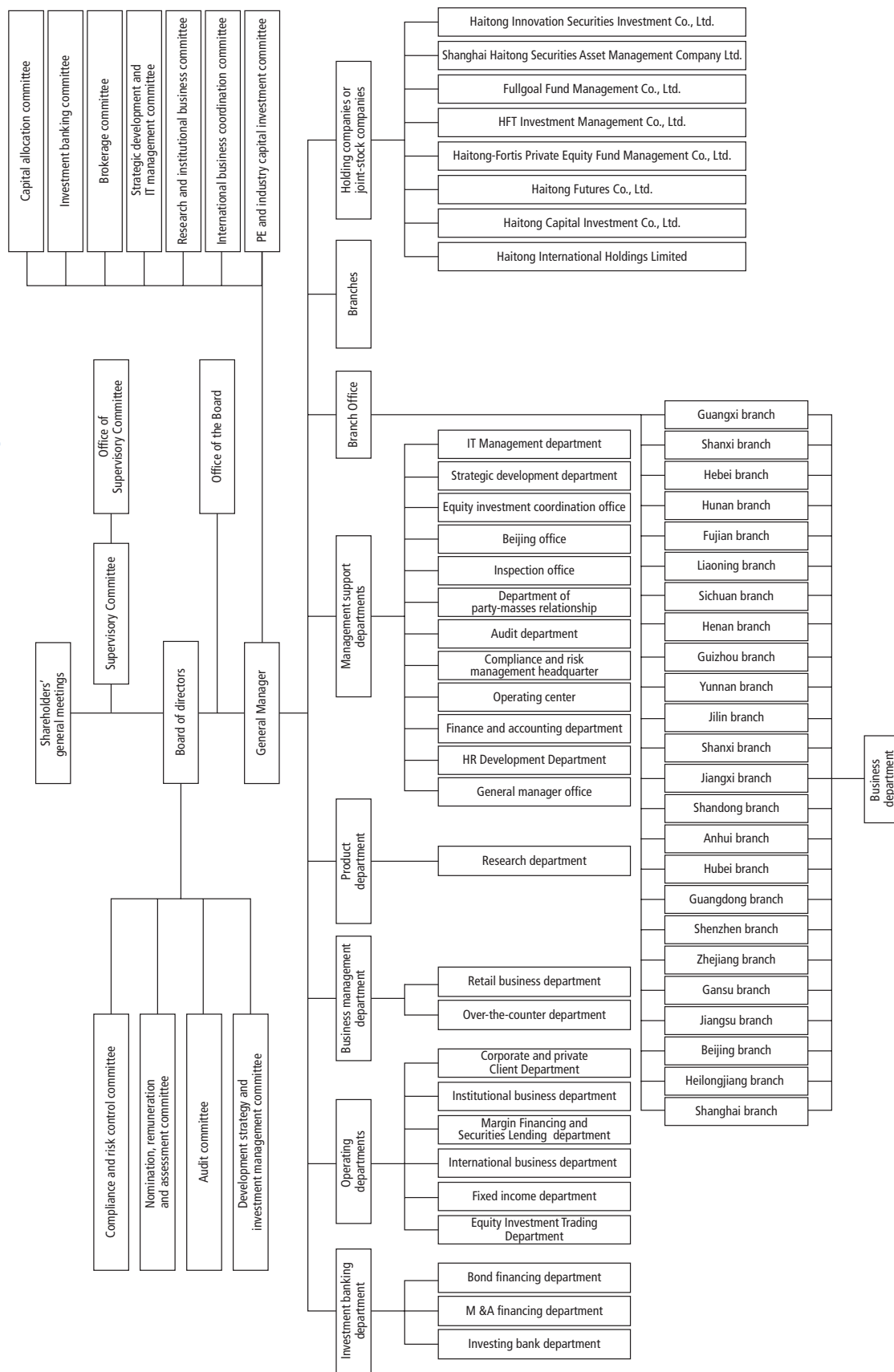
SECTION XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

Date	Business qualification	Approval organization	Title of approval document	No. of approval document
27 December 2013	securities investment fund custody business	CSRC	Reply on Approving Haitong Securities Co., Ltd.'s qualification for conducting securities investment fund custody business	(Zheng Jian Xu Ke [2013] No.1643)

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2013, the Company was rated as a “Grade A, Category A” company.

APPENDIX I: ORGANIZATIONAL STRUCTURE OF HAITONG SECURITIES CO., LTD.



APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

As at the end of the Reporting Period, the Company had a total of 24 branches and 240 securities business departments.

Particulars of branches

No.	Branch	Address	Year of Establishment	Person in charge
1	Shanghai branch	20F, No. 285, West Jianguo Road, Shanghai	2009	Cao Xuesong
2	Zhejiang branch	No. 138, Jiefang Road, Hangzhou, Zhejiang	2009	Zhu Yuanyuan
3	Jiangsu branch	Room 1218, Suning Global Mansion, No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang
4	Shenzhen branch	49F, Shidai-Caifu Building, No. 88, Fuhua Road 3, Futian District, Shenzhen, Guangdong	2009	Zou Erhai
5	Guangdong branch	9F, G.T.Land Plaza South Tower, No.8, Zhujiang West Road, Guangzhou, Guangdong	2009	Zhang Zhenwen
6	Beijing branch	Room 608, Fangyuan Building, No. B56, Zhongguancun South Yi, Beijing	2009	Li Jiansheng
7	Heilongjiang branch	No. 99-9, Changjiang Road, Harbin, Heilongjiang	2009	Wu Hongsong
8	Gansu branch	10F, No. 157, Wudu Road, Lanzhou, Gansu	2009	Han Gang
9	Hubei branch	No. 2, Jiangda Road, Wuhan, Hubei	2009	Tu Huimin
10	Anhui branch	6F, Xingdu Building, No. 262, Huangshan Road, Hefei, Anhui	2010	Ni Yu
11	Jilin branch	4th Building, Xinglan Area, Nangan District, Changchun, Jilin (No. 550, Dajing Road)	2011	Huang Jinfu
12	Jiangxi branch	4F, Jiangxi Construction Building, No. 97, North Square Road, Nanchang, Jiangxi	2011	Xiao Pingping
13	Shanxi branch	No. 92, XinJian Road, Xinghualing District, Taiyuan, Shanxi	2011	Yang Xiaoping
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Zhang Chongde
15	Guizhou branch	14F, North Tower, Tianheng City Garden, No. 66, North Fushui Road, Guiyang, Guizhou	2011	Wei Wei
16	Henan branch	6F, Haitong Securities Building, No. 16, Jingqi Road, Zhengzhou, Henan	2011	Zhao Gaohua
17	Shandong branch	3F, No. 15, Quancheng Road, Jinan, Shandong	2011	Wang Yuqiu
18	Sichuan branch	No. 12, Xiaohe Street, Chengdu, Sichuan	2011	Xu Feng
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long
20	Fujian branch	3F, 1st building, Riyuexing Garden, No. 278, Qunzhong Road, Fuzhou, Fujian	2011	Zhan Liangyu
21	Guangxi branch	2F, 3rd building, No. 18, Minzhu Road, Nanning, Guangxi	2012	Lu Xiangyang
22	Hunan branch	6F, Yinhua Hotel, No. 618, Wuyi Avenue, Changsha, Hunan	2012	Song Jiaqing
23	Shaanxi branch	West Area, 10F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya
24	Hebei branch	No. 2, Shifan Street, Shijiazhuang, Hebei	2012	Guan Xuefen

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

Particulars of securities business departments

No.	Name of Business Department	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Room 1-2, 7th building, Cinnamomum Camphora Along A Waterfront, Huxin North Road, Anqing, Anhui	Wang Huaiqi (汪懷其)
2	Bengbu Zhongrong Street Securities Business Department	No. 146, Tianyuan Building, Zhongrong Street, Bengbu, Anhui	Sun Wei (孫偉)
3	Fuyang East Qinghe Road Securities Business Department	1st building, Yiqingyuan, East Qinghe Road, Yingzhou District, Fuyang, Anhui	Li Benquan (李本權)
4	Hefei Huangshan Road Securities Business Department	4F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Chen Jie (陳潔)
5	Huaibei Xiangshan Road Securities Business Department	No. 292, Xiangshan Road, Huaibei, Anhui	Wang Lingwei (王凌巍)
6	Huainan Tianda Road Securities Business Department	Room 101 of 6th building & 1-2F of 7th building, Paris Spring, Tianda Road, Datong District, Huainan	Chen Ke (陳可)
7	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Xia Siqing (夏斯清)
8	Maanshan Middle Hudong Road Securities Business Department	9-302, Central Garden, Middle Hudong Road, Huashan District, Maanshan, Anhui	Wang Shangzhong (王尚鐘)
9	Beijing Guanghua Road Securities Business Department	Aode Building, No. A8, Guanghua Road, Chaoyang District, Beijing	Bai Rubin (白汝斌)
10	Beijing Workers Stadium North Road Securities Business Department	301A and 302A, 3F, 1st building, No. 66, Workers Stadium North Road, Docheng District, Beijing	Ma Hui (馬輝)
11	Beijing Zhichun Road Securities Business Department	5F, Weixing Building, No. 63, Zhichun Road, Haidian District, Beijing	Wang Song (王宋)
12	Beijing Zhongguancun South Road Securities Business Department	No. 56, Zhongguancun South Road, Haidian District, Beijing	Liu Yi (劉毅)
13	Beijing Miyun Gulou East Street Securities Business Department	No. 19, East Gulou Street, Miyun County, Beijing	Xue Chengbin (薛成彬)
14	Beijing Pinggu Jinxiang Road Securities Business Department	1F, 3F, No. 1, Business Department, Jinxiang Road, Pinggu District, Beijing	Xiong Jun (熊軍)
15	Fuzhou Qunzhong Road Securities Business Department	3F, 1st building, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou	Zhan Liangyu (詹亮宇)
16	Xiamen Lehaibeili Securities Business Department	No. 98-103, Lehaibeili, Jimei District Xiamen	Liu Yanxiang (劉雁翔)
17	Quanzhou Tianan Road Securities Business Department	4F, Qingnian Building, Tianan Road, Quanzhou, Fujian	Lin Yupeng (林毓鵬)
18	Fuan YangTou Square North Road Securities Business Department	805, 5F, Building No.1, Shuianmingzhu, No. 6, YangTou Square North Road, Town District, Fuan, Fujian	Lin Huairong (林懷榮)
19	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Wang Baolin (王保林)
20	Jinchang Changchun Road Securities Business Department	China Salt Industry Building, District 19, Changchun Road, Jinchang, Gansu	Zhou Youxue (周有學)
21	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Wang Weida (王維達)
22	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Su Yi (蘇藝)
23	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Yang Junfeng (楊俊峰)
24	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Shen Zhiqiang (沈自強)
25	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Xu Yi (徐毅)
26	Cheng County East Street Securities Business Department	No. 34, East Street, Chengguan Town, Cheng County, Longnan, Gansu	Hao Xuming (郝續鳴)
27	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Zhu Weidong (祝唯東)
28	Tianshui Dazhong Road Securities Business Department	Dazhong Road, Qinzhou District, Tianshui, Gansu (home appliance area in the inner street, 1F of Lantian City Square)	Zhou Jun (周軍)
29	Wuwei Jianguo Street Securities Business Department	3F, Post Building, Jianguo Street, Liangzhou District, Wuwei, Gansu	Wu Yong (武勇)
30	Dongguan Shenghe Road Securities Business Department	3F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Wang Tieping (王鐵平)
31	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Ma Junen (馬俊恩)



APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
32	Guangzhou Dongfeng West Road Securities Business Department	11F & 12F, Tower B, No.195 Dongfeng West Road, Guangzhou medical college Teaching and academic exchange center, Yuexiu District, Guangzhou	Cai Zhaopeng (蔡昭麟)
33	Guangzhou Jiangnan West Road Securities Business Department	2F, No. 13-16, Qingkui Street, Jiangnan West Road, Guangzhou, Guangdong	Pan Shuming (潘淑明)
34	Guangzhou Zhujiang West Road Securities Business Department	Room 903-906, 9F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Tian Xiangming (田向明)
35	Shantou Zhongshan Middle Road Securities Business Department	2F & 3F, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong	Zhang Zhenwen (張鎮文)
36	Shaoguan Wenhua Street Securities Business Department	Annex 1F, 2F, Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan, Guangdong	Wu Di (吳迪)
37	Zhongshan Yuelai South Road Securities Business Department	Gate 8, 1F & 2F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Ye Tao (葉濤)
38	Nanning Minzhu Road Securities Business Department	1F & 2F, No. 18 Yongzhou Restaurant, Minzhu Road, Xinning District, Nanning, Guangxi	Lu Xiangyang (盧向陽)
39	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, 7th Building, Sunshine 100 City Square, No. 2, Guizhong Avenue (S), Liuzhou, Guangxi	Duan Guangjun (段廣軍)
40	Guilin Lijiang Road Securities Business Department	4F, No. 4, Lijiang Road, Qixing District, Guilin, Guangxi	Zhang Ning (張寧)
41	Guiyang Tongxin West Road Securities Business Department	3F, Baiyun Building, No. 3, Tongxin West Road, Baiyun Mansion, Baiyun District, Guiyang, Guizhou	Li Fuhui (李福輝)
42	Guiyang Fushui North Road Securities Business Department	Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Wei Wei (魏衛)
43	Zunyi Zhonghua South Road Securities Business Department	3F Longjinggou Complex, Zhonghua South Road, Zunyi, Guizhou	Zhong Jian (鐘健)
44	Haikou Longkun North Road Securities Business Department	CNAC Bldg, No. 15 Longkun North Road Haikou, Hainan	Xiao Rong (肖蓉)
45	Shijiazhuang, Gaocheng Shengli Road Securities Business Department	No. 22, Shengli Road, Gaocheng, Hebei	Ma Xiaoyong (馬驍勇)
46	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang, Hebei	Guan Xuefen (關雪芬)
47	Baoding Dongfeng East Road Securities Business Department	Renhe Yijia Apartment, No. 215, Dongfeng East Road, Beishi District, Baoding, Hebei	Liu Tao (劉濤)
48	Luoyang Stadium Road Securities Business Department	No. 13 Luoyang Stadium Road, Luoyang, Henan	Gong Lan (龔嵐)
49	Xuchang Jianshe Road Securities Business Department	Floor 3,4,5, Tianlun Building Chunqiu Square, Jianshe Road, Xuchang, Henan	Dong Yixing (東逸興)
50	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou, Henan	Zhao Gaohua (趙高華)
51	Daqing Honggang North Road Dongjie Securities Business Department	No. 6, East Street North Road, Honggang District, Daqing, Heilongjiang	Wang Xibin (王希斌)
52	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue Ranghulu District, Daqing, Heilongjiang	Meng Qinglu (孟慶錄)
53	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Hu Haibin (胡海斌)
54	Daqing Jinsan Street Securities Business Department	No. 29, Jinsan Street, Saertu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)
55	Daqing Jinliu Street Securities Business Department	No. 47, Jinliu Street, Saertu District Daqing, Heilongjiang	Li Gaoping (李高平)
56	Harbin Tongjiang Street Securities Business Department	(part of 1F, 4F, 5F, 6F) No. 163, Tongjiang Street, Daoli District, Harbin, Heilongjiang	Liu Songtao (劉松濤)
57	Harbin Xinyang Road Securities Business Department	No. 240, Xinyang Road, Daoli District, Harbin, Heilongjiang	Sun Lei (孫雷)
58	Harbin Dongzhi Road Securities Business Department	No. 69, Dongzhi Road, Daowai District, Harbin, Heilongjiang	Zhao Jia (趙家)
59	Harbin Hulan North Erdao Street Securities Business Department	No. 77, North Erdao Street, Hulan District North, Harbin, Heilongjiang	Tian Ran (田然)
60	Harbin Changjiang Road Securities Business Department	No. 99-5, Changjiang Road, Nangang District, Harbin, Heilongjiang	Guo Wei (郭威)
61	Harbin Guogeli Street Securities Business Department	No. 200, Guogeli Street, Nangang District, Harbin, Heilongjiang	Qu Pu (曲譜)
62	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Nangang District, Harbin, Heilongjiang	Zou Qi (鄒琪)
63	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin, Heilongjiang	Li Yanli (李延立)
64	Harbin Shuangcheng Changsheng Street Securities Business Department	Workers Committee Integrated Building, Changsheng Street, Shuangcheng, Harbin, Heilongjiang	Yao Haitao (姚海濤)
65	Harbin Peace Road Securities Business Department	No. 2 Peace Road, Xiangfang District, Harbin, Heilongjiang	Zhao Qun (趙群)
66	Hegang Jiefang Road East Securities Business Department	No. 27 Jiefang Road East, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
67	Heihe Beian Jiaotong Road Securities Business Department	No. 81 Jiaotong Road, Beian, Heihe, Heilongjiang	Feng Dafu (馮大富)
68	Heihe Nenjiang Nenxing Road Securities Business Department	No. 8 Nenxing Road, Nenjiang County, Heihe, Heilongjiang	Wei Jingzhi (魏璟志)
69	Heihe Zhongyang Street Securities Business Department	No. 258 Zhongyang Street, Heihe, Heilongjiang	Gu Hongyi (顧宏毅)
70	Jixi Hulin Hongqi Street Securities Business Department	Hongqi Street Center, Hulin Town, Hulin, Heilongjiang	He Ming (何明)
71	Jixi Zhongxin Main Street Securities Business Department	No. 110 Zhongxin Main Street, Jiquan District, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
72	Jixi Mishan Dongan Street Securities Business Department	No. 75 Dongan Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)
73	Jiagedaqi Renming Street Securities Business Department	No. 168 Renming Street, Jiagedaqi District, Daxing Anling, Heilongjiang	Liu Yaxuan (劉亞軒)
74	Jiamusi Baowei Road Securities Business Department	Yifu City Apartment, No. 115 Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Wang Xiaofei (王曉飛)
75	Daxing Anling Mohe Zhenxing Road Securities Business Department	Postal Office Building, Zhenxing Road, Xilinji Town, Mohe County, Heilongjiang	Li Zijun (李子軍)
76	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75 Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
77	Mudanjiang Hailin Linhai Road Securities Business Department	No. 65 Linhai Road, Hailin, Mudanjiang, Heilongjiang	Lin Yanhua (林艷花)
78	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101 Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
79	Mudanjiang Peace Street Securities Business Department	No. 7 Peace Street, Xian District West, Mudanjiang, Heilongjiang	Liu Wei (劉威)
80	Mudanjiang Mudan Street Securities Business Department	No. 1 Mudan Street West, Mudanjiang, Heilongjiang	Zhou Biao (周飆)
81	Qitaihe Datong Street Securities Business Department	No. 98 Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
82	Qiqihar Peace Road Securities Business Department	3F, 4F, 5F, No. 81 Peace Road, Fulajie District, Qiqihar	Liu Yi (劉義)
83	Qiqihar Anshun Road Securities Business Department	No. 6 Anshun Road, Longsha District, Qiqihar, Heilongjiang	Tian Yukun (田玉坤)
84	Qiqihar Bukui Street Securities Business Department	No. 42 Bukui Street, Longsha District, Qiqihar, Heilongjiang	Wang Hongwei (王宏偉)
85	Qiqihar Nehe Zhongxin Main Street Securities Business Department	No. 369 Zhongxin Main Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
86	Shuangyashan Wuma Road Securities Business Department	No. 9 Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Song Junxie (宋俊頤)
87	Suihua Anda Niuji Securities Business Department	No. 235 Niuji Anda, Suihua, Heilongjiang	Wang Xichen (王喜臣)
88	Suihua South Zhongzhi Road Securities Business Department	Building 16 Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
89	Yichun Xinxing Middle Road Securities Business Department	1/F, 3/F, No. 90 Xinxing Middle Road, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
90	Wuhan Shisheng Road Securities Business Department	6F, Tower A, No. T1 Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)
91	Wuhan Jiangda Road Securities Business Department	No. 2 Jiangda Road, Jiang'an District, Wuhan, Hubei	Tu Huimin (屠惠敏)
92	Wuhan Zhongbei Road Securities Business Department	No. 259 Zhongbei Road, Wuchang District	Zhou Lihua (周麗華)
93	Xianning Qianshan Road Securities Business Department	No. 6 Qianshan Road, Xian'an District, Xianning, Hubei	Liu Shihan (劉士漢)
94	Changsha Wuyi Avenue Securities Business Department	5/F, 6/F Yinhua Mansion, No. 618 Wuyi Avenue, Changsha, Hunan	Song Jiaqing (宋家清)
95	Changde Langzhou Road Securities Business Department	3/F, Kaili Building, No. 137 Langzhou Road, Qingyangge Community, South City Office, Wuling District, Changde, Hunan	Zhang Wenzhong (張文忠)
96	Hengyang Zhengyang South Road Securities Business Department	No. 604-607, 6/F, Chongye Commercial Plaza, No. 2 Zhengyang South Road, Yanfeng District, Hengyang	Ge Xianghong (葛向紅)
97	Shaoyang Daijia Road Securities Business Department	2/F of the CCB Branch next to Feicuixingcheng, Daijia Road, Daxiang District, Shaoyang, Hunan	Deng Jiabin (鄧家斌)
98	Changchun Dajing Road Securities Business Department	No. 550 Dajing Road, Changchun, Jilin	Li Yong (李勇)
99	Dongfeng Dongfeng Road Securities Business Department	No. 281 Dongfeng Road, Dongfeng County, Jilin	Qin Jingbo (秦靖波)
100	Jilin Nanjing Street Securities Business Department	No. 104 Nanjing Street, Jilin City, Jilin	Song Baohong (宋寶紅)
101	Liaoyuan Renmin Avenue Securities Business Department	No. 2853 Renmin Avenue, Longshan District, Liaoyuan	Li Ying (李穎)
102	Changshu North Haiyu Road Securities Business Department	No. 20 North Haiyu Road, Changshu, Jiangsu	Ma Zili (馬自力)
103	Changzhou Jianshen Road Securities Business Department	No. 16 Jianshen Road, Changzhou, Jiangsu	Tang Jun (唐軍)



APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
104	Danyang Danjin Road Securities Business Department	3/F & 4/F, Fu Kang Yuan, No. 14 Danjin Road, Danyang, Jiangsu	Xue Xiaoyan (薛曉雁)
105	Huaian North Huaihai Road Securities Business Department	1/F, 4/F & 5/F, No. 50 North Huaihai Road, Huaian, Jiangsu	Tang Daquan (唐大權)
106	Jiangdu Longcheng Road Securities Business Department	No. 79 Longcheng Road, Jiangdu, Jiangsu	Su Jiahong (蘇加宏)
107	Nanjing Changfu Street Securities Business Department	No. 85-7 Changfu Street, Baixia District, Nanjing, Jiangsu	Zhang Songjie (張頌傑)
108	Nanjing Guangzhou Road Securities Business Department	No. 188 Guangzhou Road, Gulou District, Nanjing, Jiangsu	Qian Jingxing (錢敬星)
109	Nantong Renmin Middle Road Securities Business Department	No. 88 Renmin Middle Road, Nantong, Jiangsu	Miao Pengfei (繆鵬飛)
110	Suzhou Nanyuanbei Road Securities Business Department	No. 31 Nanyuanbei Road, Suzhou	Yue Lan (岳嵐)
111	Taizhou Gulou Road South Securities Business Department	No. 315 Gulou Road South, Taizhou, Jiangsu	Qiao Leizhang (喬雷璋)
112	Wuxi Jiefang Road East Securities Business Department	No. 1008 Jiefang Road East, Wuxi, Jiangsu	Wu Guohua (吳國華)
113	Yancheng Middle Jianjun Road Securities Business Department	No. 68 Middle Jianjun Road, Yancheng, Jiangsu	Liu Aiwu (劉愛武)
114	Yangzhou Wenhe Road South Securities Business Department	No. 69 Wenhe Road South, Yangzhou, Jiangsu	Liu Junjie (劉俊傑)
115	Xuzhou Zhongshan Road North Securities Business Department	3/F, Longtai Building, No. 12 Zhongshan Road North, Gulou District, Xuzhou, Jiangsu	Zhang Liang (張亮)
116	Zhenjiang Zhongshan Road West Securities Business Department	No. 53 Zhongshan Road West, Runzhou District, Zhenjiang, Jiangsu	Cheng Jian (成劍)
117	Xinyu Fenyi Fuqian Road Securities Business Department	No. 5 Fuqian Road, Fenyi County, Jiangxi	Lai Wensheng (賴文勝)
118	Nanchang Plaza Road North Securities Business Department	No. 97 Plaza Road North, Nanchang, Jiangxi	Xiao Fangsheng (肖芳生)
119	Xinyu Labour Road South Securities Business Department	3/F, Yindu Mansion, Labour Road South, Xinyu, Jiangxi	Xiao Pingping (肖萍萍)
120	Ganzhou Hongqi Avenue Securities Business Department	1/F - 4/F, Building 1, No. 25 Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Zhu Farong (朱發榮)
121	Anshan Erdao Street Securities Business Department	No. 90 Erdao Street, Tiedong District, Anshan, Liaoning	Liu Na (劉娜)
122	Anshan Xiuyan Securities Business Department	No. 49-19 Fuchang Road, Xiuyan, Xiuyan Manzu Autonomous County, Anshan, Liaoning	Wang Shidong (王世東)
123	Dalian Tianjin Street Securities Business Department	No. 91 Tianjin Street, Zhongshan District, Dalian	Wei Chunmin (衛春敏)
124	Panjin Renmin Road Securities Business Department	No. 1-48-6 Caimao Garden, Renmin Road, Xinglongtai District, Panjin, Liaoning	Zhao Hong (趙宏)
125	Shenyang Daxi Road Securities Business Department	No. 364 Daxi Road, Shenhe District, Shenyang, Liaoning	Wang Qun (王群)
126	Yingkou Liaohe Street Securities Business Department	No. 9 Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Qiao Wenxuan (喬文選)
127	Feicheng Xincheng Road Securities Business Department	No. 039 Xincheng Road, Feicheng, Shandong	Zhang Yong (張勇)
128	Jinan Hongjialou South Road Securities Business Department	No. 25 Hongjialou South Road, Jinan, Shandong	Yu Hongquan (于洪泉)
129	Jinan Quancheng Road Securities Business Department	No. 15 Quancheng Road, Jinan, Shandong	Zhang Dong (張東)
130	Qingdao Hangzhou Road Securities Business Department	No. 20 Hangzhou Road, Qingdao, Shandong	Liu Changbo (劉昌波)
131	Qingdao 1st Zhanshan Road Securities Business Department	No. 25 1st Zhanshan Road Shinan District, Qingdao	Cui Ning (崔寧)
132	Taian Daizong Street Securities Business Department	No. 10 Daizong Street, Taian, Shandong	Gao Min (高敏)
133	Weihai Gaoshan Street Securities Business Department	No. 2 Gaoshan Street, Weihai, Shandong	Sun Xiaodong (孫曉東)
134	Yantai Jiefang Road Securities Business Department	No. 164 Jiefang Road, Yantai, Shandong	Yang Zhiyi (楊志藝)
135	Zibo Huantai Dongyue Road Securities Business Department	Qishang Bank Buiding, No. 1251 Dongyue Road, Huantai, Zibo, Shandong	Liu Shanshun (劉善順)
136	Zibo Shihua Securities Business Department	No. 69 Qilu Chemical Plaza, Linzi District, Zibo, Shandong	Jiangshan (姜山)
137	Zibo Tongji Street Securities Business Department	No. 140 Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
138	Zaozhuang Taishan South Road Securities Business Department	No. 111 West side of Taishan South Road, Xuecheng District, Zaozhuang, Shandong (opposite to Railway Transportation Office)	Jiao Xuefu (焦學福)
139	Taiyuan Changfeng West Street Securities Business Department	8/F, Tower B, Lihua Building, No. 1 Changfeng West Street, Taiyuan, Shanxi	Heng Yufeng (衡宇峰)
140	Taiyuan Yingzexi Street Securities Business Department	No. 386 Yingzexi Street, Taiyuan, Shanxi	Wang Gang (王剛)
141	Taiyuan Xinjian Road Securities Business Department	No. 92 Xinjian Road, Xinghualing District, Taiyuan, Shanxi	Yang Xiaoping (楊小平)
142	Taiyuan Xinghua Road Securities Business Department	No. 188 Xinghua Road, Taiyuan, Shanxi	Feng Bing (馮冰)
143	Xi'an Xixin Street Securities Business Department	No. 11002, No. 20102, Building 1 Haixing Intellectual Square, No. 11 Xixin Street, Xi'an, Shaanxi	Wei Tao (衛濤)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
144	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1 Shenxing North Road, Xianyang, Shaanxi	Meng Liya (孟立亞)
145	Yulin Yuyang Securities Business Department	Huayu Building, No. 41 Fushi Road, Yuyang District, Yulin	Hai Xia (海霞)
146	Shanghai Changning District Tianshan West Road Securities Business Department	1/F, 2/F, No. 169 Tianshan West Road, Changning District, Shanghai	He Deyu (何德煜)
147	Shanghai Xuanhua Road Securities Business Department	7/F, Huaning Plaza, No. 300 Xuanhua Road, Shanghai	Xu Lan (徐嵐)
148	Shanghai Zhongdeqiao Road Securities Business Department	No. 2 Zhongdeqiao Road, Shanghai	Mao Jiajun (茅佳俊)
149	Shanghai Nanxiang Securities Business Department	No. 681 Deyuan Road, Shanghai	Zhang Feng (張峰)
150	Shanghai Nanqiao Securities Business Department	No. 381 Nanxing Road, Nanqiao, Shanghai	Zhang Cheng (張成)
151	Shanghai Guilin Road Securities Business Department	No. 46 Guilin Road, Shanghai	Wu Hongzhi (吳宏志)
152	Shanghai Hefei Road Securities Business Department	No. 293 Hefei Road, Shanghai	Wang Yuan (王圓)
153	Shanghai Yutian Branch Road Securities Business Department	No. 11 Yutian Branch Road, Shanghai	Lin Jia (林佳)
154	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351 Macao Road, Putuo District, Shanghai	Shao Yan (邵艷)
155	Shanghai Yuyao Road Securities Business Department	No. 420 Yuyao Road, Shanghai	Zhu Jiangli (朱江力)
156	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758 Fuhai Road, Jiading District, Shanghai	Xu Jun (徐俊)
157	Shanghai Mudanjiang Road Securities Business Department	No. 263-265 Mudanjiang Road, Shanghai	Lu Yan (陸雁)
158	Shanghai Pingwu Road Securities Business Department	No. 38 Pingwu Road, Shanghai	Wang Yi (王軼)
159	Shanghai Gushan Road Securities Business Department	No. 619, Gushan Road, Pudong, Shanghai	Chen Wenyan (陳文彥)
160	Shanghai Rushan Road Securities Business Department	No. 233, Rushan Road, Shanghai	Gao Yanhua (高燕華)
161	Shanghai Putuo District Zaoyang Road Securities Business Department	3/F, Building 1, No. 182 Zaoyang Road, Putuo District, Shanghai	Lou Gang (樓剛)
162	Shanghai Sichuan South Road Securities Business Department	No. 26, Sichuan South Road, Shanghai	Du Jun (杜峻)
163	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Yu Youhong (余有紅)
164	Shanghai Putuo District Tongchuan Road Securities Business Department	Room 102, 125 and 335-345, No. 1601-1613, Tongchuan Road, Putuo District, Shanghai	Yang Zhidi (楊志弟)
165	Shanghai Wuzhong Road Securities Business Department	No. 1059, Wuzhong Road, Shanghai	Si Anxiang (司安祥)
166	Shanghai Xianggang Road Securities Business Department	No. 117, Xianggang Road, Shanghai	Ye Chaolong (葉潮龍)
167	Shanghai Xietu Road Securities Business Department	3F, No. 112 & 1F & 3F, No. 116, Xietu Road, Shanghai	Yang Hong (楊紅)
168	Shanghai Jianguo West Road Securities Business Department	3F, No. 285, Jianguo West Road, Shanghai	Zhou Jie (周杰)
169	Shanghai Putuo District Yichuan Road Securities Business Department	1/F, 2/F, No. 363 Yichuan Road, Putuo District, Shanghai	Zhao Hui (趙輝)
170	Shanghai Benxi Road Securities Business Department	No. 181, Benxi Road, Shanghai	Gu Jianxue (顧建學)
171	Shanghai Gonghexin Road Securities Business Department	No. 3703, Gonghexin Road, Shanghai	Lu Zhiquan (盧志泉)
172	Shanghai Zhenhua Road Securities Business Department	No. 950, Zhenhua Road & No. 326, Dahua 2nd Road, Shanghai	Gong Zhihong (龔志宏)
173	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road, Shanghai	Li Jianxin (李建新)
174	Shanghai Songjiang District Renmin Road North Securities Business Department	No. 5, No. 6, No. 7, No. 8, Lane 171, Renmin Road North, Songjiang District, Shanghai	Peng Xiaotong (彭霄彤)
175	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Jin Shiwei (金世偉)
176	Shenzhen Fuhua 3rd Road Securities Business Department	Unit B, 3F, Times Fortune Building, South Downtown, Fuhua 3rd Road, Futian District, Shenzhen	Gong Mei (龔瑛)



APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
177	Shenzhen Honglingnan Road Securities Business Department	No. B, 3/F, Tower 4-5, Hongling Building, Honglingnan Road, Futian District, Shenzhen	Wan Lanming (萬蘭明)
178	Shenzhen Huaifu Road Securities Business Department	5/F, Nanguang Building West, No.5, Huaifu Road, Futian District, Shenzhen	Nan Yu (南玉)
179	Shenzhen Jingtian Road Securities Business Department	No. 202, Rui Da Yuan, Jingtian Road, Futian District, Shenzhen	Shen Zhijing (沈志敬)
180	Shenzhen Branch Honglingzhong Road Securities Business Department	3F, 20/F, Zhongshen Guoji Mansion, No.2068, Honglingzhong Road, Shenzhen, Guangdong Province	Wang Lei (王磊)
181	Shenzhen Haide 3rd Road Securities Business Department	Room 801-805, 806A, 810A, 811 and 812, 8F, Tiley Central Plaza, Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
182	Chengdu West Renmin Road Securities Business Department	No. 96, West Renmin Road, Chengdu	Xu Feng (許鋒)
183	Chengdu Wenjiang District East Yangliu Road Securities Business Department	No. 31, 34 & 83, East Yangliu Road, Wenjiang District, Chengdu, Sichuan	Xu Jianqiang (徐建強)
184	Mianyang Youxian Securities Business Department	No. 66, East Section of Yihuan Road, Youxian District, Mianyang	Yang Zhou (楊洲)
185	Tianjin Xiaguang Road Securities Business Department	8/F, Ningtai Plaza, No. 1, Xiaguang Road, Nankai District, Tianjin	Ren Yu (任宇)
186	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Xinshi District, Urumqi, Xinjiang	He Qun (何群)
187	Mile Ranweng Road Securities Business Department	1F, No.618, Ranweng Road, Miyang Town, Mile County, Honghe Prefecture, Yunnan	Liu Jin (劉晉)
188	Jinghong Galanzhong Road Securities Business Department	2/F, No.100, Galanzhong Road, Jinghong, Yunnan	Gu Jianxin (顧建新)
189	Kunming West Dongfeng Road Securities Business Department	No.162, West Dongfeng Road, Kunming, Yunnan	Zhang Chongde (張崇德)
190	Hangzhou West Huancheng Road Securities Business Department	No.46-2, West Huancheng Road, Hangzhou, Zhejiang	Ma Jie (馬劼)
191	Hangzhou Jiefang Road Securities Business Department	No.138, Jiefang Road, Hangzhou, Zhejiang	Jin Xiaoyang (金曉陽)
192	Hangzhou Wenhua Road Securities Business Department	No. 208, Wenhua Road, Xiaoshan District, Hangzhou, Zhejiang	Chen Jianrong (陳建榮)
193	Shangyu Baiguan Town Securities Business Department	No.49, Fengshan Road, Baiguan Street, Shangyu, Zhejiang	Pan Wei (潘偉)
194	Shaoxing Laodong Road Securities Business Department	No.158, Laodong Road, Shaoxing, Zhejiang	Chen Qing (陳青)
195	Shengzhou Xiqianjie Securities Business Department	No.89, Xiqianjie, Shengzhou, Zhejiang	Zou Ning (鄧寧)
196	Yiwu Xinma Road Securities Business Department	1/F, 2/F, No.117, Xinma Road, Yiwu, Zhejiang	Yan Jianting (嚴建庭)
197	Ningbo Baizhang East Road Securities Business Department	11F, No. 787, Baizhang East Road, Ningbo, Zhejiang	Fang Xianming (方賢明)
198	Ningbo North Jiefang Road Securities Business Department	No. 148, North Jiefang Road, Ningbo, Zhejiang	Mei Wensheng (梅文勝)
199	Jiaxing West Zhongshan Road Securities Business Department	No. 850 & 852, West Zhongshan Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
200	Huzhou Nanxun Securities Business Department	No. 389, Dazhong Road, Nanxun Town, Huzhou, Zhejiang	Du Haiyan (杜海燕)
201	Chongqing California City Garden Securities Business Department	Tower 9, California City Garden, Longxi Town, Yubei District, Chongqing	Li Guojing (李國靜)
202	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yuan Dengfeng (苑登鋒)
203	Wenzhou Jinxiu Road Securities Business Department	No. 106 1/F, Ruikang Business Center, Jinxiu Road, Lucheng District, Wenzhou	Wang Xin (王鑫)
204	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
205	Haitong Securities Co., Ltd. in Bianhe Road, Suzhou Securities Business Department	(4/F Southwest of the Centre Square Building), Southwest of cross of Bianhe Road and Huaihai Road, Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
206	Brokerage branch of Haitong Securities Co., Ltd. in Hongjun Road, Jinzhai	Hongjun Road, Jinzhai County, Luan, Anhui	Zhang Xiaohong (鄭小紅)
207	Securities Business Department of Haitong Securities Co., Ltd. in Jingtong Road, Xuancheng	No. 299 Jingtong Road, Xuancheng, Anhui	Zhang Haibo (張海波)
208	Securities Business Department of Haitong Securities Co., Ltd. in Shennan Road, Shenzhen	Room 1208 Building A, Vocation Square No. 9030, Shennan Road, Nanshan District, Shenzhen	Liu Chanji (劉譚吉)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
209	Securities Business Department of Haitong Securities Co., Ltd. in East Genta Road, Zhuji	No. 24 East Genta Road Jiyang Street, Zhuji	Chen Xintian (陳新天)
210	Securities Business Department of Haitong Securities Co., Ltd. in Qilin Road, Liupanshui	Shop 16, 3/F in Mingdu Shopping Mall, Nouteast of the Cross of Qilin Road and Middle Zhongshan Road, Zhongshan District, Liupanshui Guizhou	Yang Xiaoqi (楊曉琪)
211	Securities Business Department of Haitong Securities Co., Ltd. in Biyang Road, Bijie	2-4a#, 2-4b#, 2/F Yu Jing Hua Ting, Hongnan Road, Qixinguan District, Bijie (Liucangban Da Lan Community)	Zou Yang (鄒揚)
212	Securities Business Department of Haitong Securities Co., Ltd. in South People Road, Leshan	No. 419 and 421, South People Road, Shizhong District, Leshan	Yang Yan (楊焱)
213	Securities Business Department of Haitong Securities Co., Ltd. in South Tanghu Road, Shuangliu	No. 244, 3/F Tianma Building, South Tanghu Road Er Duan, Dongsheng Street, Shuangliu, Chengdu	Lang Yangyang (郎妍妍)
214	Securities Business Department of Haitong Securities Co., Ltd. in Jinger Road, Baoji	No. 45 Jinger Road, Weibing District, Baoji	Zhang Danni (張丹妮)
215	Securities Business Department of Haitong Securities Co., Ltd. In Tianhan Road, Hanzhong	Zhongyin Building, Tianhan Road, Hantai District, Hanzhong	Chen Jianfei (陳劍飛)
216	Securities Business Department of Haitong Securities Co., Ltd. In West Zhongshan Road, Shangrao	2-1 No. 65, West Zhongshan Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
217	Securities Business Department of Haitong Securities Co., Ltd. in Middle Park Road, Pingxiang	No. 123 Middle Park Road, Pingxiang	Yu Li (余立)
218	Securities Business Department of Haitong Securities Co., Ltd. in Gandong Road, Fuzhou	No. 1533, South Extension of Gandong Road, Fuzhou, Jiangxi	Zhong Jinying (鐘瑾瑛)
219	Securities Business Department of Haitong Securities Co., Ltd. in Dangui Street, Zigong	R6 No. 508, Dangui Street, Ziliujing District, Zigong	Chen Ling (陳陵)
220	Securities Business Department of Haitong Securities Co., Ltd. in East Xinhe Road, Jiayang	7th from South of the West-ward Shop, Zhong Xin Hua Fu, East Xinhe Road, Liusha, Puning, Jiayang, Guangdong	Huang Shuolin (黃燦林)
221	Securities Business Department of Haitong Securities Co., Ltd. in Huanghua Street, Jincheng	Shop 3, No. 5 Hongxiang Community, Huanghua Street, urban area of Jingcheng, Shanxi	Dou Yuqing (都玉清)
222	Securities Business Department of Haitong Securities Co., Ltd. in East Jiushui Road, Qingdao	No. 9 East Jiushui Road, Licang District, Qingdao	Liu hongshun (劉洪順)
223	Securities Business Department of Haitong Securities Co., Ltd. in South Lvyan Road, Lianyungang	No. 48-3, South Lvyan Road, Lianyungang	Wang Jianguo (王建國)
224	Securities Business Department of Haitong Securities Co., Ltd. in Fazhan Road, Suqian	No. 64 Fazhan Road, Suqian	Tao Ye (陶冶)
225	Securities Business Department of Haitong Securities Co., Ltd. in Jiubin Road, Yixing	No. 63, 65, and 67 Jiubin Road, Yicheng Street, Yixing	Liang Liang (梁梁)
226	Securities Business Department of Haitong Securities Co., Ltd. in Chaoyang Road, Jiangyin	No. 55(1/F) Chaoyang Road, Jiangyin	Liang Zheng (梁正)
227	Securities Business Department of Haitong Securities Co., Ltd. in South People Road, Taicang	Room 107, No. 168 South People Road, Chengxiang Town, Taicang	Huang Yingda (黃穎達)
228	Securities Business Department of Haitong Securities Co., Ltd. in West Ring Road, Zhoushan	No.96 West Ring Road, Dinghai District, Zhoushan	Qian Hang (錢杭)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of Business Department	Address	Person in charge
229	Securities Business Department of Haitong Securities Co., Ltd. in Chengshan Road, Pudong District, Shanghai	No. 1250 Chengshan Road, Pudong District, Shanghai	Zhang Renci (張任慈)
230	Securities Business Department of Haitong Securities Co., Ltd. in East Xinhua Street, Hohhot	3/F Hecheng Information Complexity, No. 395, Inner Mongolia Autonomous Region, Dongfeng Road, New Urban Area, Hohhot	Jia Shaofei (賈少飛)
231	Securities Business Department of Haitong Securities Co., Ltd. in East Nouth Two Ring Road, Cixi	Room 108 No. 204-206 East Nouth Two Ring Road, Gutang Street, Cixi	Cao Jingbo (曹靜波)
232	Securities Business Department of Haitong Securities Co., Ltd. in West Shaoxi Road, Huzhou	1/F and 2/F No. 265 Shaoxi Business Building, West Shaoxi Road, Wuxing District, Huzhou	Zhou Zheren (周哲人)
233	Securities Business Department of Haitong Securities Co., Ltd. in North Dongling Road, Guali	No. 160 Nouth Dongling Road, Guali Town, Xiaoshan	Miao Miao (繆苗)
234	Securities Business Department of Haitong Securities Co., Ltd. in Nanling Road, Binzhou	1/F No. 63 Zijin Hotel, Nanling Road, Beihu District, Bingzhou	Zhou Haibo (周海波)
235	Securities Business Department of Haitong Securities Co., Ltd. in Niaolan Street, Songyuan	2/F No. 2299 Niaolan Street, Ningjiang District	Ma Ming (馬鳴)
236	Securities Business Department of Haitong Securities Co., Ltd. in West Guangdian Road, Changzhou	No. 310 West Guangdian Road, Wujin District, Changzhou	Zhang Lei (張蕾)
237	Securities Business Department of Haitong Securities Co., Ltd. in Middle Yanshan Road, Liyang	A1009-A1012 1/F Futian Center, No.28 Middle Yanshan Road, Licheng Town, Liyang	Jiang Yi (姜怡)
238	Securities Business Department of Haitong Securities Co., Ltd. in Donghuan Road, Zhangjiagang	No. 123 Donghuan Road, She Town, Yangshe	Shen Fei (沈斐)
239	Securities Business Department of Haitong Securities Co., Ltd. in South Erhe Road, Dali	Aa2-11-Aa2-13 2/F Zhongmin City Square, Xiaguan, Dali	Dou Shuai (都帥)
240	Securities Business Department of Haitong Securities Co., Ltd. in Kunyang Street, Jinning	Room 13 2/F First Building Zhenghe Business Square Kunyang Town, Jinning County	Zhang Ling (張凌)

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF

HAITONG SECURITIES CO., LTD.

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

We have audited the consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 174 to 312, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit and loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board. 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 give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (restated)
Revenue			
Commission and fee income	5	6,751,188	5,209,672
Interest income	6	3,670,965	2,878,805
Net investment gains	7	2,150,038	2,404,312
Total revenue		12,572,191	10,492,789
Other income and gains	8	230,543	250,558
Total revenue and other income		12,802,734	10,743,347
Depreciation and amortisation	9	(307,319)	(316,841)
Staff costs	10	(2,621,465)	(2,142,298)
Commission to account executives		(334,496)	(259,035)
Brokerage transaction fees and other services expenses	11	(514,208)	(569,299)
Interest expenses	12	(1,484,370)	(704,404)
Other expenses		(2,203,068)	(2,690,098)
Total expenses		(7,464,926)	(6,681,975)
Share of results of associates and a joint venture		116,940	65,866
Profit before income tax	13	5,454,748	4,127,238
Income tax expense	14	(1,173,754)	(874,980)
Profit for the year		4,280,994	3,252,258
Attributable to:			
Owners of the Company		4,035,024	3,037,542
Non-controlling interests		245,970	214,716
		4,280,994	3,252,258
Earnings per share (Expressed in RMB per share)			
– Basic	15	0.42	0.33
– Diluted	15	0.42	0.33

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (restated)
Profit for the year	4,280,994	3,252,258
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the year	521,940	(58,365)
Reclassification adjustment to profit or loss on disposal/ impairment	(387,941)	862,530
Income tax relating to components of other comprehensive income	(25,392)	(198,232)
Share of revaluation gain (loss) of associates and a joint venture	5,299	(11,596)
Subtotal	113,906	594,337
Exchange differences arising on translation	(194,588)	1,023
Other comprehensive expense for the year (net of tax)	(80,682)	595,360
Total comprehensive income for the year	4,200,312	3,847,618
Attributable to:		
Owners of the Company	3,970,608	3,631,812
Non-controlling interests	229,704	215,806
	4,200,312	3,847,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Non-current assets			
Property and equipment	16	1,171,604	1,134,459
Investment properties	17	86,814	90,143
Goodwill	18	623,072	642,398
Other intangible assets	19	256,125	289,243
Investments accounted for using equity method	23	2,231,269	1,727,890
Available-for-sale investments	25	4,720,906	3,202,231
Loan and receivable investments	26	1,829,199	1,278,302
Held-to-maturity investments	27	353,349	651,858
Deferred tax assets	53	430,935	369,606
Restricted bank deposits	37	349,231	320,586
Other assets	28	90,735	93,651
Loans and advances to customers	29	934,200	–
Total non-current assets		13,077,439	9,800,367
Current assets			
Loans and advance to customers	29	26,531,096	11,338,687
Accounts receivable	30	1,647,258	1,113,355
Other receivables and prepayments	31	1,889,348	1,205,234
Available-for-sale investments	25	4,951,872	7,427,046
Loan and receivable investments	26	2,086,056	1,894,100
Held-to-maturity investments	27	281,613	4,861
Financial assets held under resale agreements	33	9,036,993	2,234,569
Financial assets at fair value through profit or loss	34	47,590,047	32,418,247
Deposits with exchanges	35	3,693,835	3,995,291
Clearing settlement funds	36	5,751,053	3,050,106
Bank balances and cash	37	52,586,993	52,000,241
Total current assets		156,046,164	116,681,737
Total assets		169,123,603	126,482,104
Current liabilities			
Borrowings	39	5,796,395	8,626,314
Short-term financing bills payables	40	3,000,000	–
Placements from other financial institutions	41	1,120,000	2,150,000
Accounts payable to brokerage clients	42	40,429,567	36,956,823
Other payables and accruals	43	3,295,497	1,904,464
Provisions	44	2,740	3,143
Tax liabilities		395,277	85,471
Financial liabilities at fair value through profit or loss	46	6,506,512	134,769
Financial assets sold under repurchase agreements	47	26,111,914	16,040,561
Total current liabilities		86,657,902	65,901,545
Net current assets		69,388,262	50,780,192
Total assets less current liabilities		82,465,701	60,580,559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>NOTES</i>	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Equity			
Share capital	48	9,584,721	9,584,721
Capital reserve		32,383,071	32,376,205
Investment revaluation reserve		163,065	63,963
Translation reserve		(413,634)	(250,116)
General reserves	51	7,779,881	6,740,034
Retained profits		12,009,887	10,164,876
Equity attributable to owners of the Company		61,506,991	58,679,683
Non-controlling interests		2,598,167	1,750,913
Total equity		64,105,158	60,430,596
Non-current liabilities			
Deferred tax liabilities	53	85,586	149,963
Bonds payables	54	17,939,628	–
Financial assets sold under repurchase agreements	47	335,329	–
Total non-current liabilities		18,360,543	149,963
Total equity and non-current liabilities		82,465,701	60,580,559

The consolidated financial statements on pages 174 to 312 were approved and authorised for issue by the Board of Directors on 28 March 2014 and signed on behalf by:

Wang Kaiguo

Chairman of Board

Li Mingshan

*Executive Director and
General Manager*

Li Chugian

Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Non-current assets			
Property and equipment	16	1,082,958	1,051,205
Investment properties	17	86,814	90,143
Other intangible assets	19	153,047	157,957
Investments in subsidiaries	21	14,083,380	14,033,130
Investments accounted for using equity method	23	92,907	92,907
Available-for-sale investments	25	4,978,569	342,353
Deferred tax assets	52	324,914	317,951
Other assets	28	58,893	78,960
Total non-current assets		20,861,482	16,164,606
Current assets			
Loans and advances to customers	29	19,517,300	6,392,950
Accounts receivable	30	12,227	–
Other receivables and prepayments	31	1,400,354	742,887
Amount due from a subsidiary	32	251,724	92,557
Available-for-sale investments	25	3,551,083	6,627,608
Loan and receivable investments	26	–	200,000
Financial assets held under resale agreements	33	7,657,922	1,464,969
Financial assets at fair value through profit or loss	34	37,525,338	30,631,856
Deposits with exchanges	35	1,074,449	1,607,943
Clearing settlement funds	36	4,365,643	2,211,644
Bank balances and cash	37	32,586,853	42,286,922
Total current assets		107,942,893	92,259,336
Total assets		128,804,375	108,423,942

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Current liabilities			
Borrowings	39	–	5,000,000
Short-term financing bills payables	40	3,000,000	–
Placements from other financial institutions	41	1,120,000	2,150,000
Accounts payable to brokerage clients	42	26,114,368	26,410,332
Other payables and accruals	43	1,600,429	906,380
Amount due to a subsidiary	32	121,930	11,100
Provisions	44	2,740	3,143
Tax liabilities		271,442	134
Financial liabilities at fair value through profit or loss	46	46,421	–
Financial assets sold under repurchase agreements	47	24,434,718	16,040,561
Total current liabilities		56,712,048	50,521,650
Net current assets		51,230,845	41,737,686
Total assets less current liabilities		72,092,327	57,902,292
Equity			
Share capital	48	9,584,721	9,584,721
Capital reserve	49	32,472,480	32,472,480
Investment revaluation reserve	50	55,424	35,470
General reserves	51	7,779,880	6,740,034
Retained profits	52	10,204,761	8,956,105
Total equity		60,097,266	57,788,810
Non-current liabilities			
Deferred tax liabilities	53	38,645	113,482
Bond payables	54	11,956,416	–
Total non-current liabilities		11,995,061	113,482
Total equity and non-current liabilities		72,092,327	57,902,292

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company						Non-controlling interests				
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000 (note 51)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of a subsidiary RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2013 (audited)	9,584,721	32,376,205	66,111	(250,116)	6,740,034	10,162,728	58,679,683	1,745,511	5,402	1,750,913	60,430,596
Accounting policy changes	-	-	(2,148)	-	-	2,148	-	-	-	-	-
At 1 January 2013 (restated)	9,584,721	32,376,205	63,963	(250,116)	6,740,034	10,164,876	58,679,683	1,745,511	5,402	1,750,913	60,430,596
Profit for the year	-	-	-	-	-	4,035,024	4,035,024	245,970	-	245,970	4,280,994
Other comprehensive (expense) income for the year	-	-	99,102	(163,518)	-	-	(64,416)	(16,266)	-	(16,266)	(80,682)
Total comprehensive (expense) income for the year	-	-	99,102	(163,518)	-	4,035,024	3,970,608	229,704	-	229,704	4,200,312
Changes of equity interests in subsidiaries	-	(10,981)	-	-	-	-	(10,981)	(83,996)	-	(83,996)	(94,977)
Appropriation to general reserves	-	-	-	-	1,039,847	(1,039,847)	-	-	-	-	-
Capital injection by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	825,285	-	825,285	825,285
Issuance of convertible bond by a subsidiary (Note c)	-	17,847	-	-	-	-	17,847	7,548	-	7,548	25,395
Cash dividend recognised as distribution (note 57)	-	-	-	-	-	(1,150,166)	(1,150,166)	(131,287)	-	(131,287)	(1,281,453)
At 31 December 2013	9,584,721	32,383,071	163,065	(413,634)	7,779,881	12,009,887	61,506,991	2,592,765	5,402	2,598,167	64,105,158
At 1 January 2012 (audited)	8,227,821	22,493,436	(545,232)	(250,809)	5,929,525	9,187,634	45,042,375	1,562,865	5,402	1,568,267	46,610,642
Accounting policy changes	-	-	15,618	-	-	(15,618)	-	-	-	-	-
At 1 January 2012 (restated)	8,227,821	22,493,436	(529,614)	(250,809)	5,929,525	9,172,016	45,042,375	1,562,865	5,402	1,568,267	46,610,642
Profit for the year	-	-	-	-	-	3,037,542	3,037,542	214,716	-	214,716	3,252,258
Other comprehensive expense for the year	-	-	593,577	693	-	-	594,270	1,090	-	1,090	595,360
Total comprehensive (expense) income for the year	-	-	593,577	693	-	3,037,542	3,631,812	215,806	-	215,806	3,847,618
Changes of equity interests in subsidiaries	-	1,294	-	-	-	-	1,294	(7,735)	-	(7,735)	(6,441)
Global offering (note b)	1,356,900	10,330,669	-	-	-	-	11,687,569	-	-	-	11,687,569
Cost of global offering	-	(449,194)	-	-	-	-	(449,194)	-	-	-	(449,194)
Appropriation to general reserves	-	-	-	-	810,509	(810,509)	-	-	-	-	-
Capital injection by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	80,395	-	80,395	80,395
Cash dividend recognised as distribution (note 57)	-	-	-	-	-	(1,234,173)	(1,234,173)	(105,820)	-	(105,820)	(1,339,993)
At 31 December 2012	9,584,721	32,376,205	63,963	(250,116)	6,740,034	10,164,876	58,679,683	1,745,511	5,402	1,750,913	60,430,596

Note a: Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

Note b: During 2012, the Company issued 1,356,900,000 H shares which were listed on the Main Board of the Hong Kong Stock Exchange Limited at the price of HKD10.60 per share.

Note c: On 18 July 2013, the Group's subsidiary, Haitong International Securities Group Limited issued convertible bonds in principal amount of HK\$776 million at par and further issued convertible bonds in principal amount of HK\$232 million at 105% on 10 October 2013. Details are set out in note 54.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013	2012
	RMB'000	RMB'000
		(restated)
OPERATING ACTIVITIES		
Profit before income tax	5,454,748	4,127,238
Adjustments for		
Interest expenses	1,484,370	704,404
Share of results of associates and joint ventures	(116,940)	(65,866)
Depreciation and amortisation	307,319	316,841
Reversal of impairment loss in respect of account receivables and other receivables	(20,166)	(24,001)
Gain on other bond investments and held-to-maturity investments	(419,250)	(102,850)
Loss/(Gain) on disposal of property and equipment and other intangible assets	8,478	3,218
Foreign exchange (gains) losses, net	53,636	(90,676)
Net gains arising from available-for-sale investments	(768,831)	(252,792)
Impairment loss in respect of available-for-sale investments	1,165	865,218
Operating cash flows before movements in working capital	5,984,529	5,480,734
(Increase)/decrease in deposits and reserve funds and deposits with exchanges	330,819	(1,826,227)
(Increase)/decrease in loans and advances to customers	(16,126,609)	(4,876,010)
(Increase)/decrease in accounts and other receivables and prepayments	(833,862)	(1,087,364)
(Increase)/decrease in financial assets held under resale agreements	(6,802,424)	(1,587,669)
(Increase)/decrease in financial assets at fair value through profit or loss	(15,171,801)	(11,590,676)
(Increase)/decrease in restricted bank deposits	(28,645)	6,133
(Increase)/decrease in cash held on behalf of clients	(4,396,285)	2,098,457
Increase/(decrease) in accounts payable to brokerage clients and other payables and accruals	4,619,196	(938,440)
Increase/(decrease) in financial liabilities at fair value through profit or loss	6,371,743	380,846
Increase/(decrease) in financial assets sold under repurchase agreements	10,406,682	6,516,027
Increase/(decrease) in placements from other financial institutions	(1,030,000)	2,150,000
Increase/(decrease) in provisions	(403)	2,895
Cash used in operations	(16,677,060)	(5,271,294)
Income taxes paid, net	(1,015,046)	(1,182,273)
Interest paid	(1,149,715)	(666,360)
NET CASH USED IN OPERATING ACTIVITIES	(18,841,821)	(7,119,927)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

<i>NOTES</i>	2013 RMB'000	2012 <i>RMB'000</i> (restated)
INVESTING ACTIVITIES		
Dividends received from associates and other investments	49,995	52,495
Purchases of property and equipment and intangible assets	(328,475)	(230,296)
Proceeds on disposal of property and equipment	8,521	12,709
Capital injection to associates and a joint venture	(431,134)	(800,000)
Increase (decrease) in available-for-sale investments	1,892,488	(1,836,298)
Payment on other investment activities	(632,298)	(3,568,588)
NET CASH USED IN INVESTING ACTIVITIES	559,097	(6,369,978)
FINANCING ACTIVITIES		
Dividends paid	(1,257,727)	(1,369,034)
Purchase of subsidiaries' shares	(87,309)	(4,811)
Proceeds from issuance of H shares	–	11,278,328
Proceeds from issuance of subsidiaries' shares	661,153	80,395
Proceeds from borrowings raised	2,170,081	1,105,584
Borrowing interest paid	(123,742)	(26,124)
Proceeds from issuance of convertible bonds	802,159	–
Convertible bonds issuing cost paid	(27,932)	–
Non-convertible bond and short-term financing bill payables proceeds	20,462,805	–
Non-convertible bonds issuing cost paid	(122,329)	–
Bond interest paid	(5,384)	–
Proceeds from other financing activities	19,416	1,429,147
NET CASH FROM FINANCING ACTIVITIES	22,491,191	12,493,485
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,208,467	(996,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	16,361,970	17,267,139
Effect of foreign exchange rate changes	(197,831)	91,251
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20,372,606	16,361,970
38	(1,306,773)	(692,484)
Total Interest Paid	(1,306,773)	(692,484)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION OF THE GROUP

The Company was transformed from Shanghai Haitong Securities Company (上海海通証券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通証券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通証券有限公司 to Haitong Securities Co., Ltd. (海通証券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its name changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the Company's registered office is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People's Republic of China ("PRC"). The principal place of business of the Company is Haitong Securities Building, No.689 Guangdong Road, Shanghai, the PRC.

The Company and its subsidiaries ("The Group") are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments and provision of investment advisory and consultancy services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied for the first time the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board, which are applicable for the Group's financial year beginning on 1 January 2013.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10	Consolidated Financial Statements, Joint Arrangements and
IFRS 11 and IFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27(as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The Group and the Company have early adopted IAS 32 for the first time in the current year and comparative amounts as at 1 January 2013 have been restated in accordance with the requirement set out in IAS 32 (see “Summary of quantitative impact” of note 2).

The Group and the Company have applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendments has no material impact on the Group’s and the Company’s profit or loss and other comprehensive income in the current and prior year. Details of disclosure are set out in note 66.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 Consolidated Financial Statement, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC – 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Specifically, such guidance is added when an entity with decision-making rights assesses whether it controls an investee, it shall determine whether it is a principal or an agent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 10 (continued)

The directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over the asset management products in accordance with the new definition of control and the related guidance set out in IFRS 10. In certain asset management products, although operating within the parameters set out in the investee's prospectus, the asset manager (the Group) has the current ability to make investment decisions that significantly affect the investee's returns. Also, the combination of the Group's investment in these asset management products and the remuneration as asset manager creates exposure to variability of returns from the activities of these asset management products that is of such significance that the Group is acting as a principal. Thus, the directors concluded that it has had control over these asset management products. Therefore, in accordance with the requirements of IFRS10, these asset management products have been subsidiaries since the Group had control. Previously these asset management products were treated as available-for-sale investments.

Comparative amounts for 2012 and the related amounts as at 1 January 2012 have been restated in accordance with the relevant transitional provisions set out in IFRS 10 (see "Summary of quantitative impact" of note 2).

Impact of the application of IFRS 11

The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. As a result of the pronouncement of IFRS 11, IAS 28 has been revised and renamed as 'Associates and joint ventures', which is also effective for the accounting period beginning on or after 1 January 2013. The revised standard includes the requirements that both joint ventures, as well as associates to be equity accounted. The information on interest in a joint venture is disclosed in note 23 to the consolidated financial statement. The joint venture is newly acquired in 2013 and therefore, the application of IFRS 11 does not have impact on consolidated financial statements for the year ended 2012.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 4, 21, 22, 23 and 24 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 13 Fair Value Measurement

The Group and the Company have applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group and the Company have not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 65 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above-mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRSs 2009 – 2011 Cycle

Annual Improvements to IFRSs 2009 – 2011 Cycle has been applied by the Group. The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Pursuant to the amendments to IAS 1, the Group did not present the consolidated statement of financial position as at 1 January 2012 as the impact of retrospective application of IFRS10 and IAS32 as set out “Summary of quantitative impact” did not have a material impact. Except for the impact of the amendments to IAS 1, the directors of the Company consider that the application of the amendments included in the Annual Improvements to IFRSs 2009 – 2011 Cycle has no material impact on the Group’s consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

Summary of quantitative impact

As mentioned above, the Group has applied the IFRS 10 and other new IFRS in the current year. Pursuant to the standards, retrospective adjustments were made to certain items in assets, liabilities and equity as at 31 December 2012 and 1 January 2012, and certain items in profit or loss and other comprehensive income for the year ended 31 December 2012 were restated (since application of the above IFRS standard does not have material impact on financial position as at 1 January 2012, the Group does not present the restated consolidated statement of financial position as at 1 January 2012). The comparative consolidated financial statements are presented based on the restated figures and such adoption has no material impact to the basic earnings per share for the year ended 31 December 2012 as previously reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Summary of quantitative impact (continued)

Impact on profit for the year of the application of IFRS 10:

	2012 <i>RMB'000</i>
Increase/(decrease) in revenue	
Commission and fee income	(3,508)
Increase in interest income	2,070
Increase in net investment gains	1,623
Increase in other operating expenses	17,581
Increase in profit for the year	17,766
Increase in other comprehensive income for the year	–
Net increase in total comprehensive income for the year	17,766
Increase in profit/total comprehensive income attributable to:	
Owners of the Company	17,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Summary of quantitative impact (continued)

Impact on assets, liabilities and equity as at 31 December 2012 of the application of IFRS 10 and amendment to IAS 32:

	31.12.2012 (previous reported) <i>RMB'000</i>	Adjustments <i>RMB'000</i>	31.12.2012 (restated) <i>RMB'000</i>
Non-current assets			
Available-for-sale investments	3,353,761	(151,530)	3,202,231
Current assets			
Other receivables and prepayments (<i>note 1</i>)	1,574,594	(369,360)	1,205,234
Financial assets held under resale agreements	2,193,569	41,000	2,234,569
Financial assets at fair value through profit or loss	32,195,783	222,464	32,418,247
Deposits with exchanges	3,994,752	539	3,995,291
Clearing settlement funds	3,045,330	4,776	3,050,106
Bank balances and cash	51,991,465	8,776	52,000,241
Current liabilities			
Other payables and accruals	1,897,509	6,955	1,904,464
Financial liabilities at fair value through profit or loss (<i>note 1</i>)	385,059	(250,290)	134,769

Note 1: The impact includes offsetting of stock index futures contracts. (details of impact of the offsetting are set out in note 45, (ii)) There is no other material impact to the consolidated financial statements for adoption of amendment to IAS 32.

Note 2: The application of IFRS 10 and IAS 32 does not have significant impact on consolidated statement of cash flows for the year ended 31 December 2012.

Except for the above, the accounting policies and methods of computation used in the consolidated financial statements for the year 2012 are the same as those followed in the preparation of the 2012 Annual Financial Statements.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. Areas where assumptions and estimates are significant to these condensed consolidated financial statements are disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRS that have been issued but are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ²
IFRS 9	Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosure ³
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRS 14	Regulatory Deferral Accounts ⁵
IFRIC – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (continued)

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group's and the Company's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (continued)

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group's and the Company's consolidated financial statements.

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

IFRS 9 Financial instruments (continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not yet effective (continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have an impact on the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to IAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

IFRIC – Int 21 Levies

IFRIC – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC – Int 21 will have no material effect on the Group's consolidated financial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs and included applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments that are measured at fair values) at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company has:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the Investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments accounted for using equity method

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Investments accounted for using equity method (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Investments accounted for using equity method (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less accumulated impairment losses, if any.

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Property and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Leasehold improvements	0%	Over the lease term ranging from 1 month to 35 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

The estimated useful lives of each class of intangible assets are as follows:

Computer software	3 – 10 years
Others (car park right, house use right and club membership)	5 – 50 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When a building is under finance lease and the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the People's Republic of China, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

A financial asset is classified as financial assets at FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans and advances to customers, accounts receivable, amount due from subsidiaries, loan and receivable investments, financial assets held under resale agreements, deposits with exchange, clearing settlement funds, bank balances and cash, restricted bank deposits, deposits and other receivables), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity other than:

- (1) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (2) those that the entity designates as available for sale; and
- (3) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale investments are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and advances to customers and accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances to customers, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an advance to customers, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss

A financial liability is classified as financial liabilities at fair value through profit or loss if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in the line item in profit or loss and excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition. When the difference between the effective interest rate and the contract rate is insignificant, interest income or expense will be calculated using the contract interest rate.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as “available-for-sale investments” or “financial assets at FVTPL”. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell are recorded as “financial assets held under resale agreements” as appropriate. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

(a) Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the statement of financial position.

(b) Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the statement of financial position.

Hedge accounting

The Group designates certain derivatives as fair value hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Securities lending

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as “accounts payable to brokerage clients”. For those securities held by the Group lent to client that do not result in the derecognition of financial assets, they are included in related financial assets.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control) the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital of the subsidiary at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

If the convertible bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to the subsidiary's share capital and share premium as consideration for the subsidiary's shares issued. If the convertible bond is redeemed, the convertible bond reserve is reclassified to retained profits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- (i) Commission income for broking business is recorded as income on a trade date basis, and handling fee income arising from broking business is recognised when services are rendered;
- (ii) 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Revenue recognition (continued)

- (iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Financial advisory and consultancy fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- (v) Asset management fee income is recognised when management services are provided in accordance with the management contracts.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium of the issuer. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be remained in the reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Impairment losses on tangible and intangible assets as well as investments in subsidiaries and associates other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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. Details of the recoverable amount calculation are disclosed in note 20.

Impairment of available-for-sale investments

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial information regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

Fair value of available-for-sale investments with restriction on disposal

For available-for-sale investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these securities are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of these instruments include some assumptions not supported by observable market prices or rates.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

No deferred tax asset has been recognised on the tax losses arising from the Group's subsidiaries in Hong Kong due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are more than expected, a material deferred tax assets would be recognised in profit or loss for the period. Details of the tax losses are disclosed in note 14.

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 sets out the following three elements of control: (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 the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent. At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgments, in combination with historical exposure to variable returns, to determine the consolidation scope.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. COMMISSION AND FEE INCOME

	2013	2012
	RMB'000	RMB'000
		(restated)
Commission on securities dealing, broking and handling fee income	4,228,623	2,894,924
Commission on futures and options contracts dealing and broking and handling fee income	461,784	466,497
Financial advisory and consultancy fee income	572,516	175,615
Underwriting and sponsors fees	736,777	798,645
Asset management fee income (including fund management income)	731,324	858,329
Commission on bullion contracts dealing	4,842	5,329
Others	15,322	10,333
	6,751,188	5,209,672

6. INTEREST INCOME

	2013	2012
	RMB'000	RMB'000
		(restated)
Bank interest income	1,725,097	2,036,036
Interest income from loans and advances to customers	1,429,779	727,680
Interest income from financial assets held under resale agreements (<i>note</i>)	411,585	64,042
Interest income from held-to-maturity investments	102,317	50,858
Other interest income	2,187	189
	3,670,965	2,878,805

Note: In the current year, interest income from financial assets held under resale agreements includes the interest income from securities repo, which amounted to RMB195,600,000 (2012:RMB34,586,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. NET INVESTMENT GAINS

	2013 RMB'000	2012 RMB'000 (restated)
Net gains arising from available-for-sale investments	768,831	256,080
Net gains arising from financial assets/liabilities at fair value through profit or loss	1,980,963	1,599,981
Fair value change of financial instruments at fair value through profit or loss	(971,274)	476,654
Gains from fair value hedge	53,516	11,449
Net gains arising from loan and receivable investments and others	318,002	60,148
	2,150,038	2,404,312

8. OTHER INCOME AND GAINS

	2013 RMB'000	2012 RMB'000 (restated)
Non-recurring government grants (<i>Note</i>)	116,697	122,446
Rental income from investment properties	15,141	13,093
Others	98,705	115,019
	230,543	250,558

Note: The non-recurring government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside. The main purpose is to subsidise the operation of these entities.

9. DEPRECIATION AND AMORTISATION

	2013 RMB'000	2012 RMB'000
Depreciation of property and equipment	243,302	254,615
Depreciation of investment properties	3,329	3,329
Amortisation of other intangible assets	60,185	58,394
Amortisation of prepaid lease payments	503	503
	307,319	316,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. STAFF COSTS

	2013 RMB'000	2012 <i>RMB'000</i> (restated)
Staff costs (including directors' remuneration (Note 58)):		
Salaries, bonus and allowances	2,122,618	1,708,695
Contributions to annuity plans and retirement schemes (note)	232,808	205,574
Other social welfare	266,039	228,029
	2,621,465	2,142,298

Note: The domestic employees of the Group in the PRC participate in a state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

11. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2013 RMB'000	2012 <i>RMB'000</i>
Securities and futures dealing and broking expenses	469,610	453,853
Services expenses for underwriting, sponsorship, and financial advisory, etc.	44,598	115,446
	514,208	569,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. INTEREST EXPENSES

	2013 RMB'000	2012 RMB'000
Interest on borrowings wholly repayable within five years:		
- bank loans and overdrafts	108,234	26,574
- deposit taken from other financial institutes	128,363	106,621
- financial assets sold under repurchase agreements (<i>note</i>)	848,274	433,090
- accounts payable to brokerage clients	103,988	120,950
- advances from China Securities Finance Corporation Ltd.	139,498	17,158
- bond payables	152,392	-
- others	3,621	11
	1,484,370	704,404

Note: In the current year, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond-pledged repo in stock exchange, which amounted to RMB66,992,000 (2012: RMB45,683,000).

13. PROFIT BEFORE INCOME TAX

	2013 RMB'000	2012 RMB'000
The Group's profit before income tax is arrived at after charging (crediting):		
Auditors' remuneration	10,356	7,968
Includes: Annual audit fee for the Company	5,250	4,950
Other service fee provided by the Company's auditors (including subsidiaries' audit fee)	1,060	410
Others	4,046	2,608
Impairment loss in respect of available-for-sale investments included in other expenses	1,165	865,218
Reversal of impairment loss in respect of account receivables and other receivables	(20,166)	(24,001)
Loss on disposal of property and equipment and other intangible assets	8,478	3,218
Foreign exchange loss (gains), net	53,636	(90,676)
Operating lease rentals in respect of rented premises	281,873	262,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. INCOME TAX EXPENSE

	2013	2012
	RMB'000	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	1,255,647	833,782
Hong Kong Profits Tax	66,322	38,927
	1,321,969	872,709
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	9,162	(16,367)
Hong Kong Profits Tax	(6,688)	(4,569)
	2,474	(20,936)
Deferred tax:		
Current period	(150,689)	23,207
	1,173,754	874,980

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2013 RMB'000	2012 <i>RMB'000</i> (restated)
Profit before income tax	5,454,748	4,127,238
Tax at the statutory tax rate of 25%	1,363,687	1,031,810
Effect of share of results of associates and a joint venture	(41,233)	(16,469)
Tax effect of expenses not deductible for tax purpose	50,844	31,945
Tax effect of income not taxable for tax purpose	(161,962)	(135,270)
Adjustments in respect of current income tax in relation to prior years	2,474	(20,936)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(34,122)	(18,703)
Others	(5,934)	2,603
Tax charge	1,173,754	874,980

The Group has tax losses arising from its subsidiaries in Hong Kong of approximately RMB177 million and RMB142 million as at 31 December 2013 and 31 December 2012, respectively, that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	2013 RMB'000	2012 RMB'000 (restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	4,035,024	3,037,542
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (<i>note ii</i>)	10,673	–
Adjustment to the share of profit of a listed subsidiary based on dilution of its earnings per share (<i>note ii</i>)	(8,201)	–
Earnings for the purpose of diluted earnings per share	4,037,676	3,037,542
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (2012: weighted average number of shares in issue ('000) (<i>note i</i>))	9,584,721	9,121,796
Basic earnings per share	0.42	0.33
Diluted earnings per share	0.42	0.33

Notes:

- (i) The weighted average number of shares for the purpose of basic and diluted earnings per share of 2012 has been adjusted for the H shares issued during the year ended 31 December 2012.
- (ii) On 18 July 2013 and 10 October 2013, a listed subsidiary of the Company issued convertible bonds of HKD776 million and HKD232 million respectively (Details are set out in note 54). These convertible bonds are convertible into ordinary shares of the subsidiary at a conversion price of HKD4 (subject to adjustments), at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares of the subsidiary.

The computation of 2013 diluted earnings per share does not assume the exercise of the listed subsidiary's outstanding share options as the exercise price of these options is higher than the average market price of the listed subsidiary in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY AND EQUIPMENT

THE GROUP

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2013	870,063	589,132	717,244	155,235	144,877	4,945	2,481,496
Additions during the year	142,024	25,285	86,808	15,009	8,808	14,340	292,274
Disposals during the year	(77)	-	(73,981)	(5,230)	(24,165)	-	(103,453)
Transfer during the year	-	13,057	53	-	1,735	(14,845)	-
As at 31 December 2013	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
ACCUMULATED DEPRECIATION							
As at 1 January 2013	245,956	381,335	515,160	88,193	86,015	-	1,316,659
Provided for the year	32,421	86,590	85,488	20,898	17,905	-	243,302
Eliminated on disposals	(30)	-	(65,218)	(4,816)	(21,566)	-	(91,630)
As at 31 December 2013	278,347	467,925	535,430	104,275	82,354	-	1,468,331
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2013 and 31 December 2013	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2013	703,281	159,549	194,694	60,739	48,901	4,440	1,171,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY AND EQUIPMENT (continued)

THE GROUP (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2012	830,245	537,375	752,064	144,519	142,425	11,602	2,418,230
Additions during the year	46,242	45,446	77,725	17,901	9,823	26,526	223,663
Disposals during the year	(6,424)	(15,123)	(120,961)	(7,185)	(10,704)	–	(160,397)
Transfer during the year	–	21,434	8,416	–	3,333	(33,183)	–
As at 31 December 2012	870,063	589,132	717,244	155,235	144,877	4,945	2,481,496
ACCUMULATED DEPRECIATION							
As at 1 January 2012	224,098	309,609	522,899	75,740	78,365	–	1,210,711
Provided for the year	24,844	86,849	106,341	19,058	17,523	–	254,615
Eliminated on disposals	(2,986)	(15,123)	(114,084)	(6,605)	(9,873)	–	(148,671)
As at 31 December 2012	245,956	381,335	515,156	88,193	86,015	–	1,316,655
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2012 and 31 December 2012	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2012	593,725	207,797	202,088	67,042	58,862	4,945	1,134,459

The carrying values of the Group's leasehold land and buildings are situated in Hong Kong and PRC with the following lease terms:

	2013 RMB'000	2012 RMB'000
Held in Hong Kong medium-term lease (10 – 50 years)	1,415	1,522
Held in PRC long-term lease (over 50 years)	701,866	592,203
	703,281	593,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY AND EQUIPMENT (continued)

THE COMPANY

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2013	864,585	495,453	640,297	133,440	120,723	4,945	2,259,443
Additions during the year	142,024	14,792	68,987	10,478	4,479	13,243	254,003
Disposals during the year	-	-	(70,842)	(4,860)	(6,795)	-	(82,497)
Transfer during the year	-	12,860	53	-	1,735	(14,648)	-
As at 31 December 2013	1,006,609	523,105	638,495	139,058	120,142	3,540	2,430,949
ACCUMULATED DEPRECIATION							
As at 1 January 2013	245,583	309,286	471,090	79,512	72,385	-	1,177,856
Provided for the year	32,230	75,919	72,382	17,404	14,598	-	212,533
Eliminated on disposals	-	-	(62,214)	(4,615)	(5,951)	-	(72,780)
As at 31 December 2013	277,813	385,205	481,258	92,301	81,032	-	1,317,609
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2013 and 31 December 2013	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2013	698,414	137,900	157,237	46,757	39,110	3,540	1,082,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY AND EQUIPMENT (continued)

THE COMPANY (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2012	824,767	437,892	688,365	129,050	119,554	11,602	2,211,230
Additions during the year	46,242	36,165	64,000	10,875	4,605	26,526	188,413
Disposals during the year	(6,424)	(37)	(120,485)	(6,485)	(6,769)	–	(140,200)
Transfer during the year	–	21,433	8,417	–	3,333	(33,183)	–
As at 31 December 2012	864,585	495,453	640,297	133,440	120,723	4,945	2,259,443
ACCUMULATED DEPRECIATION							
As at 1 January 2012	223,918	234,465	490,536	70,089	64,761	–	1,083,769
Provided for the year	24,651	74,821	94,162	15,714	13,873	–	223,221
Eliminated on disposals	(2,986)	–	(113,608)	(6,291)	(6,249)	–	(129,134)
As at 31 December 2012	245,583	309,286	471,090	79,512	72,385	–	1,177,856
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2012 and 31 December 2012	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2012	588,620	186,167	169,207	53,928	48,338	4,945	1,051,205

The Company's leasehold land and buildings are situated in the PRC with long-term lease.

As the lease payments included in the Group and the Company's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as finance leases and accounted for as property and equipment.

As of 31 December 2013 and 31 December 2012, included in leasehold land and buildings, there is a carrying amount of RMB44,146,000 and RMB4,146,000, respectively, for which the Group and the Company have yet to obtain the relevant land and building certificates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. INVESTMENT PROPERTIES

THE GROUP AND THE COMPANY

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i> (restated)
COST		
At beginning and end of the year	120,094	120,094
At end of the year	120,094	120,094
ACCUMULATED DEPRECIATION		
At beginning of the year	29,951	26,622
Provided for the year	3,329	3,329
At end of the year	33,280	29,951
CARRYING VALUES		
At end of the year	86,814	90,143

The fair values of the Group and Company's investment properties at 31 December 2013 and 2012, were RMB227,616,000 and RMB293,050,000 respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions.

The above investment properties are depreciated over their estimated useful lives of 35 years and after taking into account their estimated residual value of 3%, using the straight-line method.

All investment properties held by the Group and the Company are situated in the PRC with medium-term lease.

18. GOODWILL

THE GROUP

Cost and carrying value

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
At beginning of the year	642,398	642,280
Exchange adjustments	(19,326)	118
At end of the year	623,072	642,398

Particulars regarding impairment testing on goodwill are disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. OTHER INTANGIBLE ASSETS

THE GROUP

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
As at 1 January 2013	220,778	362,696	50,183	2,041	635,698
Additions during the year	–	30,101	–	161	30,262
Disposals during the year	(161)	(13,208)	(29)	–	(13,398)
Transfer during the year	–	841	–	(841)	–
As at 31 December 2013	220,617	380,430	50,154	1,361	652,562
ACCUMULATED AMORTISATION					
As at 1 January 2013	118,400	198,075	29,980	–	346,455
Provided for the year	–	57,296	2,889	–	60,185
Eliminated on disposals	–	(10,181)	(22)	–	(10,203)
As at 31 December 2013	118,400	245,190	32,847	–	396,437
CARRYING VALUES					
As at 31 December 2013	102,217	135,240	17,307	1,361	256,125
COST					
As at 1 January 2012	221,378	321,816	49,230	5,630	598,054
Additions during the year	–	37,571	1,154	841	39,566
Disposals during the year	(600)	(1,121)	(201)	–	(1,922)
Transfer during the year	–	4,430	–	(4,430)	–
As at 31 December 2012	220,778	362,696	50,183	2,041	635,698
ACCUMULATED AMORTISATION					
As at 1 January 2012	119,000	144,389	26,638	–	290,027
Provided for the year	–	54,852	3,542	–	58,394
Eliminated on disposals	(600)	(1,166)	(200)	–	(1,966)
As at 31 December 2012	118,400	198,075	29,980	–	346,455
CARRYING VALUES					
As at 31 December 2012	102,378	164,621	20,203	2,041	289,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. OTHER INTANGIBLE ASSETS (continued)

THE COMPANY

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
As at 1 January 2013	215,420	147,074	48,182	1,825	412,501
Additions during the year	–	21,905	–	161	22,066
Disposals during the year	–	(6,541)	(22)	–	(6,563)
Transfer during the year	–	625	–	(625)	–
As at 31 December 2013	215,420	163,063	48,160	1,361	428,004
ACCUMULATED AMORTISATION					
As at 1 January 2013	118,400	107,382	28,762	–	254,544
Provided for the year	–	24,063	2,709	–	26,772
Eliminated on disposals	–	(6,337)	(22)	–	(6,359)
As at 31 December 2013	118,400	125,108	31,449	–	274,957
CARRYING VALUES					
As at 31 December 2013	97,020	37,955	16,711	1,361	153,047
COST					
As at 1 January 2012	216,020	124,117	47,229	5,630	392,996
Additions during the year	–	26,271	1,154	625	28,050
Disposals during the year	(600)	(7,744)	(201)	–	(8,545)
Transfer during the year	–	4,430	–	(4,430)	–
As at 31 December 2012	215,420	147,074	48,182	1,825	412,501
ACCUMULATED AMORTISATION					
As at 1 January 2012	119,000	89,219	25,624	–	233,843
Provided for the year	–	22,215	3,338	–	25,553
Eliminated on disposals	(600)	(4,052)	(200)	–	(4,852)
As at 31 December 2012	118,400	107,382	28,762	–	254,544
CARRYING VALUES					
As at 31 December 2012	97,020	39,692	19,420	1,825	157,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. OTHER INTANGIBLE ASSETS (continued)

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges.

20. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note 18 has been allocated into two individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A") and one subsidiary in Hong Kong ("Unit B"). The carrying amounts of goodwill as at 31 December 2013 and 2012 allocated to these units are as follows:

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	617,176	636,502
	623,072	642,398

During the year ended 31 December 2013 and 31 December 2012, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A and Unit B exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of Unit A and Unit B have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and at a discount rate of 8.0%, 4.4%, and 8.0%, 5.5%, for Unit A and Unit B, respectively, as at 31 December 2013 and 31 December 2012. The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A or Unit B to exceed their respective aggregate recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the two cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2013 and 31 December 2012.

21. PRINCIPAL SUBSIDIARIES

Investment costs and balances with subsidiaries:

	2013/12/31	2012/12/31
	RMB'000	RMB'000
Unlisted shares, at cost	14,083,380	14,033,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. PRINCIPAL SUBSIDIARIES (continued)

Details of the principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
		As at 31 December 2013	As at 31 December 2012		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.* ^β	PRC	51%	51%	RMB150,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.* ^β	PRC	67%	67%	RMB100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* ^{β δ} ("HCICL")	PRC	100%	100%	RMB5,750,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited ^δ ("HTIH")	Hong Kong	100%	100%	HKD4,000,000,000	Investment holding
海通期貨有限公司 Haitong Futures Co., Ltd.* ^β	PRC	66.667%	66.667%	RMB1,000,000,000	Physical commodities and futures contracts broking and dealing
海通國際證券集團有限公司 Haitong International Securities Group Limited ^{α ε} ("HTSGL")	Bermuda	71.76%	69.98%	HKD91,534,271	Investment holding
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited* ^β	PRC	100%	100%	RMB3,000,000,000	Financial products investment, investment advisory and investment management services
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited* ^β	PRC	100%	100%	RMB1,000,000,000	Securities investment management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. PRINCIPAL SUBSIDIARIES (continued)

- * English translated name is for identification only.
- ^α The subsidiary's shares are listed on the Main Board of the Hong Kong Stock Exchange. On 16 August 2012, the subsidiary has issued new shares at HKD4.25 per share by way of capitalization of HKD850,000,000 out of the total outstanding amount of intercompany loans due to its immediate holding company, HTIH.
- ^β The subsidiary is directly held by the Company.
- [£] On 18 July 2013, HISGL issued convertible bonds in principal amount of HKD776 million, at par and further issued convertible bonds in principal amount of HKD232 million principal amount at 105% on 10 October 2013. Details are set out in Note 54.
- ^δ On 13 March 2014, the Company injected RMB250 million to HCICL. The registered capital of HCICL become 6 billion after the injection.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material Non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ownership interests and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
HTSGL	Bermuda	28.24%	30.02%	RMB'000 121,710	RMB'000 72,652	RMB'000 1,092,261	RMB'000 796,839

Summarised financial information in respect HTSGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2013/12/31 RMB'000	2012/12/31 RMB'000
Current assets	21,004,296	10,851,464
Non-current assets	2,140,825	1,009,732
Current liabilities	18,169,906	9,202,544
Non-current liabilities	1,106,765	15,406
Total equity	3,868,450	2,643,246
Non-controlling interests of the subsidiary	1,092,261	796,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Year ended 2013/12/31 RMB'000	Year ended 2012/12/31 RMB'000
Total income	1,308,899	956,069
Total expenses	(892,067)	(717,175)
Profit (loss) for the year	416,832	238,894
Other Comprehensive income	39,894	(2,003)
Total comprehensive income for the year	456,726	236,891
Total comprehensive income attributable to the non-controlling interests of the subsidiary	132,028	72,046
Dividends paid to non-controlling interests	41,491	22,336
Net cash (outflow) inflow from operating activities	(1,117,566)	318,179
Net cash inflow (outflow) from financing activities	1,606,958	(74,220)
Net cash (outflow) from investing activities	(473,520)	(676,470)
Net cash inflow (outflow)	15,872	(432,511)

22. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2013 and 2012, and the results and cash flows for the years ended 31 December 2013 and 2012, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to RMB694,373,000, RMB151,529,000 at 31 December 2013 and 2012, respectively.

Interests held by other interest holders are presented as change in net investment gains in the consolidated statement of profit or loss and included in financial liabilities at fair value through profit or loss in the consolidated statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Associates:		
Cost of unlisted investments in associates	1,873,265	1,564,207
Share of post-acquisition profits and other comprehensive income, net of dividends received	224,011	163,683
A joint venture:		
Cost of unlisted investments in a joint venture	122,076	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	11,917	–
	2,231,269	1,727,890

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Cost of unlisted investments in associates	92,907	92,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of investments accounted for using equity method:

Name	Place of incorporation/ establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2013	As at 31 December 2012	
Joint venture				
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	44%	–	Investment holding
Associates				
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	27.775%	27.775%	Provision of fund trading distribution services
海富金匯(天津)資本管理企業 (有限合夥) HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership)*^	PRC	65.00%	65.00%	Investing in securities
吉林省現代農業和新興產業投資基金 有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	37.50%	37.50%	Investing in securities
西安航天新能源產業投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	37.00%	37.00%	Investing in securities
上海文化產業股權投資基金合夥企業 (有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	42.83%	44.37%	Investing in securities
山東華安新材料有限公司 Shandong Hua'an New Material Co., Ltd	PRC	21.71%	–	Manufacturing
Trinitus Asset Management Limited	Hong Kong	20%	–	Investment management services
Diamond Head Capital International, Ltd Class E	Cayman Islands	31.43%	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

- * English translated name is for identification only.
- ^ Pursuant to the partnership agreement, the Group is a limited partner of the partnership and therefore the Group does not control HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership) (海富金匯(天津)資本管理企業(有限合夥)). The directors of the Company consider that the Group has the power to exercise significant influence over HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership) through the Group's participation in its operating and financing activities and it is therefore classified as an associate of the Group.

The financial information of Fullgoal Fund Management Co., Ltd and Shanghai Cultural Industries Investment Fund (Limited Partnership), which are individually significant associates to the Group, are set out below:

Fullgoal Fund Management Co., Ltd

	2013/12/31 RMB'000	2012/12/31 RMB'000
Total assets	1,384,604	1,217,063
Total liabilities	286,982	236,026
Net assets	1,097,622	981,037
Total revenue	1,042,807	893,216
Net profit	289,794	269,707
Total comprehensive income	296,585	275,780

Reconciliation of the above financial information to the carrying amount of the interest in above associates recognised in the financial statements:

	2013/12/31 RMB'000	2012/12/31 RMB'000
Equity attributable to equity holders of the associate	1,097,622	981,037
Proportion of equity interests held by the Group	27.775%	27.775%
Other adjustments	1,503	4,511
Carrying amount	306,368	276,994

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23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Shanghai Cultural Industries Investment Fund (Limited Partnership)

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Total assets	1,789,914	1,695,134
Total liabilities	–	–
Net assets	1,789,914	1,695,134
Total revenue	80,858	9,071
Net profit	30,886	(4,866)
Total comprehensive income	30,886	(4,866)

Reconciliation of the above financial information to the carrying amount of the interest in above associates recognised in the financial statements:

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Equity attributable to equity holders of the associate	1,789,914	1,695,134
Proportion of equity interests held by the Group	42.83%	44.37%
Other adjustments	46,722	45,865
Carrying amount	813,342	797,996

Aggregate information of associates joint venture that are not individually material:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
The Group's share of profit (loss) from continuing operations	23,308	(7,042)
The Group's share of other comprehensive income	3,413	(9,910)
The Group's share of total comprehensive income	26,721	(16,952)
Aggregate carrying amount of the Group's interests in these associates and the joint venture	1,111,559	652,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

24. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities the Group served as general partner or manager, therefore has power over them during the year include private equity funds and asset management products. Except for the structured entities the Group has consolidated as details in note 22, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The size of unconsolidated asset management plans managed by the Group amounted to RMB6,500,000,000 and RMB2,700,000,000 as at 31 December 2013 and 2012, respectively. The Group classified the investments in unconsolidated funds and asset management products as available-for-sale financial investments as appropriate. The Group's interests in and exposure to these funds and asset management products are not significant.

25. AVAILABLE-FOR-SALE INVESTMENTS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Debt securities	1,579,670	2,251,859
Equity securities	4,460,217	6,615,504
Funds	1,095,378	1,296,724
Others (note iv)	2,537,513	465,190
	9,672,778	10,629,277
Analysed as:		
Listed in Hong Kong	12,088	6,767
Listed outside Hong Kong (primarily in the PRC)	3,471,268	5,858,786
Unlisted	6,189,422	4,763,724
	9,672,778	10,629,277
Analysed as:		
Listed equity securities (note ii)	1,835,251	3,934,431
Unlisted equity securities (note i)	2,624,966	2,681,073
	4,460,217	6,615,504
Analysed for reporting purpose as:		
Current assets	4,951,872	7,427,046
Non-current assets	4,720,906	3,202,231
	9,672,778	10,629,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. AVAILABLE-FOR-SALE INVESTMENTS (continued)

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Debt securities (note v)	5,392,885	2,251,859
Equity securities	1,806,211	3,892,167
Funds	260,382	587,771
Others (note iv)	1,070,174	238,164
	8,529,652	6,969,961
Analysed as:		
Listed outside Hong Kong (primarily in the PRC)	3,288,206	5,721,344
Unlisted	5,241,446	1,248,617
	8,529,652	6,969,961
Analysed as:		
Listed equity securities (note iii)	1,711,032	3,796,988
Unlisted equity securities (note i)	95,179	95,179
	1,806,211	3,892,167
Analysed for reporting purpose as:		
Current assets	3,551,083	6,627,608
Non-current assets	4,978,569	342,353
	8,529,652	6,969,961

Notes:

- (i) The equity interest in unlisted securities held by the Group and the Company are issued by private companies (including companies in banking, manufacturing, real estate and public utilities). As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the reporting date.
- (ii) Included in the Group's listed equity securities are amounts of approximately RMB263,587,000 and RMB974,484,000 as at 31 December 2013 and 31 December 2012, respectively, which are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

- (iii) Included in the Company's listed equity securities are amounts of approximately RMB151,456,000 and RMB926,184,000 as at 31 December 2013 and 31 December 2012, respectively, which are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Company to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (iv) Others comprise of structured products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.
- (v) As of 31 December 2013, debt securities of the Company include convertible bonds issued by HTSGL with book value of RMB3,813,215,000 (31 December 2012: Nil).

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

As at 31 December 2013 and 31 December 2012, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB294,226,000 and RMB661,409,000 to external clients, respectively, which did not result in derecognition of the financial assets. RMB1,350,325,000 and RMB1,885,653,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (note 42).

26. LOAN AND RECEIVABLE INVESTMENTS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000
Trust products (note)	2,013,300	1,641,300
Structured products (note)	877,756	1,431,100
Bond	1,024,199	100,002
	3,915,255	3,172,402
Analysed for reporting purpose as:		
Current assets	2,086,056	1,894,100
Non-current assets	1,829,199	1,278,302
	3,915,255	3,172,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. LOAN AND RECEIVABLE INVESTMENTS (continued)

THE COMPANY

	2013/12/31	2012/12/31
	RMB'000	RMB'000
Others (note)	–	200,000
Analysed for reporting purpose as:		
Current assets	–	200,000

Note: The above products comprise fixed-yield structured products and trust products with fixed maturity, which are recoverable in determinable amounts by principle and interest according to the relevant agreement.

27. HELD-TO-MATURITY INVESTMENTS

THE GROUP

	2013/12/31	2012/12/31
	RMB'000	RMB'000
Debt securities listed in Hong Kong	634,962	656,719
Analysed for reporting purpose as:		
Current assets	281,613	4,861
Non-current assets	353,349	651,858
	634,962	656,719

As at 31 December 2013, the fair value of the held-to-maturity investments was approximately RMB636,386,000 (2012: RMB682,213,000). The related interest rates on such bonds for the year ended 31 December 2013 ranged between 2.95% – 13.75% per annum (2012: between 2.95% – 13.5% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

28. OTHER ASSETS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000
Foreclosed assets	33,485	6,500
Deposits with the Hong Kong Stock Exchange	1,181	1,216
Contributions to reserve funds of		
– HKFE Clearing Corporation Limited	4,557	7,311
– The SEHK Options Clearing House Limited	6,786	4,353
Deposits for trading rights	28,715	57,757
Prepaid lease payments	16,011	16,514
	90,735	93,651

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Foreclosed assets	33,485	6,500
Deposits for trading rights	9,397	55,947
Prepaid lease payments	16,011	16,513
	58,893	78,960

29. LOANS AND ADVANCES TO CUSTOMERS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000
Loans to margin clients (<i>note i</i>)	25,759,839	10,203,213
Other advances to customers (<i>note ii</i>)	1,706,571	1,135,474
Less: Allowance for doubtful debts (<i>note i</i>)	1,114	–
	27,465,296	11,338,687
Analysed for reporting purpose as:		
Current	26,531,096	11,338,687
Non-current	934,200	–
	27,465,296	11,338,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

29. LOANS AND ADVANCES TO CUSTOMERS (continued)

THE COMPANY

	2013/12/31	2012/12/31
	RMB'000	RMB'000
Loans to margin clients (<i>note i</i>)	19,518,414	6,392,950
Less: Allowance for doubtful debts	1,114	–
	19,517,300	6,392,950
Analysed for reporting purpose as:		
Current	19,517,300	6,392,950

Notes:

- (i) The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group and the Company.

The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall.

Loans to margin clients as at 31 December 2013 and 31 December 2012 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB78,898,188,000 and RMB39,241,260,000, respectively.

Loans to margin clients as at 31 December 2013 and at 31 December 2012 were secured by the customers' securities to the Company as collateral with undiscounted market value of approximately RMB50,524,423,000 and RMB18,657,832,000 respectively.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

The Group determines the allowance for impaired debts based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

- (ii) These loans are secured and/or guaranteed with contractual maturity within 3 year (2012: within 1 year), and bear interest at Hong Kong prime rate minus 2% to Hong Kong prime rate plus 10% or at a fixed rate of 2% to 13% per annum (2012: at Hong Kong prime rate plus 4% to 7% or at a fixed rate of 9% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. ACCOUNTS RECEIVABLE

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Accounts receivable from:		
– Cash clients	115,359	145,442
– Brokers, dealers and clearing house	1,368,823	821,463
– Advisory and financial planning	7,990	6,735
– Asset and fund management	120,642	121,886
– Others	34,566	17,829
	1,647,380	1,113,355
Less: allowance for doubtful debts on account receivables	(122)	–
	1,647,258	1,113,355

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Accounts receivable from:		
– Others	12,288	–
	12,288	–
Less: allowance for doubtful debts on account receivables	(61)	–
	12,227	–

Movements in the allowance for doubtful debts are as follows:

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
At beginning of the year	–	–
Provision of impairment allowance, net	122	–
At end of the year	122	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. ACCOUNTS RECEIVABLE (continued)

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
At beginning of the year	–	–
Provision of impairment allowance, net	61	–
At end of the year	61	–

Ageing analysis of accounts receivable from the trade date is as follows:

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Between 0 and 3 months	1,618,954	1,084,554
Between 4 and 6 months	15,597	11,873
Between 7 and 12 months	8,023	13,953
Over 1 year	4,684	2,975
	1,647,258	1,113,355

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Between 0 and 3 months	12,227	–
	12,227	–

The normal settlement terms of accounts receivable from clients and brokers, dealers and clearing houses are within two days after trade date. Trading limits are set for clients. Normal settlement terms of accounts receivable from advisory and financial planning, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i> (restated)
Interest receivable	1,441,683	712,058
Dividend receivable	30,000	–
Expenses for underwriting business to be settled by clients	420	420
Other receivables and prepayments	915,102	1,012,848
	2,387,205	1,725,326
Less: allowance for doubtful debts on other receivables	(497,857)	(520,092)
	1,889,348	1,205,234

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i> (restated)
Interest receivable	1,142,697	628,525
Dividend receivable	30,000	–
Expenses for underwriting business to be settled by clients	420	420
Other receivables and prepayments	724,965	624,633
	1,898,082	1,253,578
Less: allowance for doubtful debts on other receivables	(497,728)	(510,691)
	1,400,354	742,887

Movements in the allowance for doubtful debts are as follows:

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
At beginning of the year	520,092	536,307
Reversal of impairment allowance, net	(20,288)	(24,001)
Recoveries of other receivables previously written off	7,448	7,786
Amounts written off during the year	(9,395)	–
At end of the year	497,857	520,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. OTHER RECEIVABLES AND PREPAYMENTS (continued)

THE COMPANY

	2013/12/31	2012/12/31
	RMB'000	RMB'000
At beginning of the year	510,691	536,307
Reversal of impairment allowance, net	(20,399)	(33,402)
Recoveries of other receivables previously written off	7,448	7,786
Amounts written off during the year	(12)	–
At end of the year	497,728	510,691

Included in the allowance for doubtful debts of the Group and Company mainly represents a gross receivable of RMB550,000,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 31 December 2013, amounts of RMB65,105,000 (2012: RMB46,341,000) of the above receivable were recovered. In 2013, amounts of RMB18,764,000 (2012: RMB18,590,000) of the above receivable were recovered.

The remaining other receivables and prepayments mainly represent short-term rental deposits placed with landlords under operating leases and other prepaid expenses for daily operation.

32. AMOUNT DUE FROM/TO A SUBSIDIARY

Amount due from/to a subsidiary is unsecured, repayable on demand, and bear interest at prevailing market interest rates. The Company is expected to recover the amount due from a subsidiary within 1 year from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i> (restated)
Analysed by collateral type:		
Stock (<i>note</i>)	8,095,083	1,464,969
Bonds	902,240	769,600
Fund	39,670	–
	9,036,993	2,234,569
Analysed by market:		
Shanghai Stock Exchange	5,943,360	1,819,569
Shenzhen Stock Exchange	2,590,622	–
Inter-bank	107,000	415,000
Others	396,011	–
	9,036,993	2,234,569

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock (<i>note</i>)	7,605,912	1,464,969
Bonds	12,340	–
Fund	39,670	–
	7,657,922	1,464,969
Analysed by market:		
Shanghai Stock Exchange	5,112,200	1,464,969
Shenzhen Stock Exchange	2,545,722	–
	7,657,922	1,464,969

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The maturities of these resale agreements are all within one year.

As of 31 December 2013, the fair value of the collateral was RMB20,993,516,000 (2012: RMB3,498,102,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Held for trading:		
Debt securities	32,207,768	17,935,540
Equity securities	6,940,629	7,359,125
Funds	8,394,003	7,091,716
Derivative instruments	47,647	31,866
	47,590,047	32,418,247
Analysed as:		
Listed in Hong Kong	210,048	7,944
Listed outside Hong Kong (primarily in the PRC)	31,906,580	17,042,982
Unlisted (<i>Note i</i>)	15,473,419	15,367,321
	47,590,047	32,418,247

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Held for trading:		
Debt securities	24,453,808	17,380,761
Equity securities	6,247,544	6,879,298
Funds	6,823,986	6,357,090
Derivative instruments	–	14,707
	37,525,338	30,631,856
Analysed as:		
Listed outside Hong Kong (primarily in the PRC)	25,886,437	16,458,696
Unlisted	11,638,901	14,173,160
	37,525,338	30,631,856

Note:

- (i) Financial assets at fair value through profit or loss include unlisted funds, which were classified as held for trading financial assets, the underlying investments mainly consist of publicly traded equities listed in Hong Kong and the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

THE COMPANY (continued)

- (ii) As at 31 December 2013, the Company has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB46,596,000 (2012: nil) to external clients, which did not result in derecognition of the financial assets.

Details of derivative instruments are set out in the note 45 Derivative Instruments.

35. DEPOSITS WITH EXCHANGES

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Deposits with stock exchanges		
– Shanghai Stock Exchange	68,973	15,344
– Shenzhen Stock Exchange	48,576	418,883
	117,549	434,227
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	854,953	1,124,119
– Dalian Commodity Exchange	447,736	334,245
– Zhengzhou Commodity Exchange	284,600	229,077
– China Financial Futures Exchange	1,801,083	1,776,497
– Shanghai Gold Exchange	–	10
	3,388,372	3,463,948
Guarantee fund paid to Shenzhen Stock Exchange	11,730	66,379
Guarantee fund paid to Shanghai Stock Exchange	11,951	–
Deposit with China Securities Finance Corporation Ltd.	164,233	30,737
	3,693,835	3,995,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. DEPOSITS WITH EXCHANGES (continued)

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Deposits with stock exchanges		
– Shanghai Stock Exchange	62,000	11,881
– Shenzhen Stock Exchange	43,989	415,251
	105,989	427,132
Deposits with China Financial Futures Exchange	780,546	1,083,695
Guarantee fund paid to Shanghai Stock Exchange	11,951	–
Guarantee fund paid to Shenzhen Stock Exchange	11,730	66,379
Deposit with China Securities Finance Corporation Ltd.	164,233	30,737
	1,074,449	1,607,943

36. CLEARING SETTLEMENT FUNDS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Clearing settlement funds held with clearing houses for:		
The Group	1,563,201	822,243
Clients	4,187,852	2,227,863
	5,751,053	3,050,106

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
The Company	1,464,096	817,467
Clients	2,901,547	1,394,177
	4,365,643	2,211,644

These clearing settlement funds are held by the clearing houses for the Group and the Company and can be withdrawn freely by the Group and the Company. These balances carry interest at prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. BANK BALANCES AND CASH

THE GROUP

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i> (restated)
General accounts	19,158,636	20,860,313
Cash held on behalf of clients (<i>note i</i>)	33,777,588	31,460,514
	52,936,224	52,320,827
Less: non-current restricted bank deposits (<i>note ii</i>)	(349,231)	(320,586)
	52,586,993	52,000,241

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
General accounts	9,011,142	17,484,495
Cash held on behalf of clients (<i>note i</i>)	23,575,711	24,802,427
	32,586,853	42,286,922

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group and the Company received and holds money deposited by clients in the course of the conduct of the regulated activities. The Group and the Company has recognised the corresponding amount in accounts payable to brokerage clients (*note 42*). The Group and the Company currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Bank balances and cash – general account	19,158,636	20,860,313
Less: Restricted bank deposits	(349,231)	(320,586)
Net of: Temporary bank borrowing repayable on demand	–	(5,000,000)
Clearing settlement funds – the Group	1,563,201	822,243
	20,372,606	16,361,970

39. BORROWINGS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Secured short-term borrowings:		
Bank loans (<i>notes (i), (ii), (iii), (iv)</i>)	2,206,850	1,714,948
Unsecured short-term borrowings:		
Bank loans (<i>notes (iii), (iv)</i>)	3,589,545	6,911,366
	5,796,395	8,626,314

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Unsecured short-term borrowings:		
Bank loans (<i>notes (iii), (iv)</i>)	–	5,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. BORROWINGS (continued)

Notes:

- i. Bank loans borrowed by the subsidiaries in Hong Kong of approximately RMB2,206,850,000 and RMB1,706,839,000 as at 31 December 2013 and 31 December 2012, respectively, are secured by the listed shares pledged to the Group as a security for advances to customers (with customers' consent) of approximately RMB5,955,692,000 and RMB4,452,377,000 as at 31 December 2013 and 31 December 2012, respectively.
- ii. As at 31 December 2012, secured bank loans of RMB8,109,000 are secured by bonds with a face value of RMB217,500,000. The secured bank loans were repaid in 2013.
- iii. Bank loans are repayable on demand or within 1 year.
- iv. An amount of RMB3,589,545,000 (2012: RMB1,919,475,000) of the Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.55% to 2% per annum (2012: HIBOR plus 0.5% to 2% per annum. The remaining balance in 2012 bear interest at Shanghai Interbank Offered Rate ("SHIBOR") plus 1.20%).

40. SHORT-TERM FINANCING BILLS PAYABLES

THE GROUP AND THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Analysed as:		
Inter-bank	3,000,000	–

As at 31 December 2013, the short-term financing bills are debt securities issued in PRC inter-bank market by the Company bearing interest at 5.10% per annum, repayable within 3 months.

41. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

THE GROUP AND THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Placement from banks	–	1,150,000
Placement from non-bank financial institutions	1,120,000	1,000,000
	1,120,000	2,150,000

Placements are unsecured and bear interest at 7% per annum (2012: from 3.97% to 5.8% per annum), with maturities within 3 months (2012: 1 month).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

42. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group and the Company.

As at 31 December 2013 and 31 December 2012, included in the Group and the Company's accounts payable to brokerage clients were approximately RMB1,350,325,000 and RMB1,885,653,000 cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

43. OTHER PAYABLES AND ACCRUALS

THE GROUP

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i> (restated)
Accrued staff cost	853,296	838,002
Business tax and other tax payable	248,003	113,077
Dividends payable	7,536	7,536
Risk reserve	112,711	92,111
Pending payable to open-ended fund	73,527	11,860
Pending payable to clearing house	371,557	1,045
Settlement payables	746,615	469,525
Commission and fee payables	19,248	25,641
Payables due to fund redemption	74,027	6,337
Others	788,977	339,330
	3,295,497	1,904,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. OTHER PAYABLES AND ACCRUALS (continued)

THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
Accrued staff cost	586,726	571,290
Business tax and other tax payable	233,781	84,569
Dividends payable	7,536	7,536
Pending payable to open-end fund	73,527	11,860
Settlement payables	246,561	5,192
Others	452,298	225,933
	1,600,429	906,380

Others represent primarily accrued operating expenses which are non-interest bearing and are repayable within one year.

44. PROVISIONS

THE GROUP AND THE COMPANY

	2013/12/31 <i>RMB'000</i>	2012/12/31 <i>RMB'000</i>
At beginning of the year	3,143	248
Addition for the year	2,914	2,895
Reversal for the year	3,317	–
Provision	2,740	3,143

As at 31 December 2013 and 31 December 2012, the Group has several outstanding litigations with potential claims with maximum total amount of approximately RMB4,878,000 and RMB3,143,000 respectively, of which RMB2,740,000 and RMB3,143,000, respectively were accounted for and provided in the consolidated financial statements based on directors' best estimate of the amounts required to settle the claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

45. DERIVATIVE INSTRUMENTS

THE GROUP

	2013/12/31		2012/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000 (restated)	Liabilities RMB'000 (restated)
Stock index futures contracts (note i, note ii)	-	-	-	-
Commodity Futures (note iii)	-	-	-	-
Interest swap contracts (note iv)	16,553	51,801	17,159	-
Equity linked note (note v)	31,094	-	-	-
Forward contracts	-	-	14,707	-
Total	47,647	51,801	31,866	-

THE COMPANY

	2013/12/31		2012/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000 (restated)	Liabilities RMB'000 (restated)
Stock index futures contracts (note i, note ii)	-	-	-	-
Interest swap contracts	-	46,421	-	-
Forward contracts	-	-	14,707	-
Total	-	46,421	14,707	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

45. DERIVATIVE INSTRUMENTS (continued)

Notes:

(i) Hedge

The stock index futures contracts outstanding as at 31 December 2013 and 31 December 2012 are used to hedge the exposure to the changes in fair values of certain available-for-sale investments. The index future contract of the Group is the standard CSI 300 stock index futures contracts listed in China Financial Futures Exchange.

Fair value hedge

The Group and the Company adopted hedging strategy, where by the Group and the Company used CSI 300 stock index future contract to hedge the market risk of the securities lent or to be lent to clients, which consist of stock portfolio with reference to that used by CSI 300 stock index.

At the inception of the hedge relationship, the Group and the Company have officially designated the CSI 300 stock index future contract as hedge instrument, and document the hedging relationship, risk management and hedge strategy. According to the effectiveness test of fair value hedge by the Group and the Company, the index future contract was considered hedge instrument is highly effective.

Included in the derivative financial instruments above are those designated as hedging instruments of fair value hedge by the Group and the Company as follows:

	2013	2012
	RMB'000	RMB'000
Fair value gain or (loss) of the hedging instruments	331,578	(324,139)
Fair value gain or (loss) of the hedged item	(278,062)	335,588
Total	53,516	11,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

45. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(ii) CSI 300 stock index futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2013 and 31 December 2012. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period.

Contract	2013/12/31	
	Contract value RMB'000	Fair value RMB'000
IF1401	6,115,938	73,440
IF1402	236,818	(4,303)
IF1403	238,452	360
Total	6,591,208	69,497
Less: settlement		(69,497)
Net position of SIF contracts		–

Contract	2012/12/31	
	Contract value RMB'000	Fair value RMB'000
IF1301	8,336,120	(379,394)
Less: settlement		379,394
Net position of SIF contracts		–

(iii) Commodity futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2013. Accordingly, the net position of the commodity futures contracts in derivative instruments was nil at the end of reporting period.

As at 31 December 2013, the contract value of the Group's commodity futures is about RMB2,577,000 (2012: RMB Nil), with fair value loss in profit or loss of about RMB18,000 (2012: RMB Nil).

(iv) Interest swap contracts and

The notional principal amounts of the Group's swap contracts as at 31 December 2013 are approximately RMB3,922,300,000 (2012: RMB188,565,000).

(v) Equity linked notes.

The notional principal amounts of the Group's equity linked notes as at 31 December 2013 are approximately RMB609,690,000 (2012: RMB Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

46. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Financial liabilities held for trading (note)	6,454,711	134,769
Derivative instruments	51,801	–
	6,506,512	134,769

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000 (restated)
Derivative instruments	46,421	–

Note: Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.

Details of the derivative instruments are in notes 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

THE GROUP

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i> (restated)
Analysed as collateral type:		
Bonds	21,564,645	16,040,561
Other rights and interests in other debt instrument	4,882,598	–
	26,447,243	16,040,561
Analysed by market:		
Shanghai Stock Exchange	15,046,296	7,481,059
Shenzhen Stock Exchange	234,540	–
Inter-bank market	5,948,480	8,559,502
Others	5,217,927	–
	26,447,243	16,040,561
Analysed for reporting purpose as:		
Current	26,111,914	16,040,561
Non-current (<i>Note i</i>)	335,329	–
	26,447,243	16,040,561

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
Analysed as collateral type:		
Bonds	20,178,375	16,040,561
Others	4,256,343	–
	24,434,718	16,040,561
Analysed by market:		
Shanghai Stock Exchange	14,234,497	7,481,059
Shenzhen Stock Exchange	–	–
Inter-bank market	5,943,878	8,559,502
Others	4,256,343	–
	24,434,718	16,040,561

Note i: Non-current portion represents consideration received under the repurchase agreement of HTSGL and is chargeable at a fixed interest rate of 2.965% per annum (2012: RMB Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

As of 31 December 2013, the above current portion of financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, which amounted to RMB1,001,497,000, with maturities within 3 months (31 December 2012: RMB1,471,559,000).

Sales and repurchase agreements are transactions in which the Group and the Company sell a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group and the Company are still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group and the Company retain substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

As at 31 December 2013 and 2012, the Group and the Company enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group and the Company sell the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2013

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Available- for-sale investments <i>RMB'000</i>	Financial assets held under repurchase agreements <i>RMB'000</i>	Loans and advances to customers <i>RMB'000</i>	Held- to-maturity investment <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	25,887,326	1,368,035	1,467,145	4,323,626	597,175	33,643,307
Carrying amount of associated liabilities	20,163,748	1,065,568	982,598	3,900,000	335,329	26,447,243
Net position	5,723,578	302,467	484,547	423,626	261,846	7,196,064

As at 31 December 2012

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Available- for-sale investments <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	15,836,958	2,251,859	18,088,817
Carrying amount of associated liabilities	14,049,192	1,991,369	16,040,561
Net position	1,787,766	260,490	2,048,256

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For the year ended 31 December 2013

48. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
	Registered, issued and fully paid at RMB1.0 per share: At 1 January 2013 and 31 December 2013	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
	Registered, issued and fully paid at RMB1.0 per share: At 1 January 2011 and 31 December 2011	8,227,821	8,227,821	–	–	8,227,821
Issuance and conversion of H shares	(135,690)	(135,690)	1,492,590	1,492,590	1,356,900	1,356,900
At 31 December 2012	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721

49. CAPITAL RESERVE

The movements of the capital reserve of the Company are set out below:

	2013 RMB'000	2012 RMB'000
At beginning of the year	32,472,480	22,635,141
Share issuance pursuant to the Global offering	–	9,837,339
At end of the year	32,472,480	32,472,480

The Company was listed on the Main Board of Hong Kong Stock Exchange on 27 April 2012. The excess of the proceeds over the nominal value of the total number of ordinary shares issued was credited to the capital reserve. The Company incurred RMB493,330,000 as share issuance costs, RMB44,136,000 of which was related to inter-group transactions, and eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

50. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Company are set out below:

	2013	2012
	RMB'000	RMB'000
At beginning of the year	35,470	(587,071)
Available-for-sale investments		
Net fair value changes during the year	301,064	(83,210)
Reclassification adjustments to profit or loss on disposal/impairment	(274,459)	913,265
Income tax relating to components of other comprehensive income	(6,651)	(207,514)
At end of the year	55,424	35,470

51. GENERAL RESERVES

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of The People's Republic of China, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits.

Pursuant to the Securities Law of The People's Republic of China, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

For each of the years ended 31 December 2013 and 31 December 2012, the Company transferred approximately RMB346,616,000 and RMB270,170,000, respectively, the same amount to each of the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC.

Each of the statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB2,593,294,000 and RMB2,246,678,000 as at 31 December 2013 and 31 December 2012, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

51. GENERAL RESERVES (continued)

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to reserves. The total amount of reserves appropriated as at 31 December 2013 is RMB1,148,622,000 (31 December 2012: RMB585,188,000).

52. RETAINED PROFITS

The movements of retained profits of the Company are set out below:

	2013 RMB'000	2012 <i>RMB'000</i> (restated)
At beginning of the year	8,956,105	8,318,500
Profit for the year	3,438,670	2,682,287
Appropriation to general reserves	(1,039,847)	(810,509)
Dividends recognised as distribution (<i>note 57</i>)	(1,150,167)	(1,234,173)
At end of the year	10,204,761	8,956,105

53. DEFERRED TAXATION

For the purpose of presentation in the Group and the Company's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

THE GROUP

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
Deferred tax assets	430,935	369,606
Deferred tax liabilities	(85,586)	(149,963)
	345,349	219,643

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 <i>RMB'000</i>
Deferred tax assets	324,914	317,951
Deferred tax liabilities	(38,645)	(113,482)
	286,269	204,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

53. DEFERRED TAXATION (continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

THE GROUP

	Financial assets held for trading	Accelerated depreciation	Derivative assets	Accrued but not paid expenses	Available- for-sale investments	Derivative liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	119,659	(20,116)	(25,134)	85,022	279,441	-	2,210	441,082
(Charge) credit to profit or loss	(168,365)	4,689	21,457	(23,306)	47,876	94,793	(351)	(23,207)
Credit to other comprehensive income	-	-	-	-	(198,232)	-	-	(198,232)
At 31 December 2012	(48,706)	(15,427)	(3,677)	61,716	129,085	94,793	1,859	219,643
Credit (charge) to profit or loss	228,508	3,202	(13,693)	(5,296)	18,437	(83,188)	2,719	150,689
Credit to other comprehensive income	-	-	-	-	(25,392)	-	-	(25,392)
Effects of exchange rate	-	468	-	-	-	-	(59)	409
At 31 December 2013	179,802	(11,757)	(17,370)	56,420	122,130	11,605	4,519	345,349

THE COMPANY

	Financial assets held for trading	Derivative assets	Accrued but not paid expenses	Available- for-sale investments	Derivative liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	119,670	(25,134)	40,323	303,412	-	-	438,271
(Charge) credit to profit or loss	(164,075)	21,457	(23,157)	47,874	91,611	-	(26,290)
Credit to other comprehensive income	-	-	-	(207,512)	-	-	(207,512)
At 31 December 2012	(44,405)	(3,677)	17,166	143,774	91,611	-	204,469
Credit (charge) to profit or loss	214,403	(13,466)	3,388	(35,868)	(80,006)	-	88,451
Credit to other comprehensive income	-	-	-	(6,651)	-	-	(6,651)
At 31 December 2013	169,998	(17,143)	20,554	101,255	11,605	-	286,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

54. BOND PAYABLES

THE GROUP

	2013/12/31 RMB'000	2012/12/31 RMB'000
Convertible bonds (note i)	759,713	–
Non-convertible bonds (note ii and iii)	17,179,915	–
	17,939,628	–

THE COMPANY

	2013/12/31 RMB'000	2012/12/31 RMB'000
Non-convertible Bonds (note iii)	11,956,416	–

Notes:

- (i) On 18 July 2013, the Group's subsidiary, HISGL issued listed convertible bonds in principal amount of HKD776 million at par and further issued listed convertible bonds in principal amount of HKD232 million principal amount at 105% on 10 October 2013. The convertible bonds issued on 10 October 2013 constitute an additional issue to the convertible bonds issued on 18 July 2013 and two issues have been combined legally and constitute a single series. The redemption value of these convertible bonds at maturity on 18 July 2018 is 112.89% of their principal amount, and these convertible bonds bear interest at a fixed rate of 1.25% per annum. At any time between 27 August 2013 up to the close of business on the tenth day prior to the maturity date, these convertible bonds can be converted into ordinary shares of HISGL at an initial conversion price of HKD4 per share (subject to adjustments) at the option of the holders of the convertible bonds. The values of the liability component and the equity conversion component were determined at issuance of the bond. The effective interest rate of the liability component on initial recognition is 5.09% and 3.88% per annum.

The convertible bond recognized in the consolidated statement of financial position is calculated as follows:

	Convertible bonds issued on 18 July 2013 RMB'000	Convertible bonds issued on 10 October 2013 RMB'000	Total RMB'000
Face value of convertible bonds on issue date	610,115	192,045	802,160
Equity component	(19,255)	(6,140)	(25,395)
Transaction costs allocated to liability component	(23,072)	(4,860)	(27,932)
Liability component on initial recognition			
on issued date	567,788	181,045	748,833
Amortisation	9,794	1,086	10,880
Liability component as at 31 December 2013	577,582	182,131	759,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

54. BOND PAYABLES (continued)

Notes: (continued)

- (ii) On 29 October, 2013, the Group's wholly owned subsidiary Haitong International Finance Holdings Limited issued corporate bonds with credit enhancement of standby letter of credit issued by Bank of China Singapore Branch, in principal amount of USD900 million at a discount of 99.574% which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate of 3.95% with a maturity period of 5 years, and the interest will be paid semi-annually in arrears on 29 April and 29 October in each year with the first interest payment date on 29 April 2014. The principal will be fully repayable on the maturity date.

The Company entered into a keepwell deed for the above bonds. Pursuant to the keepwell deed, Haitong Securities Co., Ltd. will undertake to cause Haitong International Finance Holdings Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance Holdings Limited of any amounts payable in respect of the bonds in accordance with the Terms and Conditions of the bonds any payments due.

Extraordinary meeting of the Company's Board of Directors reviewed and approved resolution on providing counter guarantee for guarantor concerning indirect wholly-owned subsidiary's first issuance of offshore bond. The meeting approved to provide counter guarantee for Bank of China Singapore Branch concerning the bond, and the amount of counter guarantee should not exceed the bond's face value and interest totalling 8.5 billion RMB equivalent of USD.

- (iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par, which includes 3 installments at a fixed interest rate with a maturity term of three years, five years and ten years, respectively. And the principle amounts are RMB7.26 billion, RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively.

55. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

At 31 December 2013 and 2012, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	204,649	181,873
In the second to fifth year, inclusive	358,751	335,957
Over five years	55,641	81,816
	619,041	599,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

55. OPERATING LEASE ARRANGEMENTS (continued)

The Company as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

At 31 December 2013 and 2012, the Company had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within one year	121,393	107,610
In the second to fifth year, inclusive	272,461	267,950
Over five years	55,641	81,816
	449,495	457,376

The Group and the Company as lessor

The lease terms are negotiated for an average term of two years and rental are fixed for an average of two years.

At the end of the reporting period, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within one year	13,518	11,883
In the second to fifth year, inclusive	13,511	13,174
Over five years	315	–
	27,344	25,057

56. CAPITAL COMMITMENT

THE GROUP AND THE COMPANY

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	26,737	132,204

57. DIVIDENDS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Dividends recognised as distribution	1,150,166	1,234,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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57. DIVIDENDS (continued)

Pursuant to the resolution of annual general meeting 2012 and 2011, the Company declared 2012 and 2011 final dividend of RMB0.12 and RMB0.15 per share respectively, satisfied by cash. For the proposed dividend of 2013, please refer to Note 67.

58. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors, Senior Management and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2013 and 2012 are set out below:

For the year ended 31 December 2013

Name	Director fee RMB'000	Salary and commission RMB'000	Employer's contribution to pension schemes/ annuity plans RMB'000	Bonuses* RMB'000	Total^ RMB'000
<i>Executive Directors and Senior Management:</i>					
Wang Kaiguo ^{&}	–	1,427	150	888	2,465
Li Mingshan ^{&}	–	1,430	150	885	2,465
Shen Degao ⁺	–	205	9	91	305
Ji Yuguang	–	991	150	645	1,786
Ren Peng	–	993	150	641	1,784
Wu Bin	–	917	150	612	1,679
Li Xunlei	–	914	150	596	1,660
Gong Liqihui	–	886	150	594	1,630
Pei Changjiang [#]	–	412	22	281	715
Wang Jianye	–	920	150	615	1,685
Li Chuqian	–	920	150	615	1,685
Jin Xiaobin	–	920	150	614	1,684
Chen Chunqian	–	661	150	249	1,060
Li Jianguo	234	2,282	12	856	3,384
<i>Independent Non-executive Directors and Supervisors:</i>					
Xia Bin	120	–	–	–	120
Chen Qiwei	120	–	–	–	120
Zhang Huiquan	120	–	–	–	120
Zhang Ming	120	–	–	–	120
Dai Genyou	120	–	–	–	120
Liu Zhimin	120	–	–	–	120
Xiao Suining [#]	70	–	–	–	70
Wang Yimin ⁺	–	293	17	105	415
Yang Qingzhong	–	994	150	639	1,783
Qiu Xiaping	–	550	150	231	931
Du Hongbo	–	545	150	232	927
	1,024	16,260	2,160	9,389	28,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

58. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2012

Name	Director fee RMB'000	Salary and commission RMB'000	Employer's contribution to pension schemes/ annuity plans RMB'000	Bonuses* RMB'000	Total^ RMB'000
<i>Executive Directors and Senior Management:</i>					
Wang Kaiguo ^{&}	–	1,296	109	919	2,324
Li Mingshan ^{&}	–	1,296	109	919	2,324
Shen Degao ⁺	–	909	109	665	1,683
Ji Yuguang	–	909	109	665	1,683
Ren Peng	–	908	109	664	1,681
Wu Bin	–	834	109	639	1,582
Li Xunlei	–	785	109	419	1,313
Gong Liqihui	–	717	109	315	1,141
Wang Jianye	–	838	109	640	1,587
Li Chuqian	–	838	109	640	1,587
Jin Xiaobin	–	838	109	640	1,587
Chen Chunqian	–	609	109	242	960
Li Jianguo	243	2,326	–	388	2,957
<i>Independent Non-executive Directors and Supervisors:</i>					
Xia Bin	120	–	–	–	120
Chen Qiwei	120	–	–	–	120
Zhang Huiquan	120	–	–	–	120
Zhang Ming	120	–	–	–	120
Dai Genyou	120	–	–	–	120
Liu Zhimin	120	–	–	–	120
Wang Yimin ⁺	–	1,293	109	917	2,319
Yang Qingzhong	–	907	109	664	1,680
Qiu Xiaping	–	522	109	165	796
Du Hongbo	–	513	109	165	787
	963	16,338	1,744	9,666	28,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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58. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

- * The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
- ^ The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 60.
- & Mr. Wang Kaiguo and Mr. Li Mingshan are also the Chief Executives of the Company and their emoluments disclosed above include those for service rendered by them as Chief Executives.
- # Mr. Pei Changjiang was appointed as the Deputy General Manager of the Company in August 2013, and Mr. Xiao Suining was appointed as the Non-executive Director of the Company in May 2013.
- + Mr. Shen Degao resigned from the position of Deputy General Manager of the Company in January 2013, and Mr. Wang Yimin resigned from the position of Chairman of Board of Supervisors of the Company in January 2013.

For the year ended 31 December 2013 and 2012, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

59. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the highest paid employees during the year ended 2013 and 2012 are as follows:

	2013	2012
	RMB'000	<i>RMB'000</i>
Salary and commission	5,171	6,489
Bonuses	38,829	43,612
Employer's contribution to pension schemes/annuity plans	528	468
	44,528	50,569

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2013 and 2012.

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For the year ended 31 December 2013

59. HIGHEST PAID INDIVIDUALS (continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2013	2012
Emolument bands		
– HKD9,000,001 to HKD9,500,000	–	1
– HKD10,000,001 to HKD10,500,000	1	–
– HKD10,500,001 to HKD11,000,000	1	1
– HKD11,500,001 to HKD12,000,000	1	–
– HKD12,000,001 to HKD12,500,000	–	2
– HKD13,500,001 to HKD14,000,000	2	–
– HKD18,000,000 to HKD18,500,000	–	1
	5	5

60. SHARE OPTION SCHEME OF A SUBSIDIARY

One of the Company's subsidiaries, HISGL, a Hong Kong listed company, operates a share option scheme mainly for its directors and employees. HISGL was acquired by the Group on 21 December 2009.

The shareholders of HISGL approved the adoption of a share option scheme (the "2002 Share Option Scheme") on 23 August 2002.

A summary of the principal terms of the 2002 Share Option Scheme is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by HISGL and its subsidiaries and at the same time allowing the participants to enjoy the results of HISGL attained through their effort and contribution. Under the 2002 Share Option Scheme, options may be granted to any full time employees, executive and non-executive directors of HISGL or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but HISGL may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of HISGL under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 10% of the issued share capital of HISGL as at the date of approval by the shareholders of HISGL at general meetings where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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60. SHARE OPTION SCHEME OF A SUBSIDIARY (continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors of HISGL or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors of HISGL) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL, and such period shall commence not earlier than six months from the date of grant of the options and expire not later than ten years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a six-month vesting period.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of HISGL.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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60. SHARE OPTION SCHEME OF A SUBSIDIARY (continued)

The following table discloses movements of share options granted to the directors and employees of HISGL under HISGL's 2002 Share Option Scheme during the year:

	2013		2012	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At beginning of the year	5.25	32,140	5.25	43,216
Adjusted during the year	4.59	3,951	–	–
Exercised during the year	–	–	–	–
Forfeited during the year	5.14	(6,103)	5.24	(11,076)
At end of the year	4.58	29,988	5.25	32,140

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

Number of options '000	Exercise price ¹ HKD per share	Exercise period
31 December 2013		
11,561	5.129	1 June 2008 to 31 May 2016
18,427	4.234	3 March 2012 to 2 March 2019
29,988		
31 December 2012		
12,367	5.879	1 June 2008 to 31 May 2016
19,773	4.854	3 March 2012 to 2 March 2019
32,140		

¹ The exercise price of the share option is subject to adjustment in case of rights or bonus issues, or other similar changes in HISGL's share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

60. SHARE OPTION SCHEME OF A SUBSIDIARY (continued)

No new share options were granted for the years ended 31 December 2013 and 31 December 2012.

No share option was exercised for the years ended 31 December 2013 and 31 December 2012.

At the balance sheet date, HISGL had 29,987,421 (2012: 32,139,525) share options outstanding under the 2002 Share Option Scheme, which represented approximately 2.15% (2012: 3.51%) of the HISGL's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 29,987,421 (2012: 32,139,525) additional ordinary shares of HISGL and additional share capital of HKD2,998,742 (2012: HKD3,213,953) and share premium of HK\$134,315,324 (2012: HK\$165,467,571) (before issue expenses).

At the date of approval of these consolidated financial statements, HISGL had 29,987,421 (2012: 32,139,525) share options outstanding under the 2002 Share Option Scheme, which represents approximately 2.15% (2012: 3.5%) of HISGL's shares in issue at that date.

61. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 32 and 58 above, the Group had the following material transactions with the associate for the year ended 31 December 2012 and 2013:

	2013	2012
	RMB'000	RMB'000
Administration fee income		
– Fullgoal Fund Management Co. Ltd.	899	991
Interest expense		
– Fullgoal Fund Management Co. Ltd.	(15)	(16)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

61. RELATED PARTY TRANSACTIONS (continued)

The followings are the material transactions between the Group's subsidiary, HFT Investment Management Company Limited and BNP Paribas Investment Partners BE Holding SA ("BNP") (formerly known as Fortis Investment Management S.A.), its non-controlling shareholder and BNP's fellow subsidiaries of the same group: BNP Paribas Investment Partners Japan Ltd, Shinhan BNP Paribas Asset Management Co., Ltd., BNP Paribas Investment Ltd (Asia), BNP Paribas Wealth Management Bank, BNP Paribas Investment Partners Singapore Ltd.

	2013	2012
	RMB'000	<i>RMB'000</i>
Consultancy and financial advisory fee income received and receivable from:		
– Shinhan BNP Paribas Asset Management Co., Ltd.	1,166	399
– BNP Paribas Investment Ltd (Asia)	49,351	71,394
Other expenses paid and payable to:		
– BNP Paribas Investment Partners Japan Ltd	(273)	(529)
– BNP Paribas Wealth Management Bank	(53)	(26)
– BNP Paribas Investment Partners Singapore Ltd	–	(17)
	2013/12/31	2012/12/31
	RMB'000	<i>RMB'000</i>
Accounts receivable from:		
– BNP	–	1,362
– BNP Paribas Investment Ltd (Asia)	3,116	15,834
– Shinhan BNP Paribas Asset Management Co., Ltd.	275	–
Other payables and accrued expenses to:		
– BNP Paribas Investment Partners Singapore Ltd	(5)	–
– BNP	–	(5)
– BNP Paribas Wealth Management Bank	(17)	(7)
– BNP Paribas Investment Partners Japan Ltd	(85)	(156)
– BNP Paribas Investment Ltd (Asia)	(1,069)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

61. RELATED PARTY TRANSACTIONS (continued)

The followings are the material transactions between the Group's subsidiary, Haitong Capital Investment Co., Ltd., and the Group's associates, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited ("Jilin"), Xi'an Aerospace and New Energy Industry Fund ("Xi'an Aerospace") and Shanghai Cultural Industries Investment Fund (Limited Partnership) ("Cultural Industries Fund"):

	2013	2012
	RMB'000	RMB'000
Asset management fee income		
– Jilin	20,000	20,000
– Xi'an Aerospace	20,000	20,000
– Cultural Industries Fund	43,702	14,289

In the year 2013, Cultural Industries Fund acquired the asset management products from Shanghai Haitong Securities Asset Management Company Limited and had transactions with other Group's subsidiaries.

As of 31 December 2013, the total payables of the Group to Cultural Industries Fund' is approximately RMB456,018,000 and the related expenses in profit or loss is approximately RMB24,604,000.

The remuneration of the key management personnel of the Group was as follows:

	2013	2012
	RMB'000	RMB'000
Short-term benefits:		
– Fees, salaries, commission and bonuses	23,301	26,967
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	2,148	1,744
	25,449	28,711

62. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

62. SEGMENT REPORTING (continued)

Specifically, the Group's reportable and operating segments are as follows:

- (a) the brokerage segment engages in the trading of equities, bonds, funds, and warrants, as well as futures on behalf of the customers, and also providing margin financing and securities lending services (the "Securities and futures brokerage" segment);
- (b) the assets management segment mainly offers traditional asset management products and services, private equity asset management business (the "Asset management business" segment) through the Company and qualified subsidiaries in mainland China;
- (c) the proprietary trading segment engages in trading of equities, bonds, funds, derivative and other financial products (the "Proprietary trading" segment) through the Company and qualified subsidiaries in mainland China;
- (d) the investment banking segment provides corporate finance services, including equity underwriting, debt underwriting and financial advisory services to institutional clients (the "Investment banking" segment);
- (e) the direct investment segment makes direct equity investments in private companies and earns capital gains by exiting from these private equity investments through IPOs or share sales, or receives dividends from these portfolio companies. In addition, the Group invests in private equity funds (the "Direct investment" segment);
- (f) the headquarters and others segment mainly represents head office operations, investment holding as well as interest income and interest expense incurred for general working capital purpose (the "Headquarters and others" segment); and
- (g) the overseas operations segment mainly represents the business operation of listed overseas subsidiary of the Company, which mainly engages in broking, margin financing, corporate advisory, placing and underwriting, trading and investment and financial planning and advisory services (the "Overseas operations" segment).

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 years ended 31 December 2012 and 2013.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of share of result of associates, a joint venture and income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding investments in associates, deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

62. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2013 and 2012 is as follows:

Operating and Reportable segment

For the year ended 31 December 2013

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
- External	5,693,470	585,294	2,278,163	708,923	275,298	1,632,764	1,398,279	12,572,191	-	12,572,191
- Inter-segment	732,088	7,933	-	5,558	1,412	1,086,209	10,133	1,843,333	(1,843,333)	-
Other income and gains	33,991	17,407	125,966	1,058	1,369	51,870	(1,118)	230,543	-	230,543
Segment revenue	6,459,549	610,634	2,404,129	715,539	278,079	2,770,843	1,407,294	14,646,067	(1,843,333)	12,802,734
Segment expenses	(4,124,883)	(538,057)	(845,723)	(482,852)	(46,196)	(2,100,782)	(960,881)	(9,099,374)	1,634,448	(7,464,926)
Segment result	2,334,666	72,577	1,558,406	232,687	231,883	670,061	446,413	5,546,693	(208,885)	5,337,808
Share of results of associates and a joint venture	-	(19)	-	-	19,075	77,484	20,400	116,940	-	116,940
Profit before income tax	2,334,666	72,558	1,558,406	232,687	250,958	747,545	466,813	5,663,633	(208,885)	5,454,748
Segment assets and liabilities										
Segment assets	71,403,717	10,297,796	41,357,989	455,282	5,717,223	96,928,602	28,376,112	254,536,721	(88,075,322)	166,461,399
Investments accounted for using equity method										2,231,269
Deferred tax assets										430,935
Group's total assets										169,123,603
Segment liabilities	67,313,271	7,608,785	36,605,300	222,596	62,839	41,621,395	24,007,513	177,441,699	(72,508,840)	104,932,859
Deferred tax liabilities										85,586
Group's total liabilities										105,018,445
Other segment information										
<i>Amounts included in the measure of segment profit or loss:</i>										
Depreciation and amortisation	154,427	13,217	2,612	4,948	571	95,593	35,951	307,319	-	307,319
Impairment losses of available-for-sale investments	-	-	-	-	-	1,165	-	1,165	-	1,165
Reversal of impairment loss in respect of other receivables	1,822	173	-	453	-	(22,613)	-	(20,165)	-	(20,165)
Interest income	1,361,125	59,607	22,309	41	49,891	1,438,893	739,099	3,670,965	-	3,670,965
Interest expenses	332,619	24,549	596,082	-	-	392,505	138,615	1,484,370	-	1,484,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

62. SEGMENT REPORTING (continued)

Operating and Reportable segment (continued)

For the year ended 31 December 2012 (restated)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
- External	3,579,819	935,356	1,731,553	741,950	182,086	2,357,052	964,973	10,492,789	-	10,492,789
- Inter-segment	705,722	56	-	3,106	197	277,056	44,135	1,030,272	(1,030,272)	-
Other income and gains	26,900	26,349	6,000	997	3,913	188,804	(2,405)	250,558	-	250,558
Segment revenue	4,312,441	961,761	1,737,553	746,053	186,196	2,822,912	1,006,703	11,773,619	(1,030,272)	10,743,347
Segment expenses	(2,653,246)	(600,184)	(1,164,834)	(493,969)	(35,114)	(1,770,161)	(736,159)	(7,453,667)	771,692	(6,681,975)
Segment result	1,659,195	361,577	572,719	252,084	151,082	1,052,751	270,544	4,319,952	(258,580)	4,061,372
Share of results of associates	-	(4)	-	-	(6,033)	71,903	-	65,866	-	65,866
Profit before income tax	1,659,195	361,573	572,719	252,084	145,049	1,124,654	270,544	4,385,818	(258,580)	4,127,238
Segment assets and liabilities										
Segment assets	47,918,461	2,706,419	36,191,266	428,099	4,589,822	98,588,484	13,480,794	203,903,345	(79,518,737)	124,384,608
Investments accounted for using equity method										1,727,890
Deferred tax assets										369,606
Group's total assets										126,482,104
Segment liabilities	45,353,571	420,291	32,602,302	176,015	75,910	43,222,241	9,275,089	131,125,419	(65,223,874)	65,901,545
Deferred tax liabilities										149,963
Group's total liabilities										66,051,508
Other segment information										
<i>Amounts included in the measure of segment profit or loss:</i>										
Depreciation and amortisation	168,353	15,239	1,265	4,722	592	87,250	39,420	316,841	-	316,841
Impairment losses of available-for-sale investments	-	(18,476)	773,122	-	-	65,054	27,042	846,742	-	846,742
Reversal of impairment loss in respect of other receivables	10	18	-	72	-	(33,485)	9,384	(24,001)	-	(24,001)
Interest income	593,336	46,583	18,149	511	43,174	1,773,709	403,344	2,878,806	-	2,878,806
Interest expenses	140,129	11	339,556	-	-	198,769	25,939	704,404	-	704,404

The Group operates in two principal geographical areas, the mainland China (excluding Hong Kong) and Hong Kong, representing the location of majority of the income from external customers and non-current assets of the Group. Segment revenue and non-current assets in respect of overseas operations segment are substantially attributable to Hong Kong. The remaining segment revenue and non-current assets are attributable to the mainland China. No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2012 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

63. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at 31 December 2013 and 2012 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2013					
Assets					
Loans and advances to customers	26,531,096	–	934,200	–	27,465,296
Bank balances and cash (including restricted bank deposits)	33,560,390	19,375,834	–	–	52,936,224
Clearing settlement funds (client money)	4,187,852	–	–	–	4,187,852
Financial assets held under resale agreement	–	9,036,993	–	–	9,036,993
Debt securities classified as:					
Financial assets held for trading	–	1,930,419	12,355,725	17,921,624	32,207,768
Available-for-sale investments	–	–	461,996	1,117,674	1,579,670
Held-to-maturity investments	–	281,613	353,349	–	634,962
Loan and receivable investments	–	2,086,056	1,829,199	–	3,915,255
	64,279,338	32,710,915	15,934,469	19,039,298	131,964,020
Liabilities					
Borrowings from banks	–	5,796,395	–	–	5,796,395
Financial assets sold under repurchase agreement	–	26,111,914	335,329	–	26,447,243
Short-term financing bills payable	–	3,000,000	–	–	3,000,000
Placements from other financial institutions	–	1,120,000	–	–	1,120,000
Accounts payable to brokerage clients (money held on behalf of clients only)	37,965,440	–	–	–	37,965,440
Bond Payables	–	759,713	14,789,915	2,390,000	17,939,628
	37,965,440	36,788,022	15,125,244	2,390,000	92,268,706
As at 31 December 2012 (restated)					
Assets					
Loans and advances to customers	10,203,213	1,135,474	–	–	11,338,687
Bank balances and cash (including restricted bank deposits)	36,108,581	15,891,660	320,586	–	52,320,827
Clearing settlement funds (client money)	2,227,863	–	–	–	2,227,863
Financial assets held under resale agreement	–	1,464,969	–	–	1,464,969
Debt securities classified as:					
Financial assets held for trading	–	2,063,689	7,062,034	8,809,817	17,935,540
Available-for-sale investments	–	48,004	745,079	1,458,776	2,251,859
Held-to-maturity investments	–	4,861	651,858	–	656,719
Loan and receivable investments	–	1,894,100	1,278,302	–	3,172,402
	48,539,657	22,502,757	10,057,859	10,268,593	91,368,866
Liabilities					
Borrowings from banks	5,000,000	3,626,314	–	–	8,626,314
Placements from other financial institutions	–	2,150,000	–	–	2,150,000
Financial assets sold under repurchase agreement	–	16,040,561	–	–	16,040,561
Accounts payable to brokerage clients (money held on behalf of clients only)	33,688,378	–	–	–	33,688,378
	38,688,378	21,816,875	–	–	60,505,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

64. FINANCIAL INSTRUMENTS

Categories of financial instruments

THE GROUP

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (restated)
Financial assets		
Loans and receivables	106,376,503	78,880,502
Available-for-sale investments	9,672,778	10,629,277
Financial assets at fair value through profit or loss	47,590,047	32,418,247
Held-to-maturity investments	634,962	656,719
	164,274,290	122,584,745
Financial liabilities		
Amortised cost	97,253,559	64,727,403
Financial liabilities at fair value through profit or loss	6,506,512	134,769
	103,760,071	64,862,172

THE COMPANY

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Financial assets		
Loans and receivables	66,875,722	55,422,263
Available-for-sale investments	8,529,652	6,969,961
Financial assets at fair value through profit or loss	37,525,338	30,631,856
	112,930,712	93,024,080
Financial liabilities		
Amortised cost	67,527,356	49,862,514
Financial liabilities at fair value through profit or loss	46,421	-
	67,573,777	49,862,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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65. FINANCIAL RISK MANAGEMENT

The Group's and the Company's major financial instruments include equity and debt investments, loans and advances to customers, accounts receivable, other receivables, amount due from/to a subsidiary, financial assets held under resale agreements, deposit with exchange, clearing settlement funds, bank balances and cash, pledged bank deposits, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group and the Company's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group and the Company are exposed to price risk arising from individual investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

Price risk exposures are measured using value-at-risk (VaR) at the Company level.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Value at Risk (VaR) analysis

The VaR risk measure estimates the potential loss over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 95% VaR number used by the Group reflects the 95% probability that the daily loss will not exceed the reported VaR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

Value at Risk (VaR) analysis (continued)

VaR methodologies employed to calculate the month end risk numbers include the Variance- Covariance approach.

Historical VaR (95%, one-day) by risk type

	2013 RMB'000	2012 <i>RMB'000</i>
Total VaR exposure	90,000	105,000

Historical VaR (95%, one-day) by risk type

	Average	
	2013 RMB'000	2012 <i>RMB'000</i>
Total VaR exposure	71,000	106,000

Historical VaR (95%, one-day) by risk type

	Minimum	
	2013 RMB'000	2012 <i>RMB'000</i>
Total VaR exposure	32,000	79,000

Historical VaR (95%, one-day) by risk type

	Maximum	
	2013 RMB'000	2012 <i>RMB'000</i>
Total VaR exposure	116,000	139,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

Value at Risk (VaR) analysis (continued)

The subsidiaries of the Company have utilised the effect of stock price variation on net profit and revaluation reserve within the period, rather than VaR methodology, to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and investment revaluation reserve are as follows:

	2013	2012
	RMB'000	RMB'000
Profit for the year		
Increase by 10%	16,632	37,261
Decrease by 10%	(16,632)	(37,261)
Investment revaluation reserve		
Increase by 10%	6,226	10,816
Decrease by 10%	(6,226)	(10,816)

In the above analysis, management also considers the case of an available-for-sale equity investment that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk arises principally from its leveraged foreign exchange business carried out through HISGL. The Group hedges the majority of its client trades in its leveraged foreign exchange business back-to-back with external counterparties, such that the Group is not exposed to significant foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

The other amounts of financial assets and liabilities of the Group are substantially denominated in the functional currency of the respective entity within the Group except that as at 31 December 2013 and 2012, the Group's Hong Kong subsidiaries', whose functional currency is Hong Kong dollar ("HKD"), have significant monetary assets denominated in RMB.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and financial liabilities denominated in RMB for the Group's Hong Kong subsidiaries. The analysis is prepared assuming the financial instruments outstanding at 31 December 2013 were outstanding for the whole year. When reporting to the management on the currency risk, the Company will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB/HKD.

Group

If RMB strengthened/weakened against HKD by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2013 and 2012 would increase/decrease by RMB96,462,000 and RMB37,543, 000 respectively.

Company

If RMB strengthened/weakened against HKD by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2013 and 2012 would increase/decrease by RMB11,680,000 and RMB10,540, 000 respectively.

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 and the Company's exposure to interest rate risk relates primarily to the Group and the Company's bank deposits, loans and advances to customers, amount due from/to a subsidiary, clearing settlement funds, debt securities, accounts payable to brokerage clients and borrowings. Management actively monitors the Group and the Company's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group and the Company are always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank Offered Rate are the major sources of the Group and the Company's cash flow interest rate risk.

The Group and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Company will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

THE GROUP

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year would decrease/increase for the year ended 31 December 2013 and 31 December 2012 by RMB286,799,000 and RMB205,516,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances, accounts payable to brokerage clients and held for trading debt securities; and
- Investment revaluation reserve for the year ended 31 December 2013 and 31 December 2012 would decrease/increase by RMB19,890,000 and RMB32,420,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

THE COMPANY

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the year ended 31 December 2013 and 31 December 2012 would decrease/increase by RMB306,866,000 and RMB228,320,000, respectively. This is mainly attributable to the Company's exposure to interest rates on its bank balances, held for trading debt securities, and accounts payable to brokerage clients; and
- Investment revaluation reserve for the year ended 31 December 2013 and 31 December 2012 would decrease/increase by RMB19,890,000 and RMB32,420,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Group and the Company take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The tables below show the maximum credit risk exposure of the Group and the Company, being the carrying amount of the respective recognised financial assets before the effect of mitigation through the use of collateral.

THE GROUP

	2013	2012
	RMB'000	<i>RMB'000</i>
		(restated)
Loans and advances to customers	27,465,296	11,338,687
Accounts receivable	1,647,258	1,113,355
Other receivables and prepayments	1,889,348	1,205,234
Loan and receivable investments	3,915,255	3,172,402
Held-to-maturity investments	634,962	656,719
Available-for-sale debt investments	1,579,670	2,251,859
Financial assets held under resale agreements	9,036,993	2,234,569
Financial assets at fair value through profit or loss	32,255,415	17,967,406
Deposits with exchanges	3,693,835	3,995,291
Clearing settlement funds	5,751,053	3,050,106
Bank balances and cash	52,586,723	52,000,241
Restricted bank deposits	349,231	320,586
Other assets	41,239	70,637
Maximum credit exposure	140,846,278	99,377,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

THE COMPANY

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Loans and advances to customers	19,517,300	6,392,950
Accounts receivable	12,227	–
Other receivables and prepayments	1,400,354	742,887
Amount due from a subsidiary	251,724	92,557
Available-for-sale debt investments	5,392,885	2,251,859
Loan and receivable investments	–	200,000
Financial assets held under resale agreements	7,657,922	1,464,969
Financial assets at fair value through profit or loss	24,453,808	17,395,468
Deposits with exchanges	1,074,449	1,607,943
Clearing settlement funds	4,365,643	2,211,644
Bank balances and cash	32,586,773	42,286,922
Other assets	9,397	55,947
Maximum credit exposure	96,722,482	74,703,146

Credit exposures arise principally from investments in debt securities, loans and advances to customers, accounts receivable, clearing settlement funds and bank balances which are included in the Group and the Company's asset portfolios.

Credit exposure arising from investments in debt securities and fixed-yield trust products include downgrading of credit rating of the debt securities and/or of its underlying issuers and default of payments by the issuers. Management also closely monitors the credit ratings of respective debt securities on a regular basis and the financial soundness of the underlying issuers.

Credit exposure arising from bank products is considered to be limited as the Group only invest in low-risk bank products issued by state-owned banks and large commercial banks.

The Group and the Company provide clients with margin financing for securities transactions and securities lending to clients, which are secured by clients' securities or deposits held as collateral. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, the Group and the Company review the recoverable amount of each individual at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the client's positions. The Group and the Company seek to maintain strict control over its outstanding receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

There is neither impaired nor overdue other advances to customers as of 31 December 2013 and 31 December 2012. All these other advances to customers are secured and/or backed by guarantee with contractual maturity from 3 months to 3 years. Credit limits are set for borrowers. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management. Accounts receivable from cash clients who are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the respective reporting date.

Accounts receivable from cash clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash clients failed to settle on settlement date, the Group and the Company has a right to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash clients as at 31 December 2013 and 2012 are considered not to be impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group and the Company's major credit exposures are with counterparties domiciled in the PRC as of 31 December 2013 and 2012.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from the market in the capacity of a financial institution, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

THE GROUP

As at 31 December 2013

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 year	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank Borrowing	-	5,801,731	-	-	-	5,801,731
Account Payable to brokerage clients	40,429,567	-	-	-	-	40,429,567
Placements from other financial institutions	-	1,139,818	-	-	-	1,139,818
Financial assets sold under repurchase agreement	-	26,122,749	-	355,490	-	26,478,239
Other payable	1,760,766	-	228,387	-	-	1,989,153
Short-term financing bills payable	-	3,038,145	-	-	-	3,038,145
Bonds Payables	-	759,713	953,486	17,706,180	3,128,915	22,548,294
Financial liabilities at fair value through profit or loss	6,387,290	-	-	-	-	6,387,290
	48,577,623	36,862,156	1,181,873	18,061,670	3,128,915	107,812,237

As at 31 December 2012 (restated)

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 year	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank Borrowing	5,000,704	3,539,239	89,965	-	-	8,629,908
Account Payable to brokerage clients	34,815,410	2,141,413	-	-	-	36,956,823
Placements from other financial institutions	-	2,155,018	-	-	-	2,155,018
Financial assets sold under repurchase agreement	-	16,071,927	-	-	-	16,071,927
Other payable	936,042	-	17,663	-	-	953,705
Financial liabilities at fair value through profit or loss	134,769	-	-	-	-	134,769
	40,886,925	23,907,597	107,628	-	-	64,902,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

THE COMPANY

As at 31 December 2013

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 year RMB'000	5 years and above RMB'000	Total RMB'000
Account Payable to brokerage clients	26,114,368	-	-	-	-	26,114,368
Placements from other financial institutions	-	1,139,818	-	-	-	1,139,818
Amount due to a subsidiary	121,930	-	-	-	-	121,930
Financial assets sold under repurchase agreement	-	24,445,553	-	-	-	24,445,553
Other payable	632,160	-	147,764	-	-	779,924
Short-term financing bills payable	-	3,038,145	-	-	-	3,038,145
Bonds Payables	-	-	732,018	11,615,227	3,128,914	15,476,159
Financial liabilities at fair value through profit or loss	46,421	-	-	-	-	46,421
	26,914,879	28,623,516	879,782	11,615,227	3,128,914	71,162,318

As at 31 December 2012 (restated)

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 year RMB'000	5 years and above RMB'000	Total RMB'000
Bank Borrowing	5,000,704	-	-	-	-	5,000,704
Account Payable to brokerage clients	24,510,316	1,900,016	-	-	-	26,410,332
Placements from other financial institutions	-	2,155,018	-	-	-	2,155,018
Amount due to a subsidiary	11,100	-	-	-	-	11,100
Financial assets sold under repurchase agreement	-	16,071,927	-	-	-	16,071,927
Other payable	232,858	-	17,663	-	-	250,521
	29,754,978	20,126,961	17,663	-	-	49,899,602

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the group or the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-option derivatives, and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group and the Company use valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group and the Company include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's and the Company's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external valuers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group and the Company have established internal control procedures to control the Group's exposure to such financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

The Group

	As at 31 December 2013		As at 31 December 2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	634,962	635,386	656,719	682,213
Financial liabilities				
Non convertible bond payables	17,179,915	17,298,873	–	–
Convertible bond				
– Liability portion	759,713	N/A	–	N/A
– Equity portion	25,395	N/A	–	N/A
Total of convertible bond	785,108	894,937	–	–

The Company

	As at 31 December 2013		As at 31 December 2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Non convertible bond payables	11,956,416	11,825,052	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value (continued)

Fair value hierarchy of financial instruments not measured at fair value

The Group

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	635,386	–	–	635,386
Financial liabilities				
Bond payables	–	18,193,810	–	18,193,810

The Company

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bond payables	–	11,825,052	–	11,825,052

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group and the Company's statements of financial position approximate their fair values.

Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2013 <i>In RMB'000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate swaps and equity linked notes	Derivative instruments	47,647 (Asset) 51,801 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties. The fair value of the equity linked note was determined with reference to the quoted price of the underlying equity instruments.	N/A	N/A
2) Equity investments (non- restricted shares), funds and debt investments listed in exchange	Financial assets/liabilities at fair value through profit or loss Available-for-sale investments	32,116,628 (Asset) 113,842 (Liabilities) 3,209,279	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Debt investments in interbank market	Financial assets at fair value through profit or loss Available-for-sale investments	8,676,272 262,878	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
4) Unlisted fund investments	Financial assets at fair value through profit or loss Available-for-sale investments	6,749,501 764,065	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2013 <i>In RMB'000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Available-for-sale investments	2,537,513	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
6) Restricted shares and funds	Available-for-sale investments	274,078	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the discount, the lower the fair value.
7) Financial liabilities held for trading	Financial liabilities held for trading	6,340,869	Level 2	Based on the net asset values of the structured entities, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE GROUP

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	397,499	–	112,131	509,630
Financial services	474,635	–	–	474,635
Information transmission, software and information technology	20,084	–	–	20,084
Mining	84,373	–	–	84,373
Construction	25,852	–	–	25,852
Electricity, heat, gas and water production and supply	13,419	–	–	13,419
Transportation, storage and postal services	416,630	–	–	416,630
Wholesales and retail	31,572	–	–	31,572
Real Estate	64,438	–	–	64,438
Water conservancy, environment and public facilities management	10,944	–	–	10,944
Farming, forest, herd, fishery	10,092	–	76,215	86,307
Culture, sports and entertainments	–	–	75,241	75,241
Leasing and business services	8,137	–	–	8,137
Comprehensive	13,990	–	–	13,990
Other equity investments	–	–	–	–
– Debt securities				
Corporate bonds	1,316,792	233,676	–	1,550,468
Others	–	29,202	–	29,202
– Funds	320,822	764,065	10,491	1,095,378
– Other Investments				
Asset management plans	–	2,261,444	–	2,261,444
Trusts	–	276,069	–	276,069
Subtotal	3,209,279	3,564,456	274,078	7,047,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE GROUP (continued)

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	3,055,888	–	–	3,055,888
Financial services	1,754,542	–	–	1,754,542
Information transmission, software and information technology	351,697	–	–	351,697
Mining	289,632	–	–	289,632
Construction	237,590	–	–	237,590
Electricity, heat, gas and water production and supply	204,791	–	–	204,791
Transportation, storage and postal services	134,717	–	–	134,717
Wholesales and retail	201,504	–	–	201,504
Real Estate	243,092	–	–	243,092
Water conservancy, environment and public facilities management	105,256	–	–	105,256
Farming, forest, herd, fishery	58,401	–	–	58,401
Culture, sports and entertainments	168,356	–	–	168,356
Leasing and business services	66,010	–	–	66,010
Comprehensive	45,741	–	–	45,741
Scientific research and technical services	19,522	–	–	19,522
Accommodation and catering industry	3,875	–	–	3,875
Health and social work	15	–	–	15
– Debt securities				
Corporate bonds	19,871,678	7,203,121	–	27,074,799
Government bonds	3,637,796	–	–	3,637,796
Other bonds	22,023	1,473,151	–	1,495,174
– Funds	1,644,502	6,749,501	–	8,394,003
Subtotal	32,116,628	15,425,773	–	47,542,401
Derivative financial assets	–	47,647	–	47,647
Total	35,325,907	19,037,876	274,078	54,637,861
Derivative financial liabilities	–	51,801	–	51,801
Held for trading financial liabilities	113,842	6,340,869	–	6,454,711
Total	35,212,065	12,645,206	274,078	48,131,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE GROUP (continued)

As at 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments	4,756,408	1,967,810	1,233,494	7,957,712
Financial assets at fair value through profit or loss	17,076,139	15,342,108	–	32,418,247
Subtotal	21,832,547	17,309,918	1,233,494	40,375,959
Financial liabilities at fair value through profit or loss	134,769	–	–	134,769

THE COMPANY

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	385,410	–	–	385,410
Financial services	474,635	–	–	474,635
Information transmission, software and information technology	20,084	–	–	20,084
Mining	84,373	–	–	84,373
Construction	25,852	–	–	25,852
Electricity, heat, gas and water production and supply	13,419	–	–	13,419
Transportation, storage and postal services	416,630	–	–	416,630
Wholesales and retail	31,572	–	–	31,572
Real Estate	64,438	–	–	64,438
Water conservancy, environment and public facilities management	10,944	–	–	10,944
Farming, forest, herd, fishery	10,092	–	76,215	86,307
Culture, sports and entertainments	–	–	75,241	75,241
Leasing and business services	8,137	–	–	8,137
Comprehensive	13,990	–	–	13,990
– Debt securities				
Corporate bonds	1,316,792	233,676	–	1,550,468
Others	–	3,842,417	–	3,842,417
– Funds	249,891	–	10,491	260,382
– Other Investments				
Asset management plans	–	1,070,174	–	1,070,174
Subtotal	3,126,259	5,146,267	161,947	8,434,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE COMPANY (continued)

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	2,795,492	–	–	2,795,492
Financial services	1,537,181	–	–	1,537,181
Information transmission, software and information technology	328,974	–	–	328,974
Mining	263,418	–	–	263,418
Construction	199,097	–	–	199,097
Electricity, heat, gas and water production and supply	172,850	–	–	172,850
Transportation, storage and postal services	118,629	–	–	118,629
Wholesales and retail	176,469	–	–	176,469
Real Estate	217,189	–	–	217,189
Water conservancy, environment and public facilities management	102,025	–	–	102,025
Farming, forest, herd, fishery	48,624	–	–	48,624
Culture, sports and entertainments	162,059	–	–	162,059
Leasing and business services	63,932	–	–	63,932
Comprehensive	42,083	–	–	42,083
Scientific research and technical services	19,522	–	–	19,522
– Debt securities				
Corporate bonds	14,646,927	5,572,123	–	20,219,050
Government bonds	3,577,744	–	–	3,577,744
Other bonds	503	656,511	–	657,014
– Funds	1,413,719	5,410,267	–	6,823,986
Subtotal	25,886,437	11,638,901	–	37,525,338
Derivative financial assets	–	–	–	–
Total	29,012,696	16,785,168	161,947	45,959,811
Derivative financial liabilities	–	46,421	–	46,421
Total	29,012,696	16,738,747	161,947	45,913,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE COMPANY (continued)

As at 31 December 2012 (restated)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments	4,599,278	1,340,310	935,194	6,874,782
Financial assets at fair value through profit or loss	16,473,403	14,158,453	–	30,631,856
Subtotal	21,072,681	15,498,763	935,194	37,506,638

There were no transfers between instruments in Level 1 and Level 2 during the year ended 31 December 2013.

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2013.

THE GROUP

	Restricted Equity Securities				Restricted fund RMB'000	Trust RMB'000	Total RMB'000
	Manufacturing RMB'000	Transportation RMB'000	Entertainment RMB'000	Farming RMB'000			
As at 1 January 2013	860,684	113,800	–	–	9,010	250,000	1,233,494
Total gains or losses – in other comprehensive income	1,511	13,600	241	11,115	1,481	–	27,948
Purchase	49,691	–	75,000	65,100	–	–	189,791
Transfer out	(799,755)	(127,400)	–	–	–	(250,000)	(1,177,155)
As at 31 December 2013	112,131	–	75,241	76,215	10,491	–	274,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

THE COMPANY

	Restricted Equity Securities				Restricted fund	Trust	Total
	Manufacturing	Transportation	Entertainment	Farming			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	812,384	113,800	-	-	9,010	-	935,194
Total gains or losses							
- in other comprehensive income	(12,629)	13,600	241	11,115	1,481	-	13,808
Purchase	-	-	75,000	65,100	-	-	140,100
Transfer out	(799,755)	(127,400)	-	-	-	-	(927,155)
As at 31 December 2013	-	-	75,241	76,215	10,491	-	161,947

The transfer out of Level 3 was due to the termination of restricted period of restricted shares and the financial assets have been transferred out of Level 3.

Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of its business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") and "The Provisions on Adjusting the Basis of Calculation of the Net Capital of Securities Companies (amended in 2013)" (CSRC Announcement [2013] No.37) issued by the China Securities Regulatory Commission (CSRC), the comparative figures have been restated in accordance with the related regulations, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 40% ("Ratio 2");

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

65. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 20% ("Ratio 4");
5. The ratio between the value of equity securities, derivatives held and its net capital shall not exceed 100% ("Ratio 5"); and
6. The ratio between the value of fixed income securities held and net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2012 and 2013, the Company has maintained the above ratios as follows:

	2013/12/31	2012/12/31
Net capital (RMB'000)	39,041,418	38,677,731
Ratio 1	1281.41%	1578.16%
Ratio 2	64.73%	66.72%
Ratio 3	91.93%	159.73%
Ratio 4	142.01%	239.42%
Ratio 5	37.12%	39.59%
Ratio 6	94.23%	66.35%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRS and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

THE GROUP

As at 31 December 2013 in RMB'000	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
Description	Gross amounts of recognised financial assets	Gross liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				(d)(i) Financial instruments	(d)(ii) Cash collateral received	
Derivative instruments (note 45)	117,396	(69,749)	47,647	3,389	–	44,258
Accounts receivable from brokers, dealers and clearing house (note 30)	2,551,370	(1,182,547)	1,368,823	–	–	1,368,823

THE COMPANY

As at 31 December 2013 in RMB'000	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
Description	Gross amounts of recognised financial assets	Gross liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				(d)(i) Financial instruments	(d)(ii) Cash collateral received	
Derivative instruments (note 45)	68,571	(68,571)	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

THE GROUP

As at 31 December 2013 in RMB'000	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	
					Net amount	
Pending payable to clearing house (<i>note 43</i>)	(1,554,104)	1,182,547	(371,557)	–	–	(371,557)
Derivative instruments (<i>note 45</i>)	(46,421)	–	(46,421)	–	–	(46,421)

THE COMPANY

As at 31 December 2013 in RMB'000	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	
					Net amount	
Derivative instruments (<i>note 45</i>)	(46,421)	–	(46,421)	–	–	(46,421)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collaterals of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, borrowing with collateral, advances to customers and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As of 31 December 2013, the fair value of the collaterals related to the above items exceed the book value of those financial instruments, net exposure and net amount are insignificant after setting off the collaterals.

67. SUBSEQUENT EVENT

(1) Business Combination

Upon the approval on the twentieth meeting of the Fifth Board of Directors, HTIH (a wholly-owned subsidiary of the Company) and UT Capital Holdings, an independent third party, entered into the Sale and Purchase Agreement on 25 September 2013, based on which, HTIH agreed to acquire 100% shares of UT Capital Group from UT Capital Holdings with a consideration of USD715 million which including the finance costs between acquisition date and delivery day. As of 15 January 2014, the acquisition has been completed, under the approval from CSRC and Shanghai Finance Services Office, and the review by the Ministry of Commerce. UT Capital Group include its two wholly-owned subsidiaries: UniTrust, UniFortune, and UniCircle, an indirectly wholly-owned subsidiary held by Unitrust. UT Capital Group mainly engages in leasing business (including finance leasing and operating leasing). Up to the date of these consolidated financial statements, the Group is in the process of assessing the financial impact.

(2) Profit distribution resolution

On 28 March 2014, based on a total of 9,584,721,180 shares in issue as at 31 December 2013, the board of directors of the Company proposed a cash dividend of RMB1.20, per 10 shares (including tax), or a total of RMB1,150,166,541.60, to both A and H share shareholders who are registered in the register of shareholders on the record date.

The cash dividend will be calculated and declared in RMB, and paid in RMB to A share shareholders and in HKD equivalent to H share shareholders. The actual HKD amount will be converted from RMB at the average benchmark exchange rate of the last 5 working days published by the People's Bank of China before the 2013 annual general meeting.

After the profit distribution resolution has been approved by the annual general meeting, the cash dividend will be paid out within two months from the date of approval.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2013 and up to the date of these consolidated financial statements.